Jeff Hughes
*Head of Democratic and Legal
Support Services*

MEETING	**:**	AUDIT COMMITTEE
VENUE	**:**	COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE	**:**	WEDNESDAY 16 MARCH 2016
TIME	**:**	7.00 PM

> **PLEASE NOTE TIME AND VENUE**

MEMBERS OF THE COMMITTEE

Councillor W Mortimer (Chairman)
Councillors B Deering, I Devonshire, (Vice Chairman) P Kenealy, P Phillips,
S Stainsby and J Taylor

> **CONTACT OFFICER: LORRAINE BLACKBURN**
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DISCLOSABLE PECUNIARY INTERESTS

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

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

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

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

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

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

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

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

4.   It is a criminal offence to:

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

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

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.

AGENDA

1. Training item - Introduction to EY (Ernst and Young - External Auditors)

2. Apologies

    To receive apologies for absence.

3. Minutes (Pages 7 - 12)

    To confirm the Minutes of the meeting held on 20 January 2016

4. Chairman's Announcements

5. Declarations of Interest

    To receive any Member's Declarations of Interest.

6. External Audit - Audit Plan (Pages 13 - 42)

7. Shared Internal Audit Service - Audit Plan 2015-16: Update Report (Pages 43 - 60)

8. Shared Internal Audit Service - Audit Plan 2016/17 (Pages 61 - 82)

9. Shared Anti-Fraud Services (SAFS) Position Statement (Pages 83 - 128)

10. Update on Implementation of Annual Governance Statement Action Plan (Pages 129 - 138)

11. Risk Management Monitoring Report 1 October 2015 to 31 December 2015 (Pages 139 - 148)

12. Risk Management Strategy (Pages 149 - 176)

13. Audit Committee - Work Programme (Pages 177 - 182)

14. Urgent Business

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

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MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 20
JANUARY 2016, AT 7.00 PM

PRESENT: Councillor W Mortimer (Chairman).
              Councillors B Deering, I Devonshire,
              P Phillips and S Stainsby.

ALSO PRESENT:

              Councillors P Ruffles and G Williamson.

OFFICERS IN ATTENDANCE:

              Lorraine Blackburn   - Democratic
                                        Services Officer
              Chris Gibson   - Head of
                                        Governance and
                                        Risk Management
              Philip Gregory   - Head of Strategic
                                        Finance
              Graham Mully   - Risk Assurance
                                        Officer
              Adele Taylor   - Director of Finance
                                        and Support
                                        Services

ALSO IN ATTENDANCE:

              Alan Cooper   - Shared Internal
                                        Audit Service
              Debbie Hanson   - Ernst Young LLP
              Francesca Palmer   - Ernst Young LLP

518   TRAINING ITEM – RISK MANAGEMENT

The Risk Assurance Officer provided a presentation on Risk
Management. He explained what risk management was and
why the Council managed risk, including the benefits of risk
management. He explained only the highest 10 – 15 priority

risks in terms of those which were operational (day to day) or strategic, were monitored by Officers and how these were carried out; and Officers' roles and responsibilities. The Risk Assurance Officer explained that Officers were trying to reduce insurances costs now that the Council had an Insurance Reserve by funding risks itself guided by claim trends. He explained that it was essential to ensure that the process remained robust.

In response to a query from Councillor R Deering regarding self-insurance its impact on deductibles and savings which could be achieved, the Risk Assurance Officer explained that a lot of the Council's equipment could be self-funded but that a full actuarial review needed to take place.   He explained that the Council paid out £280,000 insurance costs and that insurance costs were determined by its pay role and numbers of staff employed but that by going out to tender could be a way of achieving savings.

The Chairman thanked the Officer for the presentation. The Committee received the report.

> RESOLVED – that the presentation be received.

519   APOLOGIES

Apologies for absence were received from Councillors J Cartwright and P Kenealy.

520   MINUTES – 25 NOVEMBER 2015

Councillor P Deering referred to Minute 425 (Minutes) regarding the issue of pensions and the Council's deficit and what plans the Council was making to eliminate the deficit. The Director of Finance and Support Services explained that the pension scheme was managed by the Pension Board and Hertfordshire County Council and that the Council made payments based on actuarial advice. She explained that provision for these payments were made in the Medium Term Financial Plan (MTFP). The Director of Finance and Support Services explained that the Council was funding up to 81% of the pension fund which was higher than any other local

council. In response to a further question from Councillor B Deering, the Director of Finance and Support Services undertook to provide all Members with past reviews and historical documentation on previous pension reviews and actuarial advice.

>RESOLVED - that the Minutes of the meeting held on 25 November 2015 be confirmed as a correct record and signed by the Chairman.

521   CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Francesca Palmer and Debbie Hanson from Ernst Young LLP, the Council's new External Auditors.

522   EXTERNAL AUDIT – GRANTS CLAIM CERTIFICATION WORK 2014/15

The Director of Finance and Support Services submitted a letter from the Council's former External Auditors regarding certification work for the 2014/15 financial year relating to expenditure of £36.2M. It was noted that the claim form was amended and qualified in relation to a sum of £238; this related to an issue of classification of tenants in short term accommodation.

The External Auditor confirmed that, they were satisfied that the Council had appropriate arrangements in place to compile and complete accurate and timely claims for audit certification.

The Committee received the report.

>RESOLVED – that the report be received.

523   TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17

The Executive Member for Finance submitted a report which set out the 2016/17 Treasury Strategy Statement and Annual Investment Strategy and Prudential

Indicators. The Head of Strategic Finance provided a
summary of the report. It was noted that the report had
also been submitted to the joint meeting of Scrutiny
Committees for that Committee's consideration prior to
consideration by the Executive.

In response to a query from the Chairman regarding the
actual gross debt as at 31 March, the Head of Strategic
Finance explained that the Council paid interest only and
that the capital was still outstanding which impacted on
the actual gross debt.

Members received the report and resolved to recommend
to the Executive the recommendations as now detailed in
the report.

> RESOLVED – that (A) the Treasury Management
> Strategy and Annual Investment Strategy detailed
> in paragraphs 2.1 – 2.2 be recommended for
> submission to the Executive;
>
> (B) the prudential indicators detailed in paragraph
> 2.3 be recommended for submission to the
> Executive; and
>
> (C) the counterparty listed detailed in paragraph
> 2.4 of the report submitted, be recommended for
> submission to the Executive.

524   SHARED INTERNAL AUDIT SERVICE – AUDIT PLAN
        UPDATE REPORT

The Shared Internal Audit Service submitted a report detailing
the progress made by SIAS in delivering the Council's Annual
Audit Plan for 2015/16 as at 1 January 2016. The report
proposed amendments to the approved 2015/16 Audit Plan as
detailed within the report and provided the implementation
status of previously agreed high priority audit
recommendations. The report also provided an update on
performance management information as at 1 January 2016.
The SIAS Officer provided a summary of the report.

In response to a query from Councillor B Deering regarding the length of time taken to put in place the Business Continuity Plan, the Director of Finance and Support Services explained the background to the internal audit work carried out in 2011; the new infrastructure now in place and the need to ensure that all the new work was properly signed off. She assured the Member that this would be completed by March 2016. The Chairman welcomed the cautious monitoring approach.

In response to a query by Councillor S Stainsby in terms of whether any further support was needed by the Shared Internal Audit Service from the Council or whether other reviews were needed. SIAS confirmed that they were happy with the ongoing support from the Council and that it looked at the local risk registers and joint working arrangements to develop plans with other local authorities. The Director of Finance and Support Services referred to new developments this year in relation to the new Shared Anti-Fraud Service which would be included within the internal audit plan.

The Committee approved the report.

> RESOLVED – that (A) the Internal Audit Progress report be noted;
>
> (B)   the amendments to the Audit Plan as at 1 January 2016 and as now submitted, be approved; and
>
> (C) the status of high priority recommendations be noted.

525   UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted a report in relation to the 2014/15 Annual Governance Statement and the three measures recommended to enhance East Herts Council's internal control framework during 2015/16. The report also provided details of proposed actions which needed to take place prior to confirmation being given that adequate and effective

controls were fully in place. The Head of Governance and Risk Management provided a summary of the report, highlighting those which were now "green" and those which had turned "amber".

Members noted the progress made against implementing the 2015/16 Annual Governance Statement Action Plan.

> RESOLVED – that the progress made against implementing the Action Plan detailed in the 2015/16 Annual Governance statement be noted.

526   AUDIT COMMITTEE WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee during 2016/17.

The Chairman referred to the full agenda for the next meeting and asked Members to let him know their preferred training requirements for the next meeting.

Members approved the work programme, as now detailed.

> RESOLVED – that the work programme, as now detailed, be approved.

The meeting closed at 7.50 pm

Chairman   ....

Date   ....

East Hertfordshire District Council

Year ending 31 March 2016

Audit Plan

March 2016

Ernst & Young LLP

EY
Building a better
working world

EY
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working world

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Audit Committee   2 March 2016
East Hertfordshire District Council
Wallfields
Pegs Lane
Hertford
SG13 8EQ

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 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 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.

We welcome the opportunity to discuss this Audit Plan with you on 16 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

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Debbie Hanson
For and behalf of Ernst & Young LLP
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Contents

1. Overview

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 2016 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.

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

In parts two and three of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are set out in section four.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ► Reviewing accounting estimates for evidence of management bias, and ► Evaluating the business rationale for significant unusual transactions
Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition	Our approach will focus on: ► Reviewing and testing revenue and expenditure recognition policies ► Reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias ► Developing a testing strategy to test material revenue and expenditure streams ► Reviewing and testing of revenue cut-off at the period end date ► Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised

Other financial statement risks	
Purchase of Old River Lane	
The Council has purchased a significant investment property in Bishops Stortford, part of which it had previously owned. This is a significant transaction with a value of £20.5 million which is outside the Councils normal activities. We will therefore consider this specifically as part of our audit work to ensure this has been correctly reflected in the Council's financial statements.	Our approach will focus on ensuring the acquisition , and any subsequent revaluation of the asset, has been correctly accounted for and appropriately disclosed in the financial statements.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning

mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ► Identifying fraud risks during the planning stages;

- ► Enquiry of management about risks of fraud and the controls 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 any identified risks of fraud, and,

- ► Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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.
For 2015/16 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 which 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 considers both the potential financial impact of the issues we identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our work to date, which is still in progress, has identified the following significant risk which we view as relevant to our value for money conclusion. We update our risk assessment throughout our audit and will update you on any changes to that assessment.

Significant value for money risks	Our audit approach
Sustainable resource deployment: Achievement of savings needed over the medium term	
To date the Council has responded well to the financial pressure resulting from the continuing economic downturn.	Our approach will focus on:
However, the Council continues to face significant financial challenges over the next three to four years, with uncertainty in the levels of future funding it will receive.	► The adequacy of the Council's budget monitoring process, comparing budget to outturn.
The paper to the February 2016 Executive meeting on the Council's Budget for 2016/17 sets out the need to generate efficiency savings/income of £1.3 million over the next four years (2016/17 to 2019/20).	► The robustness of any assumptions used in medium term planning.
One specific area of uncertainty highlighted in this report is the £3 million of New Homes Bonus Grant currently included in the budget each year. Officers have noted that there could be significant changes to	► The Council's approach to prioritising resources whilst maintaining services.
	► The savings/income plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term.

this funding in future years as a result of the Department for Communities and Local Government's consultation on the New Homes Bonus.

Given the scale of the savings needed and the uncertainties in future funding streams, there is a risk to the Council's future financial position.

Informed decision making: Purchase of Old River Lane

As noted in section 2 of this Plan, the Council has purchased a significant investment property in Bishops Stortford, part of which it had previously owned. This is a significant transaction outside the Councils normal activities.

We will therefore consider this as part of our value for money conclusion to ensure this significant purchase is supported by informed decision making arrangements.

Our approach will focus on ensuring the arrangement supporting the acquisition decision:

► Demonstrate the application of the principles and values of sound governance.

► Have used appropriate and reliable financial and performance information to support the decision.

► Provide evidence that the risk related to the acquisition have been clearly identified and managed effectively.

4.   Our audit process and strategy

4.1   Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

► Financial statements

► 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 and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

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.

4.2   Audit process overview

Our intention is to carry out a fully substantive audit in 2015-16, as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2015-16, 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. We will review the work completed by internal audit as part of this element of our work.

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

► Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

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

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit

team. The areas where we currently expect either EY or other specialists provide input for the current year audit are:

Area	Specialists
Property valuations (property, plant and equipment and investment assets)	Management specialist – valuers employed by the Council
Pensions valuation and disclosures	EY Pensions Advisory, PwC (Consulting Actuary to the PSAA) and Hymans Robertson LLP (Hertfordshire Pension Fund actuary)

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 environment 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 expert to establish whether the source date 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.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must 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;

► 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.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4　Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1.5 million based on 2% of gross operating expenditure. We will communicate uncorrected audit misstatements greater than £75,700 to you.

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

4.5　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 NAO Code. The indicative fee scale for the audit of East Hertfordshire District Council is £52,331.

4.6　Your audit team

The engagement team is led by Debbie Hanson who has taken over from Mick West. Debbie has significant experience of district council audits. She is supported by Francesca Palmer who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's finance team.

4.7　Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Finance, Audit and Risk Committee timetable	Deliverables
High level planning, including understanding routine processes and controls	December		
Risk assessment and setting of scopes	January/February	March	Audit Plan

Year-end audit and completion of audit	**July/August**	**September**	Report to those charged with governance via the Audit Results Report
			Audit report (including our opinion on the financial statements; and, overall value for money conclusion).
			Audit completion certificate
			Reporting to the NAO on the Whole of Government Accounts return
Conclusion of reporting	**October**	**November**	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5.   Independence

5.1   Introduction

The APB Ethical Standards and ISA (UK and Ireland) 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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 EY including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, 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 we are independent; ► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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

5.2   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 any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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 the Council.

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 the Council has approved and that are in compliance with PSAA Terms of Appointment.

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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

Self-review threats

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

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

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions 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.

Overall Assessment

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

5.3   Other required communications

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 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 ended June 2015 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015

Appendix A   Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16	Scale fee 2015/16
	£	£
Opinion Audit and VFM Conclusion	52,331	52,331
Total Audit Fee – Code work	**52,331**	**52,331**
Certification of claims and returns [1]	8,316	8,316

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;

► Our accounts opinion and value for money conclusion being unqualified;

► Appropriate quality of documentation is provided by the Council; and

► The Council has an effective control environment.

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

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

[1] Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B   UK required communications with those charged with governance

There are certain communications that we must provide to the Finance, Audit and Risk Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
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	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Finance, Audit and Risk 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	► Report to those charged with governance
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	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
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 Finance, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Risk Committee may be aware of	► Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director'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 ► Report to those charged with governance
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	► Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	► Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Report to those charged with governance ► Annual Audit Letter if considered necessary
Opening Balances (initial audits) ► Findings and issues regarding the opening balance of initial audits	Report to those charged with governance
Certification work ► Summary of certification work undertaken	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

Local government audit committee briefing

Contents at a glance

This sector briefing is one of the ways that we see as supporting you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the local government sector and the audits that we undertake.

The public sector audit specialists in EY's national Government and Public Sector (GPS) team have extensive public sector knowledge which is supported by the wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authorities.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local engagement team.

EY
Building a better working world

Government and economic news

EY Item Club forecast

In its latest quarterly forecast (Winter) the EY Item Club highlights that what it terms the UK consumer's "holiday" from inflation and austerity in 2015 is expected to continue well into 2016, aided by the sharp fall in oil and other commodity prices, and the Chancellor's change of heart on working tax credits.

Whilst the global situation is clearly fragile, the UK is seen to be well placed to ride out the storms. Growth is expected to increase from the revised 2.2% in 2015 to 2.6% this year, being supported by low inflation and interest rates. The CPI is forecast to increase by just 0.7% and they do not expect the Bank of England Monetary Policy Committee to increase bank rate until late in the year.

Looking further forward, the forecast is for inflation and austerity to return, with GDP growth of 2.3% in 2017 and 2.2% in 2018 and consumer spending growth dropping from 2.8% in 2016 of 2.1% in 2017 and 1.7% in 2018. Highlighted as impacting on this are the increasing taxes and levies on consumers and companies, and the roll-out of Universal Credit (which will claw back this Autumn's concessions to low earners). Inflation is expected to increase to 1.8% by 2018, remaining below the MPC target until 2019.

Continuing uncertainty over the EU Referendum could potentially hit business investment this year, as businesses wait to see the result, but momentum in the UK and other economies is seen as supporting capital spending this year.

Local Government Devolution

Towards the end of 2015, Birmingham and Liverpool each agreed devolution deals with Treasury which gives them control over infrastructure investment, transport and skills. This brings the total of devolution deals to 6:

► Birmingham

► Liverpool

► Greater Manchester

► Sheffield

► North East

► Tees Valley

Each area will need to elect a metro mayor, with elections expected to take place in 2017.

For Birmingham, £1.2bn of government investment is anticipated over the next 30 years, and for Liverpool the expectation is £30mn per year over the next three decades.

Read the government announcements in full at https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine and https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse.

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Government and economic news

Spending Review 2015

Some headlines from the Spending Review 2015 include:

► The intention to be running a £10bn surplus by 2019/20.

► Tax credit taper rates and thresholds will remain unchanged.

► Council tax increases of 2% to support social care will be permitted. Local Police and Crime Commissioners will have the power to increase their share of council tax by 2% from April 2016.

► From 2020, local government will retain 100% of business rates collected. The system of top ups and tariffs redistributing revenues between local authorities will be retained. The uniform rate will be abolished; allowing local areas to cut business rates if they choose to do so in order to win new jobs and generate wealth.

► Police and schools funding will be protected in line with inflation.

Read more at:

https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015

The Government has also consulted on the 2016-17 settlement. Further details available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486730/Provisional_settlement_consultation_document.pdf.

Consultation: New Homes Bonus

In 2011 the New Homes Bonus was introduced to incentivise local authorities to encourage housing growth in their areas. Since 2011, £3.4bn has been allocated to support the delivery of 700,000 new homes and the return of 100,000 long term empty homes to use.

The Department for Communities and Local Government (DCLG) has released a consultation which seeks views on potential changes to the New Homes Bonus. The changes are intended to "better reflect authorities' delivery of new housing". Other proposed changes include introducing a reduction to the number of years in which current and future payments are made, from six years to four years.

See full details of the consultation as well as methods for responding at:

https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation

The deadline for response is 10th March 2016.

Government and economic news

Local Authority Revenue Expenditure and Financing

During November 2015, statistics for 2014-15 on revenue expenditure and financing with local government were released by the Department for Communities and Local Government.

Some highlights include:

Total revenue expenditure by local authorities in England reduced by 0.5% in 2014-15, from £96.4bn in 2013-14 to £95.9bn, however, excluding spend on Education (30.7% of total net current expenditure) there was an increase of 1.5% from £60.5bn in 2013-14 to £61.5bn.

Net current expenditure on education saw the largest decrease, which was largely driven by schools achieving academy status and therefore receiving central expenditure, and by the reclassification of some services to Children and Families Social Care services (which saw a £1.2bn increase for this reason).

Local Authorities added £0.9bn to reserves in 2014-15 as compared to £2.4bn in 2013-14. This takes total reserves to £22.5bn and means that the last 15 years has seen a significant increase in the amount held by local authorities in non-ringfenced reserves. Communities Secretary Greg Clark has noted this increase and said:

"With local government accounting for a quarter of all public spending, it is right that they are called on to play their part in dealing with the deficit.

Today's figures show how they are well placed to do so, with local authorities holding £22.5bn held in non-ringfenced reserves – up 170% in real terms over the last 15 years.

As we continue to secure our country's economic future and cut the deficit, now is the time to make efficient use of their assets and resources to provide the services local people want to see."

Public Finance has published an article available at http://www.publicfinance.co.uk/news/2015/11/mounting-reserves-leave-councils-well-placed-make-cuts-says-clark, and the full publication is available at https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-in-england-2014-to-2015-final-outturn

Response to flooding

The Bellwin scheme, which compensates eligible authorities for exceptional costs incurred in incidents like flooding, has been opened for councils affected by floods resulting from storms Desmond and Eva.

Authorities are eligible for costs under the scheme when they have spent more than 0.2% of their calculated annual revenue budgets on works.

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Government and economic news

Bellwin allows eligible authorities to apply to have 100% of their costs above threshold reimbursed by the government.

Eligible authorities include:

► Councils

► Policing bodies

► Fire and rescue authorities

► National Park authorities

For more information see https://www.gov.uk/government/news/north-west-england-floods-2015-government-response.

Council Tax support

A review into the effectiveness of Council Tax support schemes across the country has been initiated, led by Member of Parliament, Eric Ollerenshaw, OBE.

Council Tax Benefit was reformed from 2013-14 to give councils the power to design their own schemes and align them to local needs. This review is intended to examine the implementation of this change and to consider whether or not this support should be part of the Universal Credit payments in the future.

Further details of the review are available at:

https://www.gov.uk/government/news/launch-of-review-into-council-tax-support.

Public sector exit payment recovery regulations

The government is consulting on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015. These regulations allow for the recovery of exit payments following the return of a high earner to the public sector within a year of their initial departure.

Changes made to the policy since the previous consultation include:

► The minimum earnings threshold for individuals subject to the recovery provisions has been lowered from £100,000 to £80,000

► The policy has been extended to include qualifying returns to any part of the public sector, rather than only to the same part of the public sector

► Introduction of a tapered recovery period for 12 months from the exit date

► Recovery will now include employer funded pension 'top up' payments made under the Local Government Pension Scheme.

Public sector organisations that are in scope and those are that are proposed to be exempt are included in the draft regulations.

Following this consultation, the regulations will go through Parliamentary scrutiny, and the intention is that the policy will take effect from April 2016.

Read more at https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses.

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Accounting, auditing and governance

Faster Close update

Since our think piece 'accelerating your financial close arrangements' in the summer – we have worked together with our clients to successfully deliver another round of financial statements audits.

We have seen again a number of our clients achieve the earlier 31 July deadline – three years ahead of schedule. Nationally, 5% of opinions were issued by 31 July for 2014-15.

At other clients, we have seen a shortening of the actual audit window as both preparers and auditors refine the operational timetable in readiness for 2017-18 audits.

The think piece set out some areas where preparers can hone their closedown plans and work with their auditors in the run up to the revised timetable. Discussions with clients around the country are showing encouraging signs that finance teams are already grasping the issue and working on solutions to enable them to prepare and submit draft financial statements and supporting working papers to the auditor by 31 May. Twenty-one percent of our clients have committed to this earlier target for the 2015-16 audits.

On our side, as a firm, we are reviewing how we can streamline our audit approach, to provide maximum ability to undertake early substantive testing across a Month 8-10 window, thereby reducing some pressure in the key June – July audit window. This may not work in all cases, because of the budget setting process, so other ways of streamlining the audit approach are also being developed.

In addition, we are addressing the resourcing challenge that this presents to audit firms, with a significant recruitment campaign to enable us to continue to deliver exceptional client service across the entire sector. This will require us to phase our audits, at both an interim and final audit stage to allow us greater flexibility in resource deployment and audit clients should be prepared to have bigger audit teams on site for shorter periods of time, as running all audits concurrently is not likely to be possible.

A key issue arising from our recent discussions is dealing with the governance processes at councils for receiving the auditor's report and approving the accounts. There are a wide range of approval processes in place at councils as a result of custom and practice over the years, and some are more streamlined than others.

Councils will need to review their governance processes for approving the accounts with a view to making it as simple as possible to ensure the maximum amount of the nine week window for audit can be used for audit procedures. Under the Account and Audit Regulations 2015, it is only the responsibility of the committee 'charged with governance' to approve the financial statements ahead of final certification by the s151 officer. Adding additional layers of approval through to Cabinet or Full Council slows down the governance process and potentially adds to the audit burden.

For 2014-15 audits, 8% of our clients had Audit Committee meetings scheduled before September for approval of the financial statements. For 2015-16, in several instances Audit Committee timetables have not yet been finalised, however, currently 7% of our client base has already confirmed that their Audit Committee timetable would enable accounts authorisation before September, with 4% scheduled before 31 July 2016.

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Accounting, auditing and governance

An effective Audit Committee is one which can appropriately scrutinise the financial statements and the auditor's results report prepared under International Standard on Auditing (UK&I) 260, and challenge officers about accounting policies and estimates in order to be able to approve the financial statements on behalf of the council.

Given the lead time for amending corporate governance processes, officers should review the approval arrangements, and schemes of delegation from Full Council, ensuring that the Audit Committee operates as effectively as possible and to the remit as set out by CIPFA in its guidance 'Audit Committees: Practical Guidance for Local Authorities and Police (2013 edition)'.

We are encouraged by the response of our clients to this challenge and the acceptance that it is a joint responsibility to achieve the faster close, and we will continue to work with you as we both prepare for the advanced deadlines.

For further information, please speak to a member of your engagement team.

Value for Money guidance

The Local Audit & Accountability Act 2014 Section 20(1) requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

The Act is implemented through the National Audit Office's 2015 Audit Code of Practice (the Code), which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

Paragraph 3.14 sets out that 'the auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report as appropriate to audited bodies other than health service bodies, providing a conclusion that in all significant respects, the audited body has (or has not) put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period'.

To support the Code, the NAO issues guidance to auditors. This is undertaken by preparing and publishing Auditor Guidance Notes (AGNs) which are publically available on its website. See https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

AGN 03 – Auditors' work on Value for Money Arrangements was published in November 2015 following a consultation period. It confirms the requirement is for auditors to issue a conclusion in respect of the single overall criterion that:

"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."

To assist auditors the NAO provide three sub-criteria that are intended to guide auditors in reaching their overall judgement:

► Informed decision making

► Sustainable resource deployment

► Working with partners and other third parties

However, these are not separate and auditors are not required to reach a judgement against each one.

Underpinning these sub-criteria are the proper arrangements,

Accounting, auditing and governance

which are aligned to the scope of arrangements that are already required to be put in place and reported on through documents such as the annual governance statement.

Auditors are required to undertake a risk assessment to identify any significant risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.

The Code defines 'significant' as follows: **"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. Significance has both qualitative and quantitative aspects."**

Where such a significant risk is identified, further audit work will be undertaken based on the auditor's professional judgement. If the auditor does not identify any significant risks, there is no requirement to carry out further work.

Full information on all of the above can be found within AGN 03. See https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

New arrangements for the exercise of public rights

The Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015-16 onwards. In respect of principal bodies, paragraph 9(1) requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced. This is a change to previous arrangements where the local auditor notified the audited body of the appointed date on or after which local government electors could exercise their rights.

Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place until after the conclusion of the period for the exercise of public rights. For 2015-16, the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.

Paragraph 14(1) states that any rights of objection, inspection and questioning of the local auditor conferred by sections 26 and 27 of the Act may only be exercised within a single period of 30 working days. In effect this paragraph brings the period in which an elector can question the auditor into the inspection period, rather than immediately following the inspection period as per the previous regulations. As a result of this, auditors are unable to issue their audit reports until the 30 day period has been concluded.

Read the regulations in full at http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made.

Consultation: HRA accounting

The Department for Communities and Local Government is consulting on directions to replace the Housing Revenue Account (Accounting Practices) Directions 2011, which will cease to have effect in relation to Housing Revenue Accounts of local housing authorities in England from 1 April 2016. DCLG describes the replacement directions as essentially technical changes in order to bring the accounting requirements in line with proper practices under international accounting standards. They specify information to be disclosed in the notes to the HRA.

See full details of the draft direction at:

https://www.gov.uk/government/consultations/housing-revenue-account-accounting-practices-directions-2015

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Regulation news

Report on the results of auditors' work 2014-15

Public Sector Audit Appointments (PSAA) have published their first report showing the results of auditors' work for 2014-15 covering 509 principal bodies and 9,755 small bodies.

The report includes information on timeliness of reporting, as well as the outcomes of those reports.

▶ Auditors were able to issue an early opinion (by 31st July 2015) for 5% of principal bodies.

▶ The auditor was unable to issue an opinion by the statutory deadline of 30th September at 15 bodies (3%), compared to 2% in 2013-14.

▶ Consistent with 2013-14, no non-standard opinions were issued.

▶ 20 non-standard value for money opinions were issued, including 1 adverse conclusion, 18 except-for conclusions, and one report on matters arising.

▶ Ten value for money conclusions were outstanding at the time of publishing the report.

Read the report in full at:

http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/

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Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered our responses to the key government consultations that affect us, including New Homes Bonus and HRA Accounting Directions?

Have we formulated a response to support the review of Local Council Tax Support Schemes? How effective have our council tax support arrangements been since 2013-14?

Are we monitoring our progress against the revised timetable for closing the accounts from 2017-18 onwards?

Have we considered amending governance arrangements to streamline the approval of the financial statements?

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Find out more

Ey Item Club Summer 2015 forecast

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

Local Government Devolution

Read the government announcements in full at https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine and https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse.

Spending Review 2015

Read more at:

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For more information see https://www.gov.uk/government/news/north-west-england-floods-2015-government-response.

Council Tax Support

Further details of the review are available at:

https://www.gov.uk/government/news/launch-of-review-into-council-tax-support.

Public Sector Exit Payment Recovery Regulations

Read more at https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses

Faster Close update

The original publication 'accelerating your financial close arrangements' can be accessed at http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf

For more information, please contact a member of your engagement team.

Value for Money guidance

Full information on the new guidance can be found within AGN 03. See https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

New arrangements for the exercise of public rights

Read the regulations in full at http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made

Consultation: HRA accounting

See full details of the draft direction at:

https://www.gov.uk/government/consultations/housing-revenue-account-accounting-practices-directions-2015

Report on the results of auditors' work 2014-15

Read the report in full at:

http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/

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East Herts Council
Audit Committee Progress Report
16 March 2016

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 26 February 2016; and
- Note the status of high priority recommendations.

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1 This report details:

    a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2015/16 as at 26 February 2016.
    b) Proposed amendments to the approved 2015/16 Audit Plan.
    c) Implementation status of previously agreed high priority audit recommendations.
    d) An update on performance management information as at 26 February 2016.

<u>Background</u>

1.2 The 2015/16 Audit Plan was approved by Audit Committee on 18 March 2015.

1.3 The Audit Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 20 January 2016.

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

2. Audit Plan Update

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

2.1 As at 26 February 2016, 89% of the 2015/16 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2 Four projects providing assurance to the Audit Committee have been finalised since the January 2016 meeting of this Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Treasury Management (CRSA)	Jan '16	Substantial	N/A
NDR	Jan '16	Substantial	None
Procurement & Contract Management	Jan '16	Moderate	Four medium One merits attention
Asset Management (CRSA)	Feb '16	Substantial	N/A

High Priority Recommendations

2.3 A Final Audit Report is issued when agreed by management; this includes an agreement to implement recommendations that have been made. It is SIAS's responsibility to bring to the attention of Members the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

Proposed Audit Plan Amendments

2.4 Since January 2016 Audit Committee, the following changes to the 2015/16 Audit Plan have been agreed with Officers of the Council and are detailed below for Audit Committee approval:

- BACS (4 days) / Cash Handling in Environmental Health (3 days)
  Both audits (added to the plan in January 2016) deleted to provide additional days to extend scope of the Leisure Service Contract audit (see below). BACS audit included in the draft 2016/17 Audit Plan.

- Leisure Services Contractor Compliance
  Additional 7 days to extend scope to include provision of advice on the level and format of financial

information required from the contractor (SLM) to allow the Council to be assured that the declared net income / expenditure and loss / surplus in relation to the Council contract is transparent, genuine and accurate.

Performance Management

2.5   Annual performance indicators and associated targets were approved by the SIAS Board and are reviewed annually.

2.6   As at 26 February 2016 actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 26 February 2016	Actual to 26 February 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90%	89%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	79% (23 of 29 projects to draft)	76% (22 of 29 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	95%	None yet made in 2015/16

2.7   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2015/16 Head of Assurance's Annual Report:

- **5. External Auditor's Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.

- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.

- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

2015/16 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Asset Management (CRSA Year 2) / Strategy	Substantial	0	0	0	13.5	Yes	13.5	Final report issued
Benefits	Full	0	0	0	15	Yes	15	Final report issued
Council Tax	Substantial	0	0	0	12	Yes	12	Final report issued
Creditors	Substantial	0	1	0	12	Yes	12	Final report issued
Debtors	Substantial	0	2	1	12	Yes	12	Final report issued
Main Accounting (CRSA Year 2)	Full	0	0	0	8	Yes	8	Final report issued
NDR	Substantial	0	0	0	12	Yes	12	Final report issued
Payroll (CRSA Year 2)	Full				8	Yes	8	Final report issued
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury (CRSA Year 1)	Substantial	0	0	0	8	Yes	8	Final report issued
Operational Audits								
FM Compliance Plan					15	Yes	4	In fieldwork
Homelessness	Full	0	0	0	15	Yes	15	Final report issued
Policy Review	Moderate	0	3	1	15	Yes	15	Final report issued
Insurance	Substantial	0	2	0	12	Yes	12	Final report issued
Members Allowances & Expenses	Full	0	0	0	10	Yes	10	Final report issued

APPENDIX A   PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Public Health Burials	Full	0	0	0	10	Yes	10	Final report issued
Section 106 Agreements					15	Yes	9	In fieldwork
Street Markets					15	Yes	13	In fieldwork
Development Management					15	Yes	14	In quality review
Operational Risk Management	Substantial	0	1	1	12	Yes	12	Final report issued
Data Protection	Substantial	0	0	0	12	Yes	12	Final report issued
Repair and Renew Flood Grant	N/A	-	-	-	1.5	Yes	1.5	Complete
Housing Allocations					10	Yes	9	Draft report issued
Cash Handling (Environmental Health)					0	N/A	0	Audit cancelled
BACS					0	N/A	0	Audit cancelled
Procurement								
Procurement and Contract Management	Moderate	0	4	1	28	Yes	28	Final report issued
Veolia Waste Contract					15	Yes	14	Draft report issued
Leisure Services Contractor Compliance					13	No	4	In fieldwork
Land Drainage Contract					0	N/A	0	Audit cancelled
Procurement of Locata system (Housing)					0	N/A	0	Audit cancelled

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Audits								
Software Licensing					8	Yes	4	In fieldwork
IT Helpdesk					8	Yes	4	In fieldwork
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	N/A	2	Complete
Audit Committee Workshop					1	N/A	1	Complete
Joint Review – Risk Management Benchmarking Workshop	N/A	-	-	-	2	Yes	2	Complete
Strategic Support								
2016/17 Audit Planning					10	N/A	10	Complete
Audit Committee					15	N/A	13	On-going
Client Meetings					10	N/A	9	On-going
Liaison with External Audit					1	N/A	1	Complete
Head of Internal Audit Opinion 2014/15					5	N/A	5	Complete
Plan Monitoring					10	N/A	9	On-going
SIAS Development					5	N/A	5	Complete

APPENDIX A   PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Contingency								
Unused Contingency					0	N/A	0	N/A
Follow Ups								
Follow up of high priority recommendations					5	N/A	5	Complete
2014/15 Projects requiring completion								
Various					3	Yes	3	Complete
EHC TOTAL					**400**		**357**	

APPENDIX B   IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
1.	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Plan is reviewed annually. It is further recommended that the Business Continuity Plan is communicated to staff and made available on the intranet.	The current East Herts Council Business Continuity Plan was sufficient, but it did not take into account C3W. Recognising this, we have engaged Zurich Ins Co. to conduct a scoping workshop 14th July. Zurich has already reviewed the Council's	Director of Neighbourhood Services	Sep 2011	Jun 15 Critical service questionnaires returned and plan updated. Test will take place shortly to identify strengths and weaknesses of plan. Sep 15 Business Continuity Plan review / preparation for test taking place 30 September 2015. Dec 15 No progress. Graduate trainee allocated to project in attempt to	Not implemented – continue to monitor

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
			strategic risks. This work is being finalised before being put to CMT.			complete by 31st March 2016. Mar 16 As per Dec 15 update.	
2.	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Corporate Group (BCG) meet on a regular basis until the Business Continuity Plan is approved, and thereafter on a six monthly basis to review the plan.	The outcome from the Zurich workshop will trigger this group.	Director of Neighbourhood Services	Sep 2011	Jun 15 See note at recommendation 1. Sep 15 See note at recommendation 1. Business Continuity Group meets quarterly. Dec 15 See note at recommendation 1. Business Continuity	Partially implemented – continue to monitor

APPENDIX B   IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
						Group meets quarterly. Mar 16 As per Dec 15 update.	
3.	Business Continuity Planning (01/10/13)	All departmental business continuity plans and resource recovery questionnaires should be reviewed to ensure they are complete, contain a sufficient level of detail, and have been reviewed and approved by appropriate members of staff.	Now that the Shared ICT service is in place and IT business continuity arrangements are being taken forward then this action will also move forward at the same time.	Director of Neighbourhood Services	30 June 2014	Jun15 See note at recommendation 1. Sep 15 Critical service questionnaires returned and plan updated. Dec 15 See note at recommendation 1.	Partially implemented – continue to monitor

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
		In addition to this, a periodic rolling programme of disaster recovery testing (at minimum requiring some downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.	Information captured by services in their Business Recovery Plans will be reviewed in line with the new ICT solution referred to in Recommendation 2. A provisional schedule for testing recovery plans will be established and reviewed annually. Testing will			Mar 16 Critical services have completed resource requirement questionnaires and the plan has been updated. Graduate trainee has been allocated to assist the project completion this financial year. Test is planned for March/ April 2016	

APPENDIX B   IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
			take place in line with the established schedule.				
4.	Business Continuity Planning (01/10/13)	Once the actions related to findings 1 and 2 have been completed, the Council needs to get the Business Continuity Plan formally approved and signed off, so that it can be distributed to the relevant members of staff. In addition to this, key stakeholders need to meet and	Now that the Shared ICT service is in place and IT business continuity arrangements are being taken forward then this action will also move forward at the same time.	Director of Neighbourhood Services	31 March 2014	Jun15 Statement of intent from Directors included in Plan. Contact list / information cascade close to completion. Sep 15 As per June 2015 comment. Dec 15 See note at recommendation 1.	Partially implemented – continue to monitor

APPENDIX B   IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
		agree on comprehensive roles and responsibilities with regard to business continuity planning, and these responsibilities should be documented within the plan.				<u>Mar 16</u> Statement of intent from Directors is included in the plan. Director of Finance & Support Services has instructed project completion this financial year. Gold command updated to reflect staffing changes.	

APPENDIX C   AUDIT PLAN ITEMS (APRIL 2015 TO MARCH 2016) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Certificate Complete	**Homelessness** Final report issued	**Operational Risk Management** Final report issued	**Members Allowances & Expenses** Final report issued	**Procurement & Contract Management** Final report issued	**Benefits** Final report issued	**FM Planned Maintenance Programme** In fieldwork - start moved to Feb 16 at client's request	**Street Markets** In fieldwork – started Jan 16	**Veolia Waste Contract** Draft report issued	**Follow Up Leisure Services Contractor Compliance** In fieldwork	**IT Helpdesk** In fieldwork	**Software Licensing** In fieldwork
Policy Review Final report issued		**Insurance** Final report issued		**Repair and Renew Grant** Complete	**Public Health Burials** Final report issued	**Development Management** In quality review	**Treasury Mgmt** Final report issued		**Asset Mgmt** Final report issued		
		Data Protection Final report issued			**Debtors** Final report issued	**Council Tax** Final report issued	**Risk Mgmt Joint Review** Completed		**Section 106** In fieldwork		
					Creditors Final	**NDR** Final report			**Housing Allocations**		

APPENDIX C   AUDIT PLAN ITEMS (APRIL 2015 TO MARCH 2016) – START DATES AGREED WITH MANAGEMENT

					report issued	issued			Draft report issued		
						Main Accounting Final report issued					
						Payroll Final report issued					

SIAS
Shared Internal Audit Service
Hertfordshire in Partnership

East Herts Council
Audit Committee

2016/17 Internal Audit Plan Report

16 March 2016

Recommendation

Members are recommended to approve the
proposed East Herts Council
Internal Audit Plan for 2016/17

Contents

1. Introduction and Background

Purpose of Report

1.1 To provide Members with the proposed East Herts Council 2016/17 Internal Audit Plan.

Background

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 Assurance Audit Annual Report.

1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2015 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. An updated version of the SIAS Audit Charter will be brought to the June 2016 Audit Committee meeting for Member approval.

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

- Outlines how the service will be developed in accordance with the internal audit charter
- Details how the internal audit plan will be delivered
- 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. This approach includes 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 counter fraud 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:
- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press 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.

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 2016/17 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 ensures 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 2016/17 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;

d) Proposed draft plans are presented to Corporate Management Team for discussion and agreement;

e) The views of Members of the Audit Committee and the council's external auditor are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important and risky and thus assists the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities and housing associations provide their services remains challenging:

- Austere public finances continue, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead

- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens

- Technology ranging from use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers opportunities along with significant risks

- Major, national programmes in areas like welfare and business rate reform, and structural changes mean the environment has been relatively unstable.

2.5 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering 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:

- 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;

- 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;

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;

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

<u>Internal Audit Plan 2016/17</u>

2.7   The draft plan for 2016/17 is included at Appendix A and contains a high level proposed outline scope for each audit; Appendix C details the agreed start months. The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	2016/17	**%**
Purchased audit days		
Key Financial Systems	95	24%
Operational audits	166	42%
Joint Reviews	17	4%
Procurement / Contracts	25	6%
IT Audits	16	4%
Strategic Support*	56	14%
Risk Management	0	0%
Anti-Fraud	5	1%
Follow Ups	5	1%
Completion of 2015/16 Work	15	4%
Total allocated days	**400**	**100%**

* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2017/18.

2.8   A list of reserve audits that will be performed in the event that a planned review is cancelled is presented at Appendix B.

2.9   Members will note the inclusion of a provision for the completion of projects that relate to 2015/16. 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.

2.10 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 internal audit 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 2016/17 and any proposed changes will be reported to this Committee four times in the 2016/17 civic year.

3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

3.3 Annual performance indicators were approved at the SIAS Board meeting in September 2011 and are reviewed annually by the Board. Details of the targets set for 2016/17 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	95%

	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.	
3.	**Client Satisfaction** percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4.	**Number of High Priority Audit Recommendations agreed**	95%
5.	**External Auditor Satisfaction**	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work.
6.	**Annual Plan**	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
7.	**Head of Assurance's Annual Report**	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
KEY FINANCIAL SYSTEMS		
Asset Management	SIAS will be conducting a full audit on the Asset Management system and associated records, covering systems access, asset management plans, maintenance of key records and lease and disposal activities.	12
Benefits	SIAS will be conducting a full audit on the Benefits system covering the areas of set-up of standing data, assessments and backdating, payments, recovery and write-off of overpayments, system controls and data retention.	12
Council Tax	SIAS will be conducting a full audit on the Council Tax system covering the areas of liability, billing, collection, refunds and recovery.	10
Creditors	In line with the three-year CRSA* approach, the 2016/17 audit will return to year one of the CRSA cycle, whereby management will self-evaluate the adequacy of controls, risk management and business processes within the area of creditors and act on weaknesses identified. SIAS will provide independent validation of key assurance areas of ordering, goods receipting and invoicing, supplier records, payment runs, reconciliations and systems access.	10
Debtors	In line with the three-year CRSA approach, the 2016/17 audit will return to year one of the CRSA cycle, whereby management will self-evaluate the adequacy of controls, risk management and business processes within the area of debtors and act on weaknesses identified. SIAS will provide independent validation of evidence to support management	10

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	assertions around key assurance areas of raising of sales invoices, accounting of payments received, refunds and credit notes, recovery processes and write-off's, reconciliations, and systems access.	
Main Accounting	SIAS will be conducting a full audit on the Main Accounting system covering the areas of systems access, journals and virements, feeder systems, bank reconciliations, control accounts, suspense accounts, year-end processes, and business continuity arrangements.	12
NDR	SIAS will be conducting a full audit on the NDR system covering the areas of liability, billing, collection, refunds and recovery.	10
Payroll	SIAS will be conducting a full audit on the Payroll system covering the areas of starters, leavers, transfers and amendments, payroll payments (including scheduling and BACS), pension contribution rates, payroll deductions and third party payments, reconciliations, management exception reports, systems access / security and management of the external Payroll contract.	12
Payroll Annual Pension Cert	Annual certificate verification.	1
Treasury Management	In line with the three-year CRSA approach, the 2016/17 will form year two of the current cycle, whereby management will self-evaluate the adequacy of controls, risk management and business processes within the area of treasury and act on weaknesses identified. SIAS will provide independent validation of evidence to support management assertions around key	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	assurance areas of investment policies and procedures, systems access, cashflow forecasting, placing and authorisation of investments, capital and interest payments, reconciliations, external service providers / contracts, and performance monitoring.	
OPERATIONAL AUDITS		
Safeguarding	Performing a gap analysis of the Councils current approach against the recommendations and outcomes of recent national CSE* and Safeguarding reports. This aims to provide EHC with initial information to inform and where relevant empower change.	15
Digital by Design	This audit will consist of a benchmarking exercise against SIAS partner authorities (or wider) to identify opportunities for the Council to consider channel shift in the delivery of services or information to the end consumer.	18
Absence Management	To provide assurance that robust policies and procedures are in place and followed in practice in relation to managing and reporting of staff absence.	10
Enviro Crime	To provide assurance that the Council has a proportionate and transparent approach to dealing with enviro crime (abandoned vehicles, dog fouling, littering etc).	15
Tree Surveying	To provide assurance that robust systems are in place to risk assess the condition of the Council's tree stock and respond in a timely manner to issues identified.	12

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Consultants	To provide assurance that appropriate systems are in place to govern the procurement and monitoring of consultants engaged by the Council, thereby ensuring compliance with regulations (e.g. HMRC) and achievement of value for money.	10
Project Management / Benefits Realisation	To provide assurance that the Council has robust processes in place governing the project lifecycle, specifically creation and approval of business cases, project governance and benefits realisation.	12
Development Management – pre applications	To provide assurance that an appropriate control environment is in place over the recently introduced changes to the pre-application planning phase.	6
Freedom of Information	To provide assurance that the Council processes FOI requests in accordance with statutory timeframes.	10
Health & Safety	To provide assurance that the Council has a proportionate corporate approach in place to manage health and safety risks, including risk assessments, training etc.	12
Car Parks – New pay and display machines	To provide assurance that a robust internal control environment is maintained for the area of car park income following introduction of the new machines.	10

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
BACS	To provide assurance that a robust internal control environment is maintained for BACS payments.	6
Elections	To provide assurance that a robust internal control environment is maintained for elections management.	10
Land Charges	To provide assurance that the land charges register is maintained in accordance with statutory and best practice requirements and that requests for access / information are handled in line with agreed procedures.	8
Cash and Banking	To provide assurance over the secure, complete and accurate receipting, recording, banking and reconciliation of cash, cheque and card payments through all available payment channels and locations.	12
JOINT REVIEWS		
Shared Learning	. Shared Learning Newsletters and Summary Themed Reports - 2 days Audit Committee Workshop – 1 day Benchmarking Workshop (tbd) – 2 days	5
Community Infrastructure Levy	Introduction of the Community Infrastructure Levy as part of the consortium.	2

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Joint Reviews	To be confirmed.	10
PROCUREMENT / CONTRACTS		
New Payroll Contract – controls assurance	To provide controls assurance during the implementation phase of the new Payroll system.	5
Trade / Clinical Waste	To provide assurance on billing and contract monitoring arrangements for the trade and clinical waste elements of the Veolia contract.	12
Land Drainage Contract Re-tender	To provide assurance over the letting of the contract to provide drainage services to the Council.	8
IT AUDITS		
Internet and Email Usage	The audit coverage may include the following: a) Completeness and currency of policies and procedures. b) Relevance and delivery of training and awareness material. c) Monitoring arrangements for the detection of inappropriate usage.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	d) Management of breaches.	
Cyber Risk	To provide assurance over the robustness of measures in place to protect the Councils systems and data from unintended or unauthorised access, change or destruction. More specifically, the focus may include some, or all, of the following: a) Security Strategy *(Setting Direction)*, b) Security Governance and Control *(Creating a sound framework of control)*, c) Threat and Vulnerability Management *(Managing Exposure)*, d) Architecture network security and identity *(Building secure systems and Infrastructure)*, e) Incident response and forensic investigation *(Managing Incidents)*, f) Mobile Network and Device Security *(Deep dive)*,and g) Business Continuity Management *(Building in resilience)*.	8
RISK MANAGEMENT		
Risk Management	No audits planned for 2016/17.	0
ANTI-FRAUD		
Anti-Fraud	Follow Up of fraud related themes.	5

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
FOLLOW UP OF AUDIT RECOMMENDATIONS		
Follow Up of Audit Recommendations	Follow Up of High Priority Recommendations.	5
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2015/16	To prepare and agree the Head of Internal Audit Opinion for 2015/16.	5
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee.	15
Client Liaison	To meet with the Council's Audit Champion and other key officers.	10
Liaison with External Audit	As required	1
Progress Monitoring	Audit plan monitoring and reporting	10

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2017/18 Audit Planning	To provide services in relation to preparation and agreement of the 2017/18 Audit Plan.	10
COMPLETION OF 2015/16 Work		
Completion of 2015/16 Projects	Completion of outstanding work from 2015/16.	15

TOTAL AUDIT PLAN DAYS	**400**

*Key:
CRSA = Control Risk Self Assessment (an audit approach which attempts to optimise organisational knowledge by allowing those who are best placed in the organisation to identify risk exposures and to develop mitigating actions, where appropriate).

CSE = Child Sexual Exploitation

APPENDIX B – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2016/17 – RESERVE LIST

2016/17 Reserve List		
Agency Staff	To provide assurance that the use of agency staff is appropriately managed, including aspects such as safeguarding, performance / quality management and that payment is only made for services delivered.	
Building Control - joint venture - possible shared piece	Scope to be determined in agreement with management.	
Disability Legislation - compliance review	To provide assurance that the Council have appropriate policies and systems to comply with key aspects of disability legislation related to the workforce and residents.	
Environmental Health - risk based inspection / preventative programmes	To provide assurance that Environment Health uses intelligence led and risk based approaches to the allocation of resources and that such plans are delivered in practice.	
Environmental Health use of Uniform / Idox system	To provide assurance that robust systems for record keeping, data security and information sharing are maintained following the introduction of new systems.	
Learning & Development	To provide assurance that learning and development activities are sufficiently aligned to the requirements of the Council and that appropriate monitoring systems are maintained to review the quality of training provided and how this has been used by the recipient.	

2016/17 Reserve List		
Management and implementation of new legislation across the Council	To provide assurance that the Council have effective systems in place to identify key changes in legislation and implement required changes in accordance with statutory timescales.	
New Financial Management System	To provide assurance that a robust control environment is maintained following the implementation of the new financial system.	
Old River Lane Development	Scope to be determined in agreement with management.	
Volunteers	To provide assurance that the Council has robust policies and processes for engaging and managing volunteers and that business continuity risks in relation to levels of reliance on volunteers are appropriately assessed and managed.	
Waste Partnership with NHDC	Scope to be determined in agreement with management.	
3Cs	To provide assurance that the complaints, comments and compliments processes provide a robust framework for customers to interact with the Council.	

APPENDIX C – 2016/17 AUDIT START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate	Health & Safety	Project Mgmt / Benefits Realisation	Safeguarding	Enviro Crime	Tree Surveying	Council Tax	Treasury Mgmt	Debtors	Creditors	Land Charges	
BACS	Trade / Clinical Waste	Cash and Banking	Consultants	Elections	Development Mgmt (Pre-applications)	Benefits	Payroll	Asset Mgmt	Internet and E-mail Usage		
FOI		Cyber Risk		Payroll System – controls assurance	Car Parks – New Pay & Display Machines	NDR	Digital by Default	Main Accounting			
					Land Drainage Contract Re-tender	Absence Mgmt					

SAFS Report
East Hertfordshire District Council

East Hertfordshire District Council
Shared Anti-Fraud Service
Report
March 2016

Recommendation

Members are recommended to:

Note the progress of the Shared Anti-Fraud Service;
Note progress against the SAFS Business Plan for 2015/2016;
Agree the SAFS/EHDC Anti-Fraud Action Plan 2016/2017;
Note the content of the TEICCAF Fraud Briefing;
Review and comment on a proposed Fraud Prosecution Policy for use from April 2016.

Contents

1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with information on:

- The progress made by the new Shared Anti-Fraud Service (SAFS) since its launch on 1st April 2015;
- The progress made against the SAFS Business Plan for 2015/2016
- The proposed SAFS/EHDC Anti-Fraud Action Plan for 2016/2017; and
  presentation of the TEICCAF *Fraud Briefing* for EHDC.
- A proposed Fraud Prosecution Policy to deal with detected fraud within the Councils services.

<u>Background</u>

1.2   According to reports from the now disbanded Audit Commission, The National Fraud Authority, The National Audit Office (NAO), and Cabinet Office, it is agreed that fraud loss across local government in England stands at around £2.2billion each year.

1.3   The Cabinet Office, Department for Communities and Local Government, NAO, and CIPFA have also issued guidance, advice, and best practice directives to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.

1.4   Members received a report in September 2015 about the creation of a Shared Anti-Fraud Service (SAFS) across Hertfordshire and how this service would work closely with the Council's Internal Audit Service in a two year pilot.

1.5   EHDC was one of the major supporters for the SAFS Project, which was established to look at the risks of fraud once the Housing Benefit Fraud function within District Councils moved to the DWP. This new service was launched on 1 April 2015.

1.6 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation, recovery and prosecution where fraud occurs.

2 SAFS Update

Staffing

2.1 The SAFS team is composed of nine FTE staff structured as follows

Role	Abbreviation	No. of Posts
Counter Fraud Manager	CFM	1
Counter Fraud Assistant Manager	CFAM	1
Counter Fraud Officers	CFO	5
Counter Fraud Assistants	CFA	2

2.2 It is the intention that each SAFS Partner receives dedicated support and response from the Team in a transparent way. At present the most effective way to do this is by allocating one SAFS Team Officer to each Partner. This officer will then be the first point of contact for that partner's services, and will assist in developing co-operative relationships at a service level, delivering training, and working on local pilot projects.

2.3 For EHDC, Raj Kumar is the SAFS Counter Fraud Officer (CFO) working with the Council. Raj is a fully accredited investigator with more than 20 years' experience in local government and fraud investigations.

Fraud Awareness and Reported Fraud

2.4 One of the key elements of a successful service is for SAFS to ensure that fraud can be reported by both staff and the public. The Council's website and intranet both have options for the public and staff to report suspected fraud.

2.5 SAFS has its own webpage – www.hertsdirect.org/reportfraud which has an online reporting tool, a hotline (0300 123 4033) and a secure email account for reporting fraud – fraud.team@hertscc.gcsx.gov.uk.

These contact details have been added to EHDC's own website to capture all fraud reported to the Council.

2.6 Between April and December 2015, SAFS received over 600 allegations of fraud across all of its Partners. The details of reported fraud at EHDC are shown in the tables below.

The Types of fraud being reported:

Council Tax Discount Fraud	Council Tax Support Fraud	Housing Fraud*	Other Fraud**	Total
5	35	10	6	56

*for EHDC 'Housing Fraud' relates to housing application/ homelessness fraud
** This includes fraud relating to Grants, Payment, Business Rates.

Who is reporting Fraud:

Fraud Reported by Staff	Reports from Public	Cheater Campaign	Other & Legacy Cases	Total
10	29	11	6	55

To the end of December 2015 SAFS has identified fraud losses of around £450k across all partners and savings in excess of £2million.

Pilot Projects

2.7 SAFS have worked with the Council's local taxation team to identify potential fraud around empty properties and unreported businesses and this has been very effective.

2.8 SAFS is currently working closely with the Councils Shared Parking Enforcement Team to target fraudulent misuse of Blue Badges across the Councils pay and display car-parks.

2.9 SAFS and EHDC were selected to be a pilot site for joint working with the Department for Work and Pensions from November 2015, EHDC is one of only six sites across England and Wales for this project. This work has progressed well with staff from SAFS and DWP working together and sharing information to assist in fraud investigations where there is a joint interest.

2.10   SAFS have worked with all the housing benefit teams in the District Councils across Hertfordshire as well as the County Council's care commissioning teams to deal with a highlighted risk of fraud, wherein housing benefit is paid to vulnerable tenants in 'supported accommodation'.   This exercise culminated in a SAFS hosted training event held at East Hertfordshire District Council in January 2016, which was attended by 40 delegates from districts and the County Council.

2.11   SAFS are hosting a cyber-crime training and awareness session for all the IT Managers and their staff in March 2016. This event is free for SAFS Partners to attend.

2.12   SAFS are leading on the development and procurement of a county-wide data matching exercise to identify fraud in Council Tax, particularly around fraudulent discounts and exemptions, as well as business rates, empty homes, and council tax support schemes. This will be introduced in the summer of 2016 for all districts, and will be funded by HCC and all participating districts.

2.11   To raise the profile of SAFS and its role across Hertfordshire it is important that it maximises public exposure. A publicity campaign, using posters, leaflets, and social media was launched across Hertfordshire between October and November 2015 and supported by the Communications Teams in all SAFS Partners.   The Campaign titled 'Spot the Cheat in Your Street' was a huge success, with over 60 reported matters and over 500 hits per week on the SAFS webpage in a four week period.

3   Anti-Fraud Documents

    Performance against Anti-Fraud Action Plan 2015/2016

3.1   The Council has in place an Anti-Fraud and Corruption Policy and this is currently under review to reflect recent changes and the partnership approach of SAFS.

3.2   A copy of the 2015/2016 SAFS Business Plan and progress against this can be found at Appendix 1. Activity against the plan includes key dates for delivery.

3.3   All of the objectives set in the SAFS 2015/2016 Business Plan have been achieved, or are well on the way to delivery.

    Proposed SAFS Anti-Fraud Action Plan 2016/2017

3.4   Due to the success of the format and delivery of the 2015/2016 the plan for 2016/2017 uses the same format with some slight changes to roles or the delivery dates. The plan is shown at Appendix 2.

3.5   Adherence to the proposed plan for 2016/2017 will ensure compliance with the Council's own Strategy, and the best practice issued by central government, NAO, and CIPFA.

        SAFS Reports 2016/2017

3.6   SAFS will provide a full report to this Committee in June 2016 on the Council's anti-fraud performance and SAFS activities in 2015/2016. This will include the number of, and types of, cases investigated with outcomes and the financial savings identified from all anti-fraud activity. In March 2017 SAFS will provide a revised Anti-Fraud Business Plan for 2017/2018

4 .   Fraud Briefing presented by TEICCAF

4.1   The European Institute for Combatting Fraud and Corruption (TEICCAF) was established in 2015 following the disbanding of the Audit Commission. TEICCAF provide support and assistance to local government across the UK, including an annual survey of fraud to which EHDC subscribed in 2015.

4.2   The survey conducted in 2015 has been used by TEICCAF to provide fraud briefings to those councils that submitted data, to help them benchmark against other councils and highlight areas of emerging fraud.

4.3   The fraud briefing is attached at Appendix 3 is for EHDC's sole use; it is not published and all the data regarding other agencies is anonymised to prevent its use by potential fraudsters.

5 .   Fraud Prosecution/Sanctions Policy

5.1   Due to the varied types of fraud being investigated across services provided by the Council it has been necessary to create a new policy that states how offenders will be dealt with where fraud is identified.

5.2   The draft policy as Appendix 4 includes various options for disposal, using the appropriate legislation for each and outlining how the decision making process will be followed.

5.3   The Committee are asked to approve this new policy for use from April 2016, superseding any previous polices that dealt with benefit fraud prosecutions.

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Hertfordshire
Shared Anti-Fraud Service
Business Plan
2015/2016

It is important that the activities and aims of the Hertfordshire Shared Anti-Fraud Service (SAFS) deliver a service which is cost effective, efficient, targeted and that SAFS focuses effort on awareness, prevention and deterrence as much as investigation, prosecution and recovery.

The Strategic Aims of the SAFS Project Board in 2014 were laid our as follows:

- Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect
- Deliver financial benefits in terms of cost savings or increased revenue
- Create a data hub for Hertfordshire
- Improve the reach into the areas of non-benefit and corporate fraud within the county
- Develop services which can be marketed to external bodies
- Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally

This Business Plan sets targets, objectives and work areas for SAFS in 2015/2016 will ensure that the SAFS Partners have in place a robust counter fraud provision following the transfer of benefit investigation staff and welfare fraud work to the DWP in 2015 and will begin work towards the long term Strategic Aims and ensure that these become the Business as Usual standards for SAFS.

Contents

The National Context.

The Audit Commissions 2014 report '***Protecting the Public Purse'*** included a summary of statements from its findings.
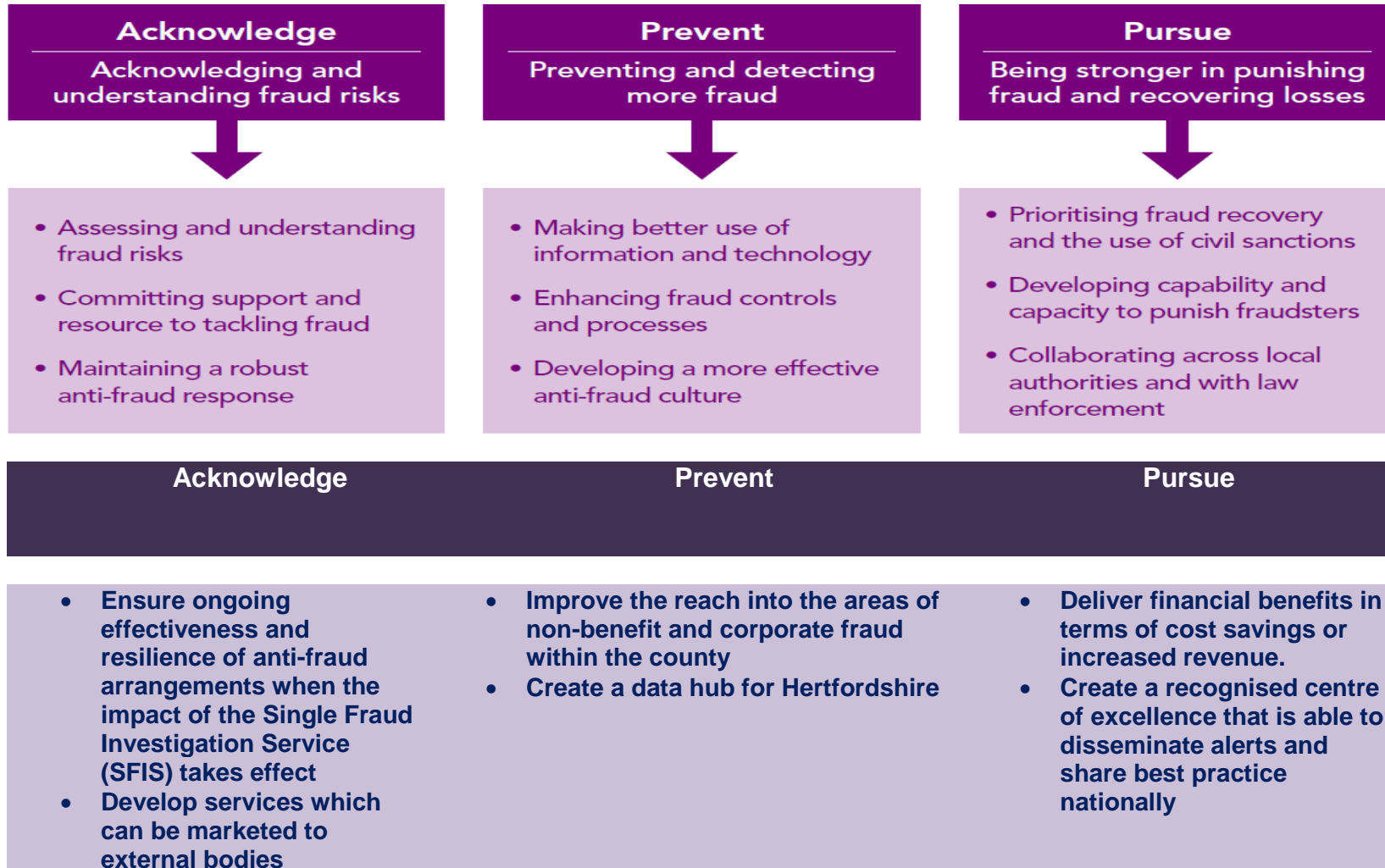
- The scale of fraud against local government is large, but difficult to quantify with precision. In 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but this is probably an underestimate.

- In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year. However, the value of fraud increased to over £188 million.

- In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud. Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.

- Local government bodies have a duty to protect the public purse. A corporate approach to tackling fraud helps them to be effective stewards of scarce public resources and involves a number of core components.

The Chartered Institute for Public Finance and Accountancy (CIPFA) in its 2015 publication '***Code of practice on managing the risk of fraud and corruption'*** highlights five principles outlining public bodies responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management

The five key principles of the code are to:
- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

The Fighting Fraud Locally Strategy (2012 and 2015) highlights the three keys areas for councils to consider when dealing with fraud- **Acknowledge**, **Prevent** and **Pursue**, the Strategic Aims of SAFS and this Business Plan reflect these fully.

SAFS
Shared Anti-Fraud Service
Fighting Fraud Across Hertfordshire

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud and 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 across local authorities and with law enforcement

Acknowledge	Prevent	Pursue
• Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect • Develop services which can be marketed to external bodies	• Improve the reach into the areas of non-benefit and corporate fraud within the county • Create a data hub for Hertfordshire	• Deliver financial benefits in terms of cost savings or increased revenue. • Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally

SAFS Objectives/Activities for 2015/2016

The objectives set for SAFS in 2015/2016 reflect the requirement to build a new service, set up new processes and systems, to develop key working relationships and partnerships and to move towards achieving the aspirations of the SAFS Business Case.

The objectives clearly reflect the guidance and advice from the Audit Commission, CIPFA and the Fighting Fraud Locally Board. It also includes the needs of the SAFS Partners as identified at the SAFS launch in June 2015.

SAFS Team objectives	Activity	Target Date/Value/Measure	Fighting Fraud Locally Measure
Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect .	1. Recruit and induct SAFS Team. 2. Develop and deliver a new publicity campaign to launch the SAFS Team and its role to, Partners, staff and public. Publicity to include new: Webpages/intranet/hotline/posters/press. 3. Review cost of service to SAFS Partners and structure for future funding to ensure that Partners recognise the value of a fraud function through a set agreed principles. 4. Update and launch a Hertfordshire Counter Fraud Strategy, Counter Fraud Policy, Fraud Prosecution Policy and Money Laundering Policies. 5. Deliver targeted fraud awareness, prevention training and workshops to Schools, Housing, Finance, Council Tax Support, Social Fund, Direct Payment, Procurement and Human Resources staff. 6. Ensure that all SAFS staff are fully trained for the roles they are undertaking. This may differ, dependant on task, but should be flexible to allow	1. By September 2015 2. By October 2015 3. By March 2016 4. By March 2016 5. Each Partner had 5 sessions across services by March 2016 6. All staff recruited to be trained or working towards completion of training by March 2016	**Acknowledge**

SAFS Team objectives	Activity	Target Date/Value/Measure	Fighting Fraud Locally Measure
	staff to develop and provide generic investigation options for the Partners. This will provide the Partners with a team able to deploy resilient anti-fraud skills across all services. 7. To work in a supportive role within the HCC Assurance Service in particular with SIAS to assist in delivery of improved Audit Plans to Partners.	7. Working with SIAS Audit teams in both proactive and reactive exercises.	
Deliver financial benefits in terms of cost savings or increased revenue	1. Deliver Case Management System that records all financial information for Partners. 2. Recover social housing stock that is being sub-let or used in some other way in contravention of the tenancy or unlawfully. 3. Identify financial savings to ensure that the costs of the team are met in full from its activities and investigations. Record full value of all fraud identified to an agreed, auditable and recognised standard. 4. Maximise civil recovery cases working closely with Partners Legal/Recovery Services to utilise civil recovery and other forms of legal sanction to recover properties and unlawful subletting profits and for other cases where the use of POCA may not be appropriate. 5. Work closely with Revenues Teams to administer and recover penalties as an alternative to prosecution for offences relating to the Council Tax Reduction Scheme.	1. INCASE operational by September 2015 2. 6 properties recovered by March 2016. 3. INCASE to be set up to record and report on financial costs of cases. September 2015 4. Establish and maintain relationships with all Partners Legal Teams and POCA experts across HCC and externally. 5. Have in place process, guidance and forms for penalties to be issued. September 2015	**Pursue**

SAFS Team objectives	Activity	Target Date/Value/Measure	Fighting Fraud Locally Measure
Create a data hub for Hertfordshire	1. Implement a Data Warehouse at HCC to receive and match data from across Partner Services. 2. Create Information Sharing Procedures including PIA/EIA to allow for lawful exchange of data across Partners. 3. Develop further proactive anti-fraud exercises by implementing data matching and data mining tools to interrogate Partner data. 4. Oversee and assist the delivery of the National Fraud Initiative 2015 across all Partners.	1. Procure and have in place IDIS October 2015. 2. Sign off ISA with Partners. November 2015 3. NFI ID-checker. November 2015 4. Review HCC NFI Matches(chargeable) September 2015. Put in place process of future NFI across all Partners March 2016	**Prevent**
Improve the reach into the areas of non-benefit and corporate fraud within the county.	1. Develop relationships with the police to allow reciprocal exchange of information including Council access to PNC/ VODS/ Local Intel. 2. Develop relationships with DWP, where legislation permits, to conduct joint investigations where national benefits are being claimed fraudulently alongside Partner services/awards/payments. 3. Develop relationships with Registered Housing Providers across the County to provide assistance with tenancy fraud. Such activity to benefit the Partners either through payment for services or access to accommodation. Put in place clear processes and communication channels for referring and tackling fraud with priority fraud risk areas. 4. Work with the Partners and HCC Customer Service Team to develop a 24 hour fraud referral hotline (separating out HB and national benefit matter and	1. Have in Place access to PNC Bureau. And arrangements to work positively with police 2. Liaise with local FES and DWP National Information Centre. By July2015 3. Arrange meetings with Housing Providers to raise awareness of SAFS and encourage membership. 4. By July 2015	**Prevent**

SAFS Team objectives	Activity	Target Date/Value/Measure	Fighting Fraud Locally Measure
	referring these to the DWP/HMRC). 5. Develop relationships with HCC's Trading Standards Team to utilise their knowledge and skills in POCA. 6. Develop relationships with the Partners Community Safety Teams to increase access to information about potential fraud and raise awareness of fraud risks.	5. By July 2015 6. By October 2015	
Develop services which can be marketed to external bodies	1. Work with Housing Providers to offer Tenancy Fraud Function either at a daily rate or with an annual subscription 2. Work with non-SAFS Councils in Hertfordshire whether offering services, expertise or knowledge. 3. Positively promote SAFS to local government and other potential customers within and outside Hertfordshire.	1. By March 2016 2. By October 2016 3. By March 2016	**Acknowledge**
Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally.	1. Publicise prosecutions, sanctions, recovery. 2. Promote and publicise the costs of fraud to local residents and encourage all to report fraud across the Partners. 3. Produce Fraud Risk Assessments for SAFS Partners. 4. Undertake national peer reviews. 5. Offer advice and training to other organisations. 6. Offer to work in partnership across government and with the private and voluntary sectors. 7. Subscribe national organisations and events to raise the profile of SAFS.	1. Press Release. By March 2016 2. Cheetah/Cheater Campaign. October 2015 3. March 2016 4. ? 5. March 2016- Who? 6. March 2016- with DWP 7. NAFN, CIPFA, LAIOG membership and events.	**Acknowledge**

SAFS Resources

Budget

For 2015/2016 SAFS has the advantage for funding from CLG (£366,000) to meet many of its set up costs including project management, case management, IT hardware and licenses. The agreed funding from the SAFS partners was originally agreed at £60,000 per partner as a fixed fee with further £20,000 per partner as a flexible fee delivering an annual income to SAFS of £480,000. However, this contributory figure is under review as the budgeted cost (SAFS Business Case 2014) for the service was £602,000 in 2015/2016 rising to £631,000 per annum thereafter. Actual budget based on salaries of staff now in post is anticipated to be in the region of £565,000 and this still leaves a deficit of £85,000 to be met once CLG funding ends in 2015/2016.

The review of budgets and charging will include a set of agreed principles for SAFS Partners to adopt. It is also likely during 2015/2016 that additional income streams to SAFS can be identified as well as potential new partners and this may help to alleviate future shortfalls in SAFS income against budgeted costs.

Staffing

The full complement of SAFS posts have now been filled with 9 FTE's in post; 1 Manager, 1 Assistant Manager, 5 Investigators and 2 Intelligence Officers. All the investigators are fully trained and accredited but both Intelligence Officers require training and accreditation and this is ongoing and will be met from the CLG funding.

The SAFS Team is also supported by 1 FTE Data-Analyst and ½ FTE Business Support. Both these posts (£49,000) are funded through the SAFS Budget.

SAFS
KPI and Team Targets 2015/2016

SAFS target for 2015/2016 reflect that it is a new service. Future years will focus more on the service provision to individual Partners.

KPI	Measure	2015/2016 Target	Quarterly Target	Notes
1	Create an Investigation Service	Recruit Team, put in place reporting/recording methods, policies and procedures	By Sep 2015	**Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect.**
2	Identified Value of Fraud. (from Business Case)	£601k	£150k	**Deliver financial benefits in terms of cost savings or increased revenue.**
3	Allegations of fraud Received	400 non-HB referrals	100	**Improve the reach into the areas of non-benefit and corporate fraud within the county.**
4	Success rates on outcomes	50%	50%	**Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.**
5	Create Data-Hub and Conduct Data-Matching	Hub built with ISA and data populating it	By March 2016	**Create a data hub for Hertfordshire.**
6	Identify new areas of business	Add one new funding Partner to SAFS	By March 2016	**Develop services which can be marketed to external bodies**

SAFS- Standards of Service.

SAFS will provide all partners 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, ID Fraud Prevention.
4. Assistance in the design of Partners policies processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by Partners.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to identify fraud and prevent fraud occurring.
   - The data-warehouse will be funded by SAFS and located in accordance with DPA requirements.
   - The data-warehouse will be secure and accessible only by named SAFS Staff. Data will be collected and loaded in a secure manner.
   - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree to as they choose. The protocol will clearly outline security provisions and include a PIA.
   - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load to load into the data-warehouse and determine the frequency of these.
   - SAFS will work with Partners 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, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
8. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA* and all policies of the SAFS Partner.

9. Reactive fraud investigations.

- All reported fraud will be actioned by SAFS within 5 days.
- Partners will be informed of all reported fraud and how SAFS are going to deal with this.
- SAFS will allocate an officer to each investigation.
- SAFS officers will liaise with nominated officers in each Partner to access data/systems/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 Partner to review and make any decisions.
- Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Partner to make a decision on any further sanctions/prosecutions.

10. Where sanctions, penalties or prosecutions are sought SAFS will work with each Partner to determine the appropriate disposal based on the Code for Crown Prosecutors and that Partners published policies. Decisions on imposition of any sanction will lay with the Partner but the issue of any penalty will be resolved locally on a case by case basis.

11. SAFS will provide reports through the SAFS Board on progress and the SAFS Partners Audit Committees on individual activity in that Partner. Additional reports can be provided on request.

12. SAFS will provide Alerts to Partners of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

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

SAFS Team objectives	Activity	Target Date/Value/Measure	Status As at 29.2.2016	Fighting Fraud Locally Measure
Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect .	1. Recruit and induct SAFS Team.	By September 2015.	Complete	**Acknowledge**
	2. Develop and deliver a new publicity campaign to launch the SAFS Team and its role to, Partners, staff and public. Publicity to include new: Webpages/intranet/hotline/posters/press.	By October 2015	Complete	
	3. Review cost of service to SAFS Partners and structure for future funding to ensure that Partners recognise the value of a fraud function through a set agreed principles.	By March 2016	Complete	
	4. Update and launch a Hertfordshire Counter Fraud Strategy, Counter Fraud Policy, Fraud Prosecution Policy and Money Laundering Policies.	By March 2016	In Progress	
	5. Deliver targeted fraud awareness, prevention training and workshops to Schools, Housing, Finance, Council Tax Support, Social Fund, Direct Payment, Procurement and Human Resources staff.	Each Partner had 5 sessions across services by March 2016	Complete	
	6. Ensure that all SAFS staff are fully trained for the roles they are undertaking. This may differ, dependant on task, but should be flexible to allow staff to develop and provide generic investigation options for the Partners. This will provide the Partners with a team able to deploy resilient anti-fraud skills across all services.	All staff recruited to be trained or working towards completion of training by March 2016	Complete	
	7. To work in a supportive role within the HCC Assurance Service in particular with SIAS to assist in delivery of improved Audit Plans to Partners.	Working with SIAS Audit teams in both proactive and reactive exercises.	In Progress	

Deliver financial benefits in terms of cost savings or increased revenue	1. Deliver Case Management System that records all financial information for Partners.	INCASE operational by September 2015	Complete	**Pursue**
	2. Recover social housing stock that is being sub-let or used in some other way in contravention of the tenancy or unlawfully.	Recover SIX social properties by March 2016.	Complete	
	3. Identify financial savings to ensure that the costs of the team are met in full from its activities and investigations. Record full value of all fraud identified to an agreed, auditable and recognised standard.	INCASE to be set up to record and report on financial costs of cases. September 2015	Complete	
	4. Maximise civil recovery cases working closely with Partners Legal/Recovery Services to utilise civil recovery and other forms of legal sanction to recover properties and unlawful subletting profits and for other cases where the use of POCA may not be appropriate.	Establish and maintain relationships with all Partners Legal Teams and POCA experts across HCC and externally.	Complete	
	5. Work closely with Revenues Teams to administer and recover penalties as an alternative to prosecution for offences relating to the Council Tax Reduction Scheme.	Have in place process, guidance and forms for penalties to be issued. September 2015	Complete	
	6. Provide access to services such as National Anti-Fraud Service (NAFN), Local Authority Investigation Officers Group (LAIOG) and others to reduce the need an costs for each Partner to join separately.	SAFS have joined NAFN and LAIOG (May 2015) and SAFS Partners can now end their own local subscription.	Complete	
Create a data hub for Hertfordshire	1. Implement a Data Warehouse at HCC to receive and match data from across Partner Services.	Procure and have in place IDIS October 2015.	Complete	**Prevent**
	2. Create Information Sharing Procedures including PIA/EIA to allow for lawful exchange of data across Partners.	Sign off ISA with Partners. March 2016	In Progress	
	3. Develop further proactive anti-fraud exercises by implementing data matching and data mining tools to interrogate Partner data.	NFI ID-checker. November 2015	Complete	

	4. Oversee and assist the delivery of the National Fraud Initiative 2015 across all Partners.	Review HCC NFI Matches September 2015. Put in place process of future NFI across all Partners March 2016	In Progress	
Improve the reach into the areas of non-benefit and corporate fraud within the county.	1. Develop relationships with the police to allow reciprocal exchange of information including Council access to PNC/ VODS/ Local Intel.	Have in Place access to PNC Bureau. And arrangements to work positively with police	Complete	**Prevent**
	2. Develop relationships with DWP, where legislation permits, to conduct joint investigations where national benefits are being claimed fraudulently alongside Partner services/awards/payments.	Liaise with local FES and DWP National Information Centre. By July 2015.	Complete	
	3. Develop relationships with Registered Housing Providers across the County to provide assistance with tenancy fraud. Such activity to benefit the Partners either through payment for services or access to accommodation. Put in place clear processes and communication channels for referring and tackling fraud with priority fraud risk areas.	Arrange meetings with Housing Providers to raise awareness of SAFS and encourage membership.	Complete	
	4. Work with the Partners and HCC Customer Service Team to develop a 24 hour fraud referral hotline (separating out HB and national benefit matter and referring these to the DWP/HMRC).	By July 2015	Complete	
	5. Develop relationships with HCC's Trading Standards Team to utilise their knowledge and skills in POCA.	By July 2015	Complete	
	6. Develop relationships with the Partners Community Safety Teams to increase access to information about potential fraud and raise awareness of fraud risks.	By October 2015	Complete	
Develop services which can be marketed to external bodies	1. Work with Housing Providers to offer Tenancy Fraud Function either at a daily rate or with an annual subscription	By March 2016	In Progress	**Acknowledge**
	2. Work with non-SAFS Councils in Hertfordshire whether offering services, expertise or knowledge.	By October 2016	In Progress	

	3. Positively promote SAFS to local government and other potential customers within and outside Hertfordshire.	By March 2016	Complete	
Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally.	1. Publicise prosecutions, sanctions, recovery.	First Press Release. By March 2016	Complete	**Acknowledge**
	2. Promote and publicise the costs of fraud to local residents and encourage all to report fraud across the Partners.	Cheetah/Cheater Campaign. October 2015	Complete	
	3. Produce Fraud Risk Assessments for SAFS Partners.	By March 2016	Complete	
	4. Undertake national peer reviews.	?	Delayed to post 2017	
	5. Offer advice and training to other organisations.	By March 2016	Complete	
	6. Offer to work in partnership across government and with the private and voluntary sectors.	By March 2016- with DWP	Complete	
	7. Subscribe national organisations and events to raise the profile of SAFS.	NAFN, CIPFA, LAIOG membership	Complete	

East Hertfordshire District Council
Anti-Fraud Plan
in partnership with
Hertfordshire Shared Anti-Fraud Service
2016/2017

Contents

Appendix A- SAFS Resources for EHDC 2016/2017

Appendix B- SAFS KPI for EHDC 2016/2017

Appendix C- SAFS Standards of Service for EHDC

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, has in place affective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils states that the key elements for 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 to measure the Councils effectiveness against its Policy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office, the Chartered Institute for Public Finance and Accountancy and The European Institute for Combatting Corruption and Fraud.

The National Context.

The Audit Commissions 2014 report '***Protecting the Public Purse'*** included a summary of statements from its findings.

- The scale of fraud against local government is large, but difficult to quantify with precision. In 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but this is probably an underestimate.

- In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year. However, the value of fraud increased to over £188 million.

- In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud. Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.

- Local government bodies have a duty to protect the public purse (s.151 LGFA1992). A corporate approach to tackling fraud helps them to be effective stewards of scarce public resources and involves a number of core components.

The Chartered Institute for Public Finance and Accountancy (CIPFA) in its 2015 publication '***Code of practice on managing the risk of fraud and corruption'*** highlights five principles outlining public bodies responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The Fighting Fraud Locally Strategy (2012 and 2015) highlights the three keys areas for councils to consider when dealing with fraud- **Acknowledge**, **Prevent** and **Pursue**, the Aims of this Anti-Fraud Plan reflect these fully as does the Councils Anti-Fraud and Corruption Strategy.

EHDC Anti-Fraud Action Plan 2016/2017

Anti-Fraud and Corruption Strategy	Activity	Lead Officer/s	Target Date/Value/Measure
Acknowledge and understand fraud risks	Review the Councils existing Anti-Fraud and Corruption Strategy, Fraud Response Plan and, Whistleblowing Policy, Money Laundering Policy implement a new Fraud Prosecution Policy.		
	Ensure that the Council retains its Board and Partner role in SAFS and funding for the services provided by SAFS.		
	Annual fraud reports to the Audit Committee.		
	Identify key fraud risks faced by the Council. Add to Risk Register as appropriate.		
	Promote and publicise the costs of fraud to staff, members and local residents including the impact this had on Council Services.		
	Subscribe to organisations and events that demonstrate the Councils zero tolerance to fraud.		
	Roll out an E-learning anti-fraud training package for EHDC Staff		

	Provide Money Laundering training for appropriate staff		
	Provide Fraud Awareness training to Elected Members		
Anti-Fraud and Corruption Strategy	**Activity**	**Lead Officer/s**	**Target Date/Value/Measure**
Prevent and deter fraud	Maintain a strong internal control framework as assessed by SIAS Internal Audit Annual Report		
	Create and maintain Data Sharing Procedures including Information Sharing Protocol (ISP), PIA/EIA to allow for lawful exchange of data between SAFS and EHDC.		
	Deliver fraud awareness, prevention training and workshops to Council Services at risk if fraud		5 Local Events at EHDC delivered by SAFS
	Have in place one SAFS Counter Fraud Officer FTE for EHDC exclusive use. Access to SAFS Intel/Admin to support for this role. Access to SAFS Manager for Senior Mgt Meetings.	SAFS Mgr	
	Issue Fraud Alerts to appropriate staff and managers as when new fraud threats arise and publish a Fraud & Corruption Newsletter for		

	staff.		
	Have in place fraud reporting tools to allow staff and public alike to report fraud.		
	Permit SAFS to oversee and assist the delivery of the National Fraud Initiative 2016 as the NFI SPOC for EHDC.		
	Provide access to services such as National Anti-Fraud Service (NAFN), CIPFA, Local Authority Investigation Officers Group (LAIOG) to benefit both EHDC and SAFS.		

Anti-Fraud and Corruption Strategy	Activity	Lead Officer/s	Target Date/Value/Measure
Be stronger in pursuing fraud and recovering losses	Record identified financial savings from anti-fraud activity. Record value of all fraud identified to an agreed, auditable and recognised standard.		
	Maximise civil recovery and utilise civil recovery methods to seek redress where fraud is identified.		
	EHDC will Publicise prosecutions, sanctions, recovery to demonstrate a zero tolerance to fraud and act as a deterrence to others.		

	To work in a partnership role with SAFS and ensure that SAFS delivers value for money and return on investment to EHDC, be this in actual new revenue or future savings.		
	East Herts Council will support County wide CTAX SPD review which will benefit the Council, and any other opportunities to conduct anti-fraud projects with SAFS as required.		

SAFS Resources 2016/2017

Budget

In 2015/2016 SAFS had the advantage for funding from CLG (£366,000) to meet many of its set up costs including project management, case management, IT hardware and licenses. The Partner fee in 2015/2016 was agreed at £80,000 split between a fixed and flexible elements. A small surplus was delivered in 2015/2016 which allowed the fee for 2016/2017 to be reduced.

The agreed annual funding for each SAFS partner has been set at £75,000 per partner as a fixed fee payable quarterly. It has been agreed that SAFS will be allowed to build up a small operating reserve but should this be exhausted all Partners agree to meet any shortfall in Budgets equally.

Staffing

The full complement of SAFS posts have now been filled with 9 FTE's in post; 1 Manager, 1 Assistant Manager, 5 Investigators and 2 Intelligence Officers. All the investigators are fully trained and accredited but both Intelligence Officers require training and accreditation and this is ongoing and will be met from the CLG funding.

The SAFS Team is also supported by 1 FTE Data-Analyst and ½ FTE Business Support. Both these posts are funded through the SAFS Budget.

For staffing- East Herts Council will have exclusive access to one FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on the Counter Fraud Manager for quarterly liaison meetings, senior managers meetings and two Audit Committees per annum.

Appendix C

SAFS

KPIs for EHDC 2016/2017

KPI	Measure	2015/2016 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at EHDC	100%	**Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect.**
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£100k	£25k	**Deliver financial benefits in terms of cost savings or increased revenue.**
3	Allegations of fraud Received. From all sources.	100 Fraud referrals	25	**Improve the reach into the areas of non-benefit and corporate fraud within the county.**
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	50%	**Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.**
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub, Access to NFI and County SPD Exercise	100%	**Create a data hub for Hertfordshire.**

Appendix D

SAFS- Standards of Service.

SAFS will provide East Herts 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, ID Fraud Prevention.
4. Assistance in the design of Council policies processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to identify fraud and prevent fraud occurring.
   - The data-warehouse will be funded by SAFS and located in accordance with DPA requirements.
   - The data-warehouse will be secure and accessible only by named SAFS Staff. Data will be collected and loaded in a secure manner.
   - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree to as they choose. The protocol will clearly outline security provisions and include a PIA.
   - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load to load into the data-warehouse and determine the frequency of these.
   - SAFS will work with Partners 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, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
8. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
   - All reported fraud will be actioned by SAFS within 10 days.
   - The Council will be informed of all reported fraud and how SAFS are going to deal with this.

- SAFS will allocate an officer to each investigation.
- SAFS officers will liaise with nominated officers at the Council to access data/systems/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 Officers 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 Councils published policies. Decisions on imposition of any sanction will lay with the Council but the issue of any penalty will be resolved locally on a case by case basis.

11. SAFS will provide reports through the SAFS Board on progress and to the Councils Audit Committee.

12. SAFS will provide Alerts to all Partners, including East Herts Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

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

EAST HERTFORDSHIRE DISTRICT COUNCIL

FRAUD

SANCTION & PROSECUTION

POLICY

Policy Statement

The Council will use the full range of sanctions available to it, including criminal prosecution, civil recovery, internal discipline and referral to professional bodies in order to deter fraud, corruption, bribery and associated offences.

The Council will utilise in-house legal services or agent solicitors to conduct prosecutions, as well as the Crown Prosecution Service, where appropriate.

The Council will refer matters to other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.

This policy only relates to investigations undertaken by the Shared Anti-Fraud Service (SAFS) on behalf of the Council.

Introduction

The Councils Anti-Fraud and Corruption Strategy sets out our aims and objectives with regard to both deterring and tackling fraud and associated offences. The Anti-Fraud and Corruption policy states that the Council will seek the appropriate sanctions against any individual or organisation that defraud, or seek to defraud, it. The use of sanctions will be governed by this policy and the principles of this policy shall apply equally to any fraud against the Council or against funds for which the Council has responsibility.

The objectives of this policy are:

- **To ensure that the Council can apply a full range of sanctions in a just and consistent manner.**

- **To ensure that sanctions are applied in an effective, proportionate and cost efficient manner.**

- **To ensure that the sanction decision making process is stringent, robust, transparent and properly considers the public interest.**

- **To make it clear that the Council will not tolerate fraud and will take appropriate action to punish those who to seek to defraud public funds**.

This policy is designed to provide a framework to ensure the most appropriate resolution to a case is reached. The sanction decision will have regard at all times to the Anti-Fraud and Corruption Policy objectives, the individual circumstances of the persons concerned and the overall impact of the punishment to both the individual and the community.

A range of sanctions are available to the Council in relation to identified fraud and corruption. These include disciplinary action, civil proceedings, criminal proceedings and civil/financial penalties. Where appropriate, the Council may take more than one form of action. For example, where staff commit fraud or corruption disciplinary, prosecution and civil recovery action may all be appropriate.

One sanction available to the Council is criminal prosecution. We recognise that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly. The ultimate decision on prosecution will be taken by the prosecuting body. In some cases this will be the Council, through a Head of Legal Services, in others the Crown Prosecution Service.

Other than where the Crown Prosecution Service is the most appropriate prosecuting authority, the Council will utilise internal legal services or approved high street solicitors to undertake criminal prosecutions.

The decision to refer cases for prosecution to legal services will be taken by the SAFS Counter Fraud Manager in conjunction with a Director of the Council. The decision to recommend the issue of civil/financial penalties as alternatives to prosecution, where permitted by certain legislation, will lay with the Head of Service in the Council.

Alternatively, SAFS or the Council may refer cases to the police for investigation who may then refer matters to the Crown Prosecution Service or other prosecutor. This may occur in cases of staff fraud or where the fraud is complex and/or of a very serious nature or linked to Safeguarding issues.

This policy outlines various penalties/sanctions or criminal proceedings that may be considered by the Council, as permitted by legislation, where offending contrary to any of the following has occurred, although this list is not exclusive.

- Theft Acts 1968/ 1978
- Forgery and Counterfeiting Act 1987 (FCA)
- Computer Misuse Use Act 1990
- Social Security Administration Act 1992 (SSAA)
- Local Government Finance Act 1992 (LGFA)
- Data Protection Act 1998 (DPA)
- Identity Card Act 2006
- Fraud Act 2006
- The Bribery Act 2010
- Welfare Reform Act 2012 (WRA)
- The Prevention of Social Housing Fraud Act 2013. (PoSHFA)

The decision to prosecute

The Council will apply the Director for Public Prosecutors Guidance on Charging to ensure that decisions to charge criminal offences and other prosecution decisions are fair and consistent and fully comply with PACE, the PACE Codes of Practice and the Code for Crown Prosecutors.

When considering a case for prosecution the Council will apply the most recent edition of the Code for Crown Prosecutors and ensure that all cases accepted for prosecution meet the Full Code Test namely that there is sufficient evidence to have a realistic prospect of a conviction and that it is in the public interest to prosecute.

The two stages of the Full code test will be considered as follows:-

(1) The Evidential Stage

Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. .

If the case passes the evidential stage it will then be considered under the Public Interest Stage.

(2) Public interest test

A prosecution will usually take place unless:

- the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour
- the prosecutor is satisfied that the public interest may be properly served, in the first instance, by offering the offender the opportunity to have the matter dealt with by an out of court disposal.

The more serious the offence, or the offender's record of criminal behaviour, the more likely it is that a prosecution will be required to meet the public interest.

Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction as set out in the Code for Crown Prosecutors.

Members / Staff / Support Staff

In all cases of:

- fraud, and / or
- theft, and / or
- financial misconduct, and / or
- serious and intentional breach of financial regulations, and /or
- corruption

committed by employees of the Council we will seek disciplinary action in accordance with the Councils Discipline Policy.

Where a financial loss has been identified we will always seek to recover this loss either through the civil or criminal process. In addition, where staff are members of professional bodies or are subject to national codes of conduct such as teaching and social services staff, we will refer cases to the relevant professional body.

Where appropriate under this policy we will refer cases to the relevant prosecuting authority for criminal prosecution.

'Welfare' Fraud

This includes any local or national benefit/allowance administered on behalf of the Council or central government, for example, housing benefit, council tax support, social fund, direct payment, some council tax discounts/exemptions and any national benefits which the council is empowered to investigate, such as job seekers allowance, income support and employment support allowance.

Under amendments to the Local Government and Social Security legislation there are often options to consider financial penalties as an alternative to prosecution and these should always be considered. However, in serious cases of fraud or where repeat offending occurs, the option to prosecute offenders will be kept under review.

Civil Penalties

The *LGFA*, the *Council Tax Reduction Schemes (Detection of Fraud and Enforcement)(England) Regulations 2013* and the *SSAA* (as amended by the WRA) both provide councils with the ability to impose financial penalties where a person fails to report a material fact affecting their benefits or where a person fails, without good reason, to correct an error.

Each 'Act' lays out its own requirement for such a penalty to be imposed:

- As a general rule the penalties are fixed one-off 'fines' to be added to a person's liability to pay.

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- They can only be offered where a person fails to report a material fact or is negligent in some way and that failure resulted in an overpayment of benefit or a reduction in Council Tax liability.
- These penalties can only be imposed where no criminal charges or other administrative penalties are offered.
- The person receiving the penalty can appeal against the imposition of it, if permitted by legislation.

Administrative Penalties.

Section 115A of the *SSAA* and *Regulation 11 Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013*, provide for financial/administrative penalties as alternatives to prosecution. The legislation allows for financial penalties amounting to between 30% & 50% of the gross overpayment/reduction can be offered if the following conditions are met:

- There is a recoverable overpayment or excess award of benefit/reduction as defined by the relevant legislation.
- There is no overpayment or excess award but that an application has been made where an individual has knowingly made a false statement .
- The cause of the overpayment is attributed to an act or omission on the part of the defendant.
- There are grounds for instituting criminal proceedings for an offence relating to the overpayment upon which a penalty is based.
- The person offered such a penalty has the ability to repay it within a reasonable timescale and the imposition of such a penalty will not over-burden them if they have existing priority debts.

In all cases of fraud the Council will seek to recover the overpaid benefit/reduction/award.

In all cases considered for sanction, it is essential that each case is subject to scrutiny on the basis of its own particular details. The circumstances of each individual case will ultimately determine the eventual sanction route. The Council will consider any previous prosecutions, cautions or administrative penalties from; the Council, other Local Authorities the Department of Work and Pensions, the Police, or other enforcement agencies.

Housing/Tenancy Fraud

In all cases of fraudulent housing or homeless applications, where a tenancy has been obtained with a social housing provider, the Council will assist with repossession of the property by the provision of any relevant information that it holds and, through SAFS,

with recovery of any financial losses to the council and social housing provider. The Councils view is that one property lost to fraud is one less property available to use for genuine applicants.

Where a false statement/misrepresentation is made on a housing or homeless application, the Council will also consider prosecution using the Theft Act, Fraud Act, Housing Acts and/or PoSHFA.

The factors that will affect our decision to prosecute will be based on the evidential and the public interest tests.

Other Fraud

This includes, Grants, Reliefs and exemptions, council tax or non-domestic rates and other applications for financial assistance.

In cases where the Council suffers a financial loss, or risk of loss, we will always seek recovery. Where an organisation is involved in the fraud, the Council will also make referrals to the relevant governing body as and when appropriate, i.e. Charities Commission, Registrar of Companies, SIAS.

The Council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will include cases of attempted fraud i.e. applications for renovation grants where the financial estimates are deliberately misstated; false applications for direct care payments.

Proceeds of Crime

The Council in partnership with SAFS will use the Proceeds of Crime Act 2002, Criminal Justice Act 1988 and the provisions of PoSHFA 2013 to obtain Confiscation Orders to include Compensation Orders as well as recovery of the full criminal benefit figure where possible.

The Council may use its own accredited Financial Investigators or those attached to other law enforcement agencies in order to conduct investigation, obtain orders and present evidence.

Recording Penalties Sanctions and Prosecutions

For an effective regime of sanctions to be successful it is a requirement that accurate records of all convictions, penalties and cautions are maintained. This will enable the

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correct decisions to be made taking full account of the defendant's background. Therefore, it is important that a record of each is maintained.

All sanctions must be recorded by both SAFS and the Council, and copies of all documents used to consider and issue the sanction should be retained, in accordance with the relevant Retention Policies. Relevant paperwork must also be sent to the National Anti-Fraud Network to be retained on its central data-base. In the case of prosecution, all cases that result in successful convictions will be reported to Hertfordshire Constabulary for recording on the Police National Computer (PNC) central databases.

Publicity

It is Councils intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

Reporting and Review

Summary information on cases and action taken will be reported to the Councils Communications Team, and SAFS Board in line with the Procedures for Publishing Press Releases Referencing Criminal Convictions. An annual report will be produced for the Chief Executives, Senior Management Team and Audit Committee of the Council of all cases where sanctions or prosecutions have resulted from investigations conducted by SAFS Officers.

This policy will be reviewed annually or when changes in legislation require it by the Councils Head of Legal Services, and the SAFS Counter Fraud Manager . Any minor or consequential changes will be made with the agreement of the Head of Legal.

Further reading and guidance that supports this policy

1. All decision making. 'Standards of Service' for SAFS and Partner services contained in the SAFS Annual Business Plan 2016/2017.
2. Issue of Civil Penalties- **Council Tax Reduction Scheme (Enforcement & Fraud) Regs 2013.**
3. Issue of Administrative Penalties and Prosecution in CTRS criminal cases- **CTRS (Enforcement & Fraud) Regs 2013.**
4. Issue of Civil Penalties for Council Tax Fraud (SPD/Student exemptions & Discounts etc) **Local Government Finance Act 1992** .

5.   Prosecution for Tenancy Fraud and civil/criminal recovery of unlawful profits. **Prevention of Social Housing Fraud Act 2013**.

6.   Prosecution for Housing Application/Homelessness Fraud- **Housing Act 1996.**

7.   Blue Badge Abuse, **Disabled Persons' Parking Badge Act 2013**. **Road Traffic Acts. Fraud Act 2006**

8.   Staff/Members- Disciplinary Process/Standards Board

9.   NNDR Fraud. Penalties and Prosecution. **Theft Act 1968 and Fraud Act 2006**

10.   Prosecution for Application Fraud against other Council services. **Theft Act 1968 and Fraud Act 2006.**

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EAST HERTS COUNCIL

AUDIT COMMITTEE - 16 MARCH 2016

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

UPDATE ON IMPLEMENTATION OF 2015/2016 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

WARD(S) AFFECTED: ALL

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Purpose/Summary of Report

- The 2014/15 Annual Governance Statement includes three measures to enhance East Herts Council's internal control framework during 2015/16. The Audit Committee is requested to consider the content of **Essential Reference Paper 'B'** that provides details of proposed actions that need to take place prior to confirmation being given that adequate and effective controls are fully in place.

RECOMMENDATION FOR AUDIT COMMITTEE: **That:**	
(A)	**the progress made against implementing the action plan contained in the 2014/15 Annual Governance Statement be reviewed and any Members' concerns be recorded.**

1.0   Background

1.1   The Annual Governance Statement Action Plan has identified key responsible officers and timescales and is monitored through reports to this Committee. Actions needed to address issues have been identified and are monitored on a R(ed), A(mber) and G(reen) basis.

2.0   Report

2.1   For the purposes of the Annual Governance Statement, internal control is being interpreted in its broadest sense covering both financial and managerial controls that ensure that the

implementation of East Herts Council's vision and priorities is being managed effectively.

2.2   Position statements are reflected in **Essential Reference Paper 'B'** following consultation with key responsible officers. The position statement contains a traffic light system whereby:
- "Green" indicates that the planned action has been achieved,
- "Amber" indicates that satisfactory progress is being made towards achieving the planned action, and
- "Red" is where a planned action has not been achieved or that progress is unsatisfactory.

2.3   The Annual Governance Statement Action Plan was approved by the Audit Committee on 23 September 2015.

2.4   The following updated positions are highlighted:
- A draft Asset Management Plan will be submitted for consideration by Corporate Business Scrutiny Committee in March 2016 and then to the Executive in April 2016.
- In respect of Welfare reforms, the target date has been revised to October 2016 as some significant changes will not now take place until the autumn of 2016.
- Revised dates have been put against development of the District Plan, following an advisory meeting with PINS.

2.5   This report was also considered by Corporate Management Team on 23 February 2016.

3.0   <u>Implications/Consultations</u>

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

<u>Background Papers</u>
Update on Implementation of 2015/2016 Annual Governance Statement Action Plan - Audit Committee 20 January 2016.

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IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives	*People* **– Fair and accessible services for those that use them and opportunities for everyone to contribute** This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable. *Place* **– Safe and Clean** This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean. *Prosperity* **– Improving the economic and social opportunities available to our communities** This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities and delivering cost effective services.
Consultation:	No public or partner consultations were required during the preparation of this report.
Legal:	There are no additional legal implications to those already contained in this report.
Financial:	There are no additional financial implications to those already contained in this report.
Human Resource:	There are no additional human resource implications to those already contained in this report.
Risk Management:	There are no additional risk management implications to those already contained in this report.
Health and wellbeing – issues and impacts:	There are no additional health and wellbeing issues and impacts to those already contained in this report.

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ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2015/16 **Essential Reference Paper 'B'**
Required enhancements to internal control arrangements:

Issue	Resp. Off.	Target Dates	Actions needed to achieve milestone	Current position	RAG Status
Asset Management Plan	CMT	December 2015 for draft plan to CMT, with submission to Executive by March 2016.	• Review strategy for each asset held by the Council to provide an outcome for each one.	• Draft Asset Management Plan considered in December 2015 by CMT and Asset Management Working Group. This will be submitted for consideration by Corporate Business Scrutiny Committee on 22 March 2016 and the Executive on 5 April 2016.	AMBER
			• Review Asset Management Plan in line with RICS guidance.	• As above.	AMBER
			• Assess the requirements of an Asset Management IT system and begin procurement.	• IT system identified and procured in October 2015. A Project Plan is	GREEN

					currently being drawn up for implementation in 2016.	
Impact of Welfare Reform changes	CMT	April 2016 revised to October 2016	• Impending Legislation will have an adverse financial impact on a significant number of residents. • Provide residents more support for services across the Council to staffing levels, manage the budget and the public expectations. • Implement Council policies effectively.		• Revenues and Benefits, Customer Services and Housing staff are meeting regularly to ensure a consistent approach. Joint staff training is being carried out in preparation. • The Impact of Welfare Reform changes is recognised as a specific Strategic Risk. Revenues & Benefits have this area under constant review. • Some significant changes (CAP) will not take place until the autumn of 2016.	AMBER
Development of a District	CMT	March 2016 revised to	• Pre-submission document agreed for consultation.		• Following an advisory meeting with PINS further	AMBER

Plan that is approved by the planning inspectorate.		October/ November 2016		actions have been identified which require additional work. This leads to the retiming of the pre-submission document.	
		October 2016 revised to February 2017	• Submission document agreed and submitted to PINS.	• The ability to advance this action is dependent on a number of factors including: the level of response to consultation and the issues raised; the resolution of outstanding infrastructure concerns; and ongoing discussions under the Duty-to-Cooperate. Risks to the timeline will be minimised through ongoing work with stakeholders and DCLG/PINS.	AMBER
		February 2017	• Examination of Plan.	• Examination of the Plan will commence in	AMBER

		revised to April/May 2017		accordance with a timeline issued by PINS. More detailed assessment of the risks at this stage will be possible following the release of the submission version of the Plan. Action would be taken, as appropriate, to reduce any identified risks.	
		May 2017 revised to September 2017	• Adoption of District Plan	• Adoption of the District Plan will be dependent on the outcome of the Examination. More detailed assessment of the risks at this stage will be possible following the release of the submission version of the Plan. Action would be taken, as appropriate, to reduce any identified risks.	AMBER

EAST HERTS COUNCIL

AUDIT COMMITTEE – 16 MARCH 2016

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

RISK MANAGEMENT MONITORING REPORT (OCTOBER TO DECEMBER 2015)

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report relates to action taken to mitigate and control strategic risks in the period October to December 2015.

RECOMMENDATION FOR AUDIT COMMITTEE: That:	
(A)	**the action taken to mitigate and control strategic risks be approved.**

1.0 Background

The Strategic Risk Register was last considered by Audit Committee on 25 November 2015. (Period July to September 2015). The register has been updated to reflect controls implemented between October and December 2015 and is attached at **Essential Reference Paper 'B'.**

2.0 Report

2.1 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).

2.2 Managing threats and opportunities helps to create an environment of "no surprises" and the Authority is in a stronger

position to deliver services in accordance with corporate priorities. By managing opportunities, it is better positioned to provide continuous improvement in its services and better value for money.

2.3   The system of rating listed below applies to the 2015/16 financial year.

Rating the potential impact if the risk was to occur using the following scores

4   **High** - Greater than £300,000 and / or national criticism and / or catastrophic fall in service quality
3   **Medium** - £150,000 to £300,000 and / or regional criticism and / or major long term fall in service quality
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
1   **Negligible** - Below £50,000 and / or short term local media criticism and / or short term fall in service quality

Rating the likelihood of occurrence using the following scores

4   **Probable** - The event is likely to occur within a year
3   **Possible** - The event is likely to occur within, or more than one in three years
2   **Unlikely** - The event could occur less frequently than every three years
1   **Rare** – The event could occur in exceptional circumstances

These scores are further assessed to classify whether risks are considered to be critical, caution, contingency or control.

2.4   Controls implemented in the period October to December 2015 have been recorded. All scores since the previous quarter remain unchanged, with the exception of 15-SR6. (Availability and performance of IT systems). The likelihood rating has reduced from 3 to 2 as all services are now using the hosted desktop and resilience is therefore improved. A new risk has been introduced concerning Old River Lane, Bishop's Stortford. Please refer to **Essential Reference Paper B** for more information.

2.5   This information will be presented to the Executive on 8 March 2016, so no comments from the Executive are available in advance of this Audit Committee meeting.

2.6   The Strategic Risk Register for 2016/17 has been drafted. As the first report featuring this register will be presented at the meeting on 21 September 2016, changes are summarised below.

2.7   In 2016/17 two new risks will be added concerning devolution and extreme weather.

2.8   Three risks will drop down to the Operational Risk Management Group due to the controls implemented; 15-SR6 - 'Availability and performance of IT systems', 15-SR11 – 'Health and Safety', and 15-SR12 – 'Business Continuity Planning'.

2.9   15-SR1 – 'Significant funding reduction' will be split in to two sections, separating business rate income.

2.10   15-SR4 – 'Shared services' will be expanded to cover alternate service delivery models generally.

2.11   15-SR10 – 'Bishop's Stortford development' will be expanded to include large / strategic developments generally.

2.12   15-SR16 – 'Old River Lane, Bishop's Stortford' will be expanded to the vitality of town centres generally.

2.13   Generally there has been a significant shift of scoring towards the 'critical' segment of the matrix, reflecting the financial and legislative challenges that the Council faces.

2.14   All strategic and operational risks can be viewed on the Council's performance management system, Covalent (**www.covalentcpm.com/eastherts**).

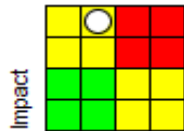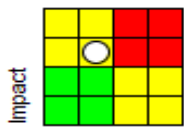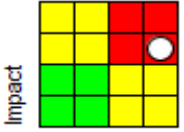3.0   Implications/Consultations

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

Background Papers
Risk Monitoring Report July to September 2015 – Audit Committee 25 November 2015.

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Report Author: Graham Mully
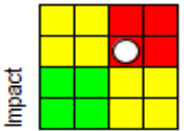   Risk Assurance Officer
                   Ext 2166
                   graham.mully@eastherts.gov.uk

IMPLICATIONS/CONSULTATIONS

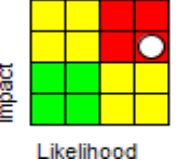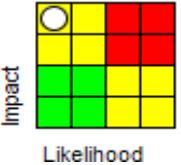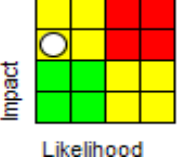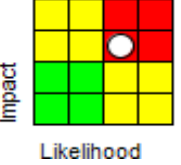|	
Contribution to the Council's Corporate Priorities/ Objectives:	**People** This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable. **Place** This priority focuses on the standard of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean. **Prosperity** This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic and social opportunities.
Consultation:	There are no specific consultation implications arising directly from this report.
Legal:	There are no specific legal implications arising directly from this report.
Financial:	There are no specific financial implications arising directly from this report.
Human Resource:	There are no specific human resource implications arising directly from this report.
Risk Management:	There are no additional risk management implications to those already contained in this report. However, it should be noted that if East Herts did not have a risk management monitoring process, the Authority would be seen to be not managing risks appropriately, which would have a significant negative impact on recommendations made by the External Auditors through the Annual Audit Letter.
Health and wellbeing – issues and impacts:	There are no specific health and wellbeing implications arising directly from this report.

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Strategic Risk Register - October to December 2015   Essential Reference Paper B

Code	Title	Description	Current Risk Matrix	Impact	Likelihood	Managed By	Latest Note
15-SR1	Risk of significant reduction in funding above that planned for, in particular localisation of Council Tax Support, localisation of business rates and New Homes Bonus.	There is uncertainty around future funding, both from Government and other areas such as income from commodities markets for recycled materials. There are cost pressures combined with an increased awareness and scrutiny of financial position.		3	4	Adele Taylor	October to December 2015: Finance settlement for local Government announced at end of December 2015. Medium Term Financial Plan refreshed to take in to account changes. 2016/17 budget should be balanced, but future years significant gaps have been identified.
15-SR2	Risk of not having capacity / capability and flexibility to continue to deliver service levels over time.	There are challenges around workforce planning to ensure the Council is fit for the future, in terms of workforce skills, capacity and flexibility. Also about being fleet of foot and responsiveness		3	3	Adele Taylor	October to December 2015: The action plan around the organisation development strategy is being put in to practice.
15-SR3	Risk that supplier / contractor or key third sector partner fails or fails to deliver.	A number of key services are delivered through major contracts, both directly and in consortia. This is both through private sector supply chains and in conjunction with the voluntary and third sector.		3	2	Simon Drinkwater	October to December 2015. The level of risk remains unchanged. Key services continue to be delivered by contractors and partners. Effective monitoring and contract management is in place. These mechanisms are essential to mitigate the risks combined with effective procurement and a clear understanding of the relevant market place. The joint waste project with North Herts will mean that a contractor will be appointed to provide services for both East Herts and North Herts which should generate savings. There are additional risks arsing from joint working including less effective service delivery and failure of the joint arrangements. The project has its own risk register.
15-SR4	Risk that investment and effort does not deliver benefits and returns in Shared Services.	Moving more towards shared services with other public sector partners. Potential for lack of consistent political buy-in by all partners resulting in considerable effort without benefit. There is also a challenging skill set for managers due to the complexity.		3	3	Adele Taylor	October to December 2015: Shared services performing well including first prosecution across the SAFS partnership.

ID	Risk	Consequence	Matrix	Impact	Likelihood	Owner	Update
15-SR5	There is uncertainty around government policy and a number of changes required without accompanying resource.	Risk of policy changes by decree which we do not comply with or implement		3	3	Simon Drinkwater	October to December 2015. Pressures continue relating particularly to the budget in the form of the financial settlement from the government and the impact of the next round of welfare reform. Housing Benefits and Housing Options are likely to be most affected, but there will also be issues for Members and other services. Affordability for tenants will be a significant challenge. The Planning and Housing Bill will affect the provision of affordable housing. The reduction in government grants will affect the Council's budget in future years.
15-SR6	Availability and performance of IT systems and resources impacting on service delivery.	Reduced levels of service across the Authority. Targets may not be achieved. Staff morale and reputation of Council may suffer. Influence of ITSG should reduce risks		4	2	Adele Taylor	October to December 2015: All services now using hosted desk top. Resilience therefore improved and likelihood score reduced according.
15-SR7	Data Protection: Failure to comply with the data protection principles. The potential disclosure of personal data inappropriately.	Action may be taken by the ICO. Individuals may suffer if their personal data, particularly sensitive personal data is disclosed.		3	2	Neil Sloper; Adele Taylor	October - December 2015 One non-reportable incident in October. On-line Data protection training almost concluded. Clear desk review has been suggested by team member at Charrington's House due to compressed working space, will be undertaken in Q4
15-SR8	Impact of welfare reform changes.	New legislation will have an adverse financial impact on a significant number of residents. Residents will require more support from services across the Council affecting staffing levels, finances, and a risk of increased aggression. There may also be difficulties in implementing Government policy, with uncertainty on timetable.		3	4	Adele Taylor	October to December 2015: A number of changes to welfare benefits were announced as part of the financial settlement. Full detail in terms of implementation timetable and application of changes to individuals is still awaited but key services are preparing staff to manage any changes.
15-SR9	Development of a District Plan that is acceptable to the community and the planning inspectorate.	Risk of not being able to agree plan in timeframe meaning: Increased costs, Lack of effective development control, Cannot bid for funding for infrastructure, lost opportunity, open to challenge in meantime, legal / reputational / political issues		3	3	Simon Drinkwater	October to December 2015. The next version of the District Plan will be published in 2016 with the intention that the plan is adopted in 2017 to meet the government's target. The evidence base is nearing completion. the risk is that the plan will be rejected by the inspector which will mean that the timetable cannot be met.

Ref	Risk	Consequence	Risk Matrix	Impact	Likelihood	Owner	Update
15-SR10	Bishop's Stortford - significant development proposals - ensure good quality development securing all necessary infrastructure	Poor environment, loss of development opportunity, reputational risk	Impact / Likelihood	4	2	Simon Drinkwater	October to December 2015 Project brief has been prepared to produce a master plan. A timetable for the project is being prepared. The master plan will involve all interested parties.
15-SR11	Health and safety compliance across the Authority.	Non-compliance with statutory responsibilities may lead to accidents, more staff absence and potentially insurance claims.	Impact / Likelihood	3	2	Adele Taylor	October to December 2015: Safety Committee meets regularly to consider compliance issues as well as any incidents to ensure any necessary improvements are identified. Audit programme continues. Leisure centres reviewed and safeguarding request investigated. First briefing paper to Leader and Executive Member prepared.
15-SR12	Business Continuity Planning	Failure to update the Business Continuity Plan may prevent the Council from providing critical services in the event of an incident.	Impact / Likelihood	4	1	Adele Taylor	October to December 2015: Work continues to update plan and graduate trainee now supporting project to bring to conclusion. All services now using hosted desk top. Planned mitigating actions: Complete by 31st March 2016 and arrange test.
15-SR13	Failure of services to develop digital service offer and channel shift targets in line with Customer Service Strategy	Step change to digital basis for service delivery will not be made within the window of invest opportunity in the next 2-3 years	Impact / Likelihood	3	4	Adele Taylor	October to December 2015: Focus is on developing a target operating model for the Council for services to then consider how they interact with their customers.
15-SR14	Compliance with the Childrens Act 2004.	Whilst the Council's self-assessment obtained ratings of at least 'adequate' there is a commitment to improve and thereby ensure the safety of children and vulnerable adults.	Impact / Likelihood	4	1	Simon Drinkwater	October to December 2015. The action plan continues to be implemented. Further training for staff is being provided. Additional work is required to deal with safeguarding adults.
15-SR15	Safeguarding adults	Maintain and develop interagency relationships, Council policy and training.	Impact / Likelihood	3	1	Simon Drinkwater	October to December 2015: Training has been arranged for relevant staff. Safeguarding responsibilities are specifically identified in the new management structure.
15-SR16	Old River Lane, Bishop's Stortford	Risk that the Council does not exploit the opportunity to shape the site. Investment levels must be maintained to ensure that the property remains let and that tenants are supported.	Impact / Likelihood	3	3	Adele Taylor	October to December 2015: Steering group is meeting on a regular basis to consider the longer term future of Old River Lane and other key sites within Bishop's Stortford. Day to day management of the site is contracted to Lambert Smith Hampton for the first year, and officers are regularly in consultation with them in regards to ensuring best value on the site.

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EAST HERTS COUNCIL

AUDIT COMMITTEE – 16 MARCH 2016

REPORT BY THE LEADER OF THE COUNCIL

RISK MANAGEMENT STRATEGY

WARD(S) AFFECTED: ALL

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Purpose/Summary of Report

- Members are invited to support approval the Risk Management Strategy which has been reviewed and updated, annually as required and to make a recommendation or not, to the Executive and Council.

RECOMMENDATIONS FOR AUDIT COMMITTEE:	
That Council via the Executive be advised that:	
(A)	**the updated Risk Management Strategy be approved.**

1.0   Background

1.1   The Risk Management Strategy is reviewed annually. This report details the amendments made.

2.0   Report

2.1   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).

2.2   By managing risks effectively, the Authority is in a stronger position to deliver services in accordance with corporate priorities. By managing opportunities, it is better positioned to provide continuous improvement in its services, and better value for money.

2.3   The Risk Management Strategy is reviewed annually and was last presented to Audit Committee on 18 March 2015.

2.4   Since then risk management has been subject of internal audit (July 2015) and received a 'substantial assurance' rating.

2.5   Comparisons with the Strategies of other Hertfordshire Authorities took place in autumn 2015, led by the Shared Internal Audit Service. The contents are generally similar. (Our strategy is based on a 'toolkit' prepared by the Association of Local Authority Risk Managers, which remains in place).

2.6   A review was then conducted by the Executive Member for Finance and Support Services, Chairman of Audit Committee, Director of Neighbourhood Services, Director of Finance and Support Services, Head of Governance and Risk Management, and the Risk Assurance Officer. Minimal changes were considered necessary:

   2.6.1   Target scores have been introduced to ensure that risk mitigation is documented, and planned / achieved actions are recorded.

   2.6.2   Greater emphasis has been placed on maximising opportunities.

   2.6.3   Changes in Council structure and procedure have been reflected.

2.7   The risk identification and challenge processes are still considered to be robust and remain unchanged.

2.8   Alterations have been tracked in ERP 'B'. The Strategy will also be submitted to The Executive and Council.

2.9   Changes to the Council's staffing structure and management team meetings will be updated during 2016/17.

3.0   Implications/Consultations

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

Background Papers

Risk Management Strategy – Audit Committee 18 March 2015, Executive 2 June2015 and Council 29 July 2015.

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IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	*People* This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable. *Place* This priority focuses on the standard of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean. *Prosperity* This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic and social opportunities.
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Human Resource:	There are no specific human resource implications arising directly from this report.
Risk Management:	There are no additional risk management implications to those already contained in this report. However, it should be noted that if East Herts did not have a risk management monitoring process, the Authority would be seen to be not managing risks appropriately, which would have a significant negative impact on recommendations made by the External Auditors through the Annual Audit Letter.
Health and wellbeing – issues and impacts:	There are no specific health and wellbeing implications arising directly from this report.

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Risk Management Strategy

CMT	23rd February 2016
Audit Committee	16th March 2016
Executive	5th April 2016
Council	18th May 2016

Contents

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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 governancea vital activity, and we seek tomust be embedded risk management into the culture of the Authority. This includes the strategic decision making process, service planning, project management, partnerships, audit, procurement and contracts. 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 processes in place should provide assurance to all stakeholders that the identification and management of risk plays a key role in the delivery of our strategy and related objectives.

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 of the Risk Management Strategy

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

- The Executive
- Audit Committee
- Corporate Management Team
- Senior managersHeads of Service

To demonstrate how risk management contributes to the achievement of the Council's and service objectives, tTraining is provided to those listed above, and members of staff who prepare committee reports and / or those who should consider risk in the roles that they perform.

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The strategy is reviewed ~~internally~~ 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).

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 therefore is essentially about identifying all the obstacles and weaknesses that exist within the Council. The approach is vital to ensuring that all elements of the organisation are challenged including decision making processes, working with partners, consultation processes, existing policies and procedures and also the effective use of assets – both staff and physical assets.

Once the obstacles have been identified, the next stage is to prioritise them to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively. The result is that major risks / obstacles that exist can be mitigated / controlled, providing the Council with a greater chance of being able to achieve objectives.

~~Included within this~~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 make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk.

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

* ~~The coalition government have announced a number of changes in order to reduce bureaucracy and central government burdens and to save money. At the heart of all these changes is the government's ambition to decentralise – to transfer power from central government to local authorities and the communities and individuals they represent.~~

This means that going forward local authorities are in control of their systems and processes to allow them to fulfil their commitment to deliver their priorities and to account to their local communities for their performance.

Therefore it is essential that the Council's business planning and performance management processes are relevant and fit for purpose to support the delivery of the council's three key priorities – People, Place and Prosperity. Within this framework it is important that risk management continues to be a key discipline that is carried out. The Council's risks are managed by having a clear strategy and effective

4

arrangements in place, including appropriate resources to manage the risk of fraud and corruption and partnership working.

Local drivers behind strategic risk management

The Council's vision is:

'To improve the quality of people's lives and preserve all that is best in East Herts'.

The Council's Strategic Priorities:

'East Herts Council is here to help you. 'We are committed to the communities we serve; delivering good quality services that reflect local priorities and resources'.

In order to strive to meet the vision and priority, East Herts Council has recognised the need to further embed its risk management arrangements. The desired outcome is that risks associated with these objectives can be managed and the potential impact limited, providing greater assurance that the vision will be achieved.
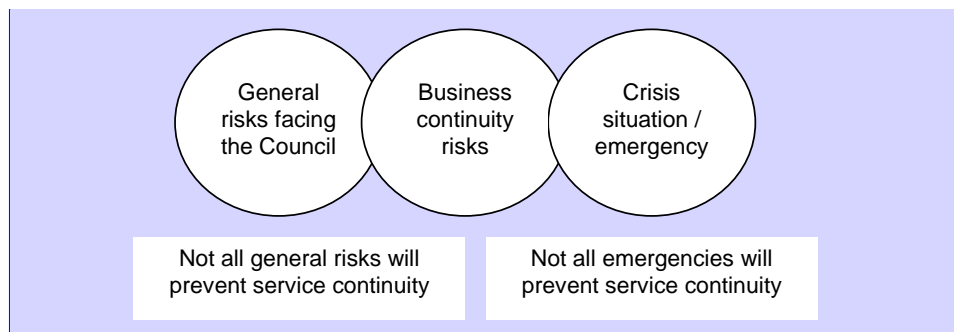
Benefits of risk management

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.
- Reduced losses arising from accidents and illnesses.
- Increased chance of achieving strategic 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.

Risk management, emergency planning and business continuity

There is a link between these areas; however it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.

General risks facing the Council

Business continuity risks

Crisis situation / emergency

Not all general risks will prevent service continuity

Not all emergencies will prevent service continuity

Comment [MG2]: This table has been deleted but does not show on 'track changes'.

~~**Risk management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on our strategic objectives can be critical or even catastrophic.~~

~~**Business continuity management** is about trying to identify and put in place measures to protect priority functions against catastrophic risks that can stop the Council in its tracks. There are some areas of overlap e.g. IT infrastructure and resilience features as a strategic risk, but is a key element of business continuity plans.~~
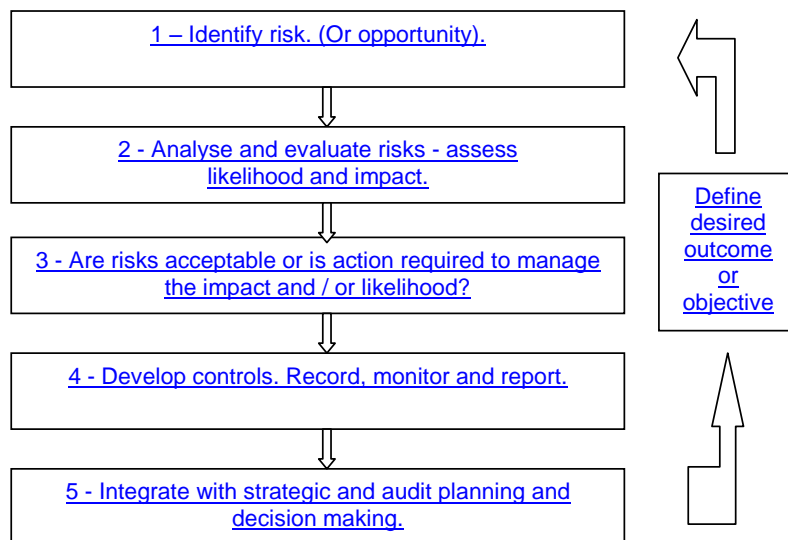
~~**Emergency planning** is about managing those incidents that can impact on the community. In some cases they could also be a business continuity issue. E.g. a plane crash is an emergency. It becomes a continuity event when significant numbers of Council staff are required to provide support.~~

~~The Council recognises that there is a link between Risk Management, Business Continuity Management and Emergency Planning. Corporate Management Team leads in all three areas and strategies are developed concurrently.~~

Section 3 - Implementation of risk management

~~The risk management process~~

Implementing the strategy involves a 5-stage process ~~as shown in figure 1.~~:

1 – Identify risk. (Or opportunity).

↓

2 - Analyse and evaluate risks - assess likelihood and impact.

↓

3 - Are risks acceptable or is action required to manage the impact and / or likelihood?

↓

4 - Develop controls. Record, monitor and report.

↓

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

Define desired outcome or objective

~~**Figure 1: The risk management cycle**~~

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

Step 1 – Risk identification.

4 -– Record controls implemented, monitor and report. (Checking process).

2 – Analyse and evaluate risks.

3 -– Are risks acceptable or is action required to manage the impact and / or likelihood?Respond

to risks.

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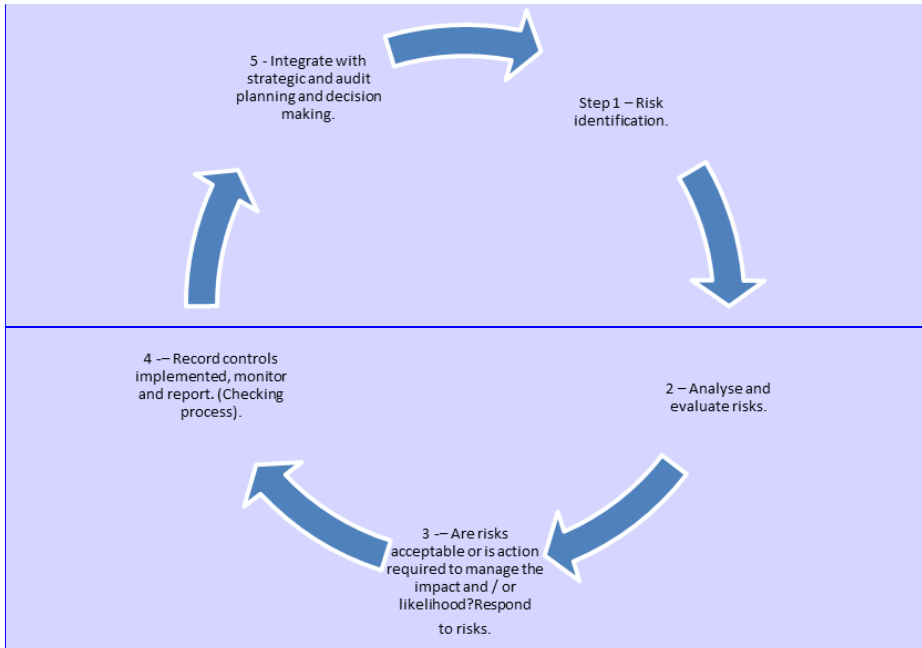
Stage 1 – Risk identification

What could prevent the Council, your service, project or partnership from meeting ~~The first step is to identify the risks that could have an adverse affect or prevent key business~~ objectives ~~from being met~~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.

When identifying risks it is important to remember that risk management is also about making the most of opportunities. For example:
- ~~, e.g. m~~Making bids for funding.
- ~~, p~~Pursuing beacon status or other awards.
- T~~,~~taking a national or regional lead on policy development.
- ~~,~~Ssavings that may be achievable if a project goes to plan ~~etc~~.
- A 'spend to save' initiative.
- Tendering a large contract also provides an opportunity to reshape service delivery.

Using appendix 1 as a prompt, various techniques can then be used to begin to identify ~~'key' or 'significant' business~~ risks including:

- A 'brainstorm' session
- Own (risk) experience
- Challenge within team meetings
- 'Strengths, Weakness, Opportunities and Threats' analysis or similar
- Experiences of others - can we learn from others mistakes?
- Exchange of information / best practice with other authorities, organisations or partners.

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. A fuller description to include the root cause and the possible consequences of the risk if it occurs should be provided separately, e.g.

Title	Description
Insurance tender for contract commencing 31st May 2016. The tender, and establishment of the insurance reserve, provide an opportunity to self-fund well managed risks. ~~Response to changes to the Civil Procedure Rules governing the handling of liability (insurance) claims.~~	The insurance contract is subject of a full OJEU tender process. A hard insurance market may result in premium increases. Increasing deductibles, without robust risk management practices, may leave the Council exposed to increased expense. However the tender, combined with other initiatives, present an opportunity to review self-insurance levels and establish an appropriate fund for well managed risks. ~~The timeframe to handle liability claims below £25,000 will reduce from 111 days to 30 / 40 days in April 2013. Failure to meet deadlines could result in financial penalties.~~

Following identification and analysis, risk scoring is agreed at Department Management Team and / or in a facilitated workshop. Participants review risk scenarios, rate the potential likelihood of occurrence and the impact if it were to occur. A matrix is used to plot risks to illustrate priority. Impact and likelihood scoring criteria have been revised for 2013/14, and are detailed in the following matrix below.

4 - HIGH >£300,000 and / or National criticism and / or Catastrophic fall in service quality				
3 – MEDIUM £150,000 to £300,000 and / or Regional criticism and / or Major long term fall in service quality		**CONTINGENCY**	**CRITICAL**	
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		**CONTROL**	**CAUTION**	
1 - NEGLIGIBLE <£50,000 and / or Short term local media criticism and / or Short term fall in service quality				
IMPACT ╱ **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

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It is prudent to combine risks from more than one service that share common causes and consequences, e.g. IT network performance, data protection, staff recruitment and retention, health and safety etc. The Operational Risk Management Group will review such risks and recommend controls and devise policy where possible. These corporate risks, and strategic risks with implications for all services, will feature on each Department Management Team risk register to keep services informed, and to ensure that comments, controls and ideas are recorded and Council policy followed.

Risk appetite

A material risk is deemed to be any risk rated higher than 2:2. This is 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

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, accept transfer or terminate the risk ~~on an agreed 'risk appetite'~~ or the opportunity presented. 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.

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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.

The potential for controlling the risks identified will be addressed through service plans. 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. These service plans will also identify the resources required to deliver the improvements, timescale and monitoring arrangements.

Existing controls, their adequacy, new mitigation measures and associated action planning information are ~~all~~ to be recorded on the risk register, including ownership of the risk and allocation of responsibility for each mitigating action. ~~Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective service plans and cross reference should be made to this in the risk registers.~~

~~Consideration should also be given here as to the 'Cost-Benefit' of each control weighed against the potential cost / impact of the risk occurring. N.B. 'cost / impact' here includes all aspects including financial, resourcing, but also reputational.~~

With effect from 2016/17, a target score will also be agreed at the first Department Management Team meeting of the new financial year to focus minds on risk mitigation and recording of actions planned and achieved.

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

Stage 4 – Recording, monitoring and reporting

Corporate Management Team is responsible for ensuring that ~~key~~ strategic risks are managed.

The Operational Risk Management Group is responsible for ensuring that Council-wide operational risks are managed.

Directors and senior mangers are responsible for ensuring that key risks in their service are managed. They will be reviewed and challenged at least quarterly at Department Management Team healthcheck meetings, with controls discussed and agreed. Council-wide operational and strategic risks are also considered, with comments collated and reported to risk owners, Corporate Management Team or the Operational Risk Management Group as necessary.

Risk owners should update descriptions, scores, controls and planned controls on Covalent. See Appendix 3 for details and an example.

Corporate Management Team then undertakes a review of the strategic risk register and receives updates from Departmental Management Teams.

A comprehensive review of risk registers is undertaken annually by the Risk Assurance Officer, Head of Governance and Risk Management, and ~~the~~ at least one Director ~~of Neighbourhood Services~~ following receipt of service plans. A comparison is made between risks identified in the service plan, existing risk registers, and new risks and trends identified elsewhere. ~~Risk ratings~~Scores will be moderated where

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necessary, and proposals for the following year's risk registers are then presented at Departmental Management Team meetings for amendment and final approval before addition to Covalent. (Proposed strategic risks are also presented to Corporate Management Team).

During the year new risks and opportunities are likely to arise that have not previously been considered. The environment in which risks exist will change making some more critical, and others less important or obsolete. Risk registers and scores should be updated to reflect these changes, ensuring that risk registers and resulting mitigation measures are appropriate for the current service and corporate objectives. (Addition of new risks to and deletion of obsolete risks from Covalent can only be carried out by the Risk Assurance Officer).

If any risks require corporate ownership and management then they should be incorporated into the strategic risk register or referred to the Operational Risk Management Group, as appropriate.

Risks scored 'critical' (red) will be reviewed monthly at Departmental Management Team meetings, although Covalent need not be updated unless significant movement occurs.

Corporate Management Team will report strategic risks to the Executive quarterly as part of the Corporate Healthcheck report. Audit Committee will receive four monitoring reports each year.

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 planning; policy making and review and performance management. The linkages are as follows:

- Risk management is a key part of the business planning process and therefore forms one of the key elements of the integrated **Strategic and Financial Planning framework**. Guidance on the framework is issued annually to senior managers with the publication of the Medium Term Financial Strategy. The guidance includes a section on risk assessments, which clearly explains that services need to recognise risk not just in relation to planned activity coming out of the service planning process (that supports the Council's priorities) but also in terms of the broader objectives of the service.

- Risks that have been identified that have a potential financial impact need to be considered as part of the preparation of the Medium Term Financial Plan (MTFP). Sources of funding the mitigation of risks, or the consequences of risk assessment need to be clearly identified within the MTFP, either as specific budget lines, provisions or use of general reserves. In addition, consideration of the Council's ability to withstand shocks from external factors is included as part of the Consolidated Budget report annually, which stress tests the MTFP and ability to withstand unexpected events.

- Financial Regulations apply to every Member and officer of the Council, and anyone acting on its behalf. As a modern Council, East Herts encourages

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innovation, providing this is within the framework laid down by the Financial Regulations, and the necessary risk assessment and approval safeguards are in place.

- The Council's **performance management framework** supports the monitoring of strategic and operational risks through the Council's **Corporate Healthcheck Report**. This encourages greater ownership and accountability by service heads in managing budgets, more prudent and focused management of service performance and risk management.

- The Council's **Performance Development Review (PDR) scheme** flows through the organisation from the Chief Executive to staff and ensures that all employees have clear accountabilities and objectives linked to those of the service and the Council.

- Annually the Shared Internal Audit Service review service plans and risk registers with the Governance and Risk Management team to produce the risk based audit plan for the next financial year.

The Council's **performance management system – Covalent** – also serves to strengthen the linkages. All performance and risk monitoring reports are generated from the system and the features of Covalent enable us to demonstrate the link between our corporate priorities, key activity, performance indicators and risks.

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 ~~used~~ in projects, both at ~~Project~~ the ~~Initiation~~ initiation stage and throughout the entire project. This is based largely on the approach used across the authority. Written guidance is available on the intranet. http://www.eastherts.gov.uk/intranet/media.jsp?mediaid=2438&filetype=PDF

~~The approach to risk management defined within this strategy document and within the project management system, is exactly the same.~~

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.

The Council's 'Partnership Protocol'~~, which is available on the intranet~~, sets out the expectations and requirements for managing risks associated with Partnership working.

In November 2015 Corporate Business Scrutiny Committee agreed that the Protocol be reviewed to focus on informal partnerships and collaborative arrangements where assurance processes were not in place.

It was concluded that the remaining (significant) partnerships are underpinned by formal mechanisms and agreements. A 'Partnership Map' maintained by the Head of Business Development has replaced a Partnership Register and will be presented to Corporate Business Scrutiny Committee each November.

For the Partnership Protocol and accompanying report please see http://democracy.eastherts.gov.uk/ieListDocuments.aspx?CId=143&MId=2522&Ver=4

provides guidance on governance, including risk management, and the key processes that can be followed to establish and maintain effective partnerships. A review of these arrangements is undertaken annually and reported to Corporate Business Scrutiny Committee each November.

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 will be made aware of how these risks are being managed through the annual strategic and service planning process, and through reports to the Executive and Audit Committee.

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. Awareness training will be available for all Members when specific training needs are identified.

All Members can access all strategic and operational risks on Covalent.

Full Council

Full Council recognises the importance of effective risk management and considers risk management issues when making decisions.

Executive

- To receive regular reports, covering implementation of the Council's risk management policy and strategy to determine whether corporate risks are being actively managed.
- Agree the Risk Management Policy and 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.

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- The Portfolio Holder for Risk Management is recognised as the Member champion for Risk Management

Audit Committee

- To monitor the effective development and operation of risk management and corporate governance in the Council.
- Receive updates regarding the mitigation and control of strategic risks four times per year, and gain assurance that risk management is properly undertaken.

Corporate Business Scrutiny Committee

- To develop policy options and to review and scrutinise the policies of the Council including Risk Management.

Chief Executive and Corporate Management Team (CMT)

- 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. (The Director of Neighbourhood Services is recognised as the Officer Champion for Risk Management).
- Advise the Executive and Council 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, managers and staff and fully embedded in the Council's service planning and monitoring processes.
- Identify, analyse and profile high-level corporate and cross-cutting risks on a regular basis as outlined in the monitoring process. Refer key corporate and service specific operational risks to the Operational Risk Management Group for action.
- To report to Members on the management of strategic risks.
- Ensure that appropriate risk management skills training and awareness is provided to all Members and appropriate staff.

Directors

- To be individually responsible for proper monitoring of the relevant service risk registers and the embedding of risk management into the business and service planning of their relevant services.
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
- To ensure that all reports of a strategic nature written for Members include risk commentary.
- To ensure that new and existing risks are reviewed, challenged and updated quarterly at Department Management Team meetings. Critical risks will be reviewed monthly.
- Report quarterly to Corporate Management Team on the progress being undertaken to manage strategic risks.

Senior ManagersHeads of Service

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- To be individually responsible for proper monitoring of their service risk register, and the embedding of risk management into the business and service planning of their relevant service.
- Be actively involved in the identification and assessment of service risks resulting in an up to date service risk register and matrix.
- Ensure that all reports of a strategic nature written for Members include risk commentary.
- To maintain the awareness of risks and the risk identification process.
- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.
- Share / exchange relevant information with colleagues in other service areas.

Operational Risk Management Group

- To review operational risks that affect numerous teams within the authority and received feedback from each DMT. Plan mitigation activity and produce procedures / policies. Provide a summary of controls for the Council as a whole and feedback to services and committees where necessary.
- To monitor health and safety compliance and land management standards.
- To act as a forum for the sharing of best practice.
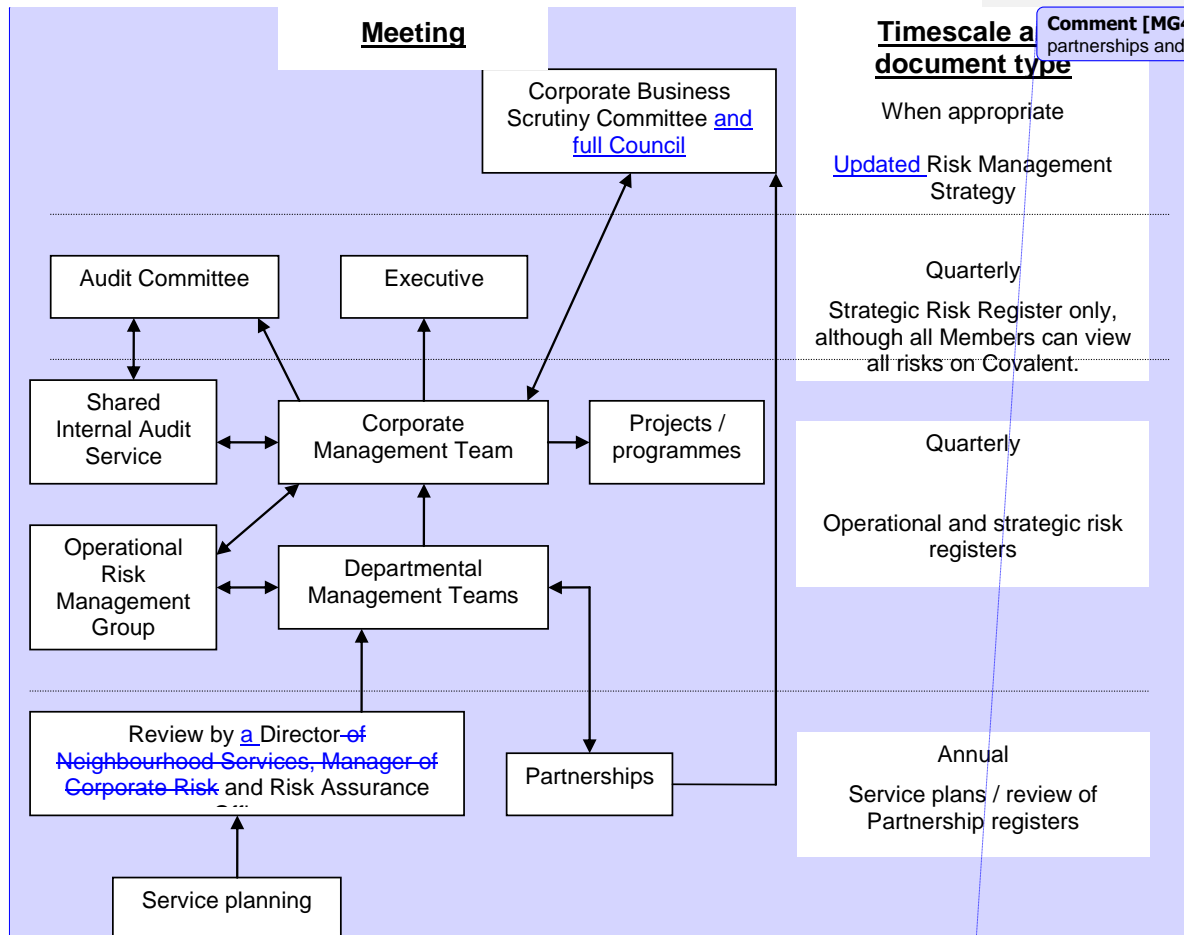- To consider concerns escalated by the Council's Safety Committee and update / act on risks as appropriate.

Governance and Risk Management Team

- Co-ordinate risk management activities and prepare related reports for management and Members.
- Review and develop the Risk Management Strategy and processes.
- Facilitate risk discussion workshops and support and assist the maintenance of risk registers. Gain assurance on the process being conducted.
- Facilitate / arrange risk management training for staff and Members.
- To play an active role within the Operational Risk Management Group.
- Pass experiences of strategy implementation to the appropriate services.
- Maintain awareness of risks and feed them into the risk identification process.
- 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.

The following table shows the risk management reporting arrangements:

Meeting	**Timescale and document type**
Corporate Business Scrutiny Committee and full Council	When appropriate Updated Risk Management Strategy
Audit Committee — Executive	Quarterly Strategic Risk Register only, although all Members can view all risks on Covalent.
Shared Internal Audit Service — Corporate Management Team — Projects / programmes	Quarterly Operational and strategic risk registers
Operational Risk Management Group — Departmental Management Teams	
Review by a Director of Neighbourhood Services, Manager of Corporate Risk and Risk Assurance Officer — Partnerships	Annual Service plans / review of Partnership registers
Service planning	

Section 6 - Conclusion

This strategy will set the foundation for integrating risk Risk management is integrated into the Council's culture. It will also The Strategy formalises athe process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The reporting and escalation of risks from Services to Corporate Management Team should interlocks with the existing quarterly healthcheck for performance reporting, through Covalent. The intention being that the management of risks is incorporated into business plans so that by reporting on performance naturally reports progress on the mitigation of risks.

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Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the ~~failure to deliver either~~ local or central government policy or ~~meet~~ the local administration's manifest commitment.	New political arrangements. Political personalities. Political make-up. Policy and decisions.
Economic	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. Cost of living. Changes in interest rates. Inflation. Poverty indicators.
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.
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. Security standards.
Legislative	Associated with current or potential changes in national or European law.	Human rights. TUPE regulations
Continuity / service delivery	Ability to deliver services.	Loss of key staff, 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/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Staff restructure. Internal capacity.
Financial	Associated with financial planning and control.	Income streams. Budget overspends. Level of Council tax. Level of reserves.
Legal	Related to possible breaches of legislation.	Client brings legal challenge.
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.

Comment [DS5]: Adele might wish to add comments on business rates and new homes bonus.

		Use of equipment.

Appendix 2 – Risk Register

Part A – risks related to Section 3a and b of the service planning template.

Risk No.	Risk title and detail (limit to 255 characters)	Consequence	Impact (1 to 4)	Likelihood (1 to 4)	Risk owner

Appendix 3 – Covalent screen

Risks can be mapped to your home page, or also viewed by clicking 'maps' – 'risk central'.
To update risk descriptions click on 'Notes and history' – 'add status update'. (To see history click 'show all').
To change the scoring click 'new assessment'.

Code	Title	Description	Current Risk Matrix	Impact	Likelihood	Managed By	Latest Note
15FSS1	Insurance tender for contract commencing 31st May 2016. The tender, and establishment of the insurance reserve, provide an opportunity to self-fund well managed risks. Response to changes to the Civil Procedure Rules governing the handling of liability insurance claims	The insurance contract is subject of a full OJEU tender process. A hard insurance market may result in premium increases. Increasing deductibles, without robust risk management practices, may leave the Council exposed to increased expense. However the tender, combined with other initiatives, present an opportunity to review self-insurance levels and establish an appropriate fund for well managed risks. The timeframe to handle liability claims below £25,000 will reduce from 111 days to 30 / 40 days in April 2013. Failure to meet deadlines could result in financial penalties.		3 4	2 1	Head of Governance and Risk Management	Mitigating actions April to June 2015 2016: Comprehensive actuarial review undertaken. Full OJEU tender exercise completed and contract awarded without challenge. Deductibles for well managed risks across motor, liability and property classes of business increased resulting in premium savings of £xxxx. Aggregate cap of £xxx in place to limit financial exposure. Procedure manual drafted and new methods of working introduced. Training provided to all teams. Planned mitigating actions: Monitor numbers of claims and response times. Meet teams when investigating claims. Further training as rules develop.

Concise title. (Cap at 255 characters) See guidance on page 8.

Description of root cause and potential consequence.

Latest assessment of risk.

The likelihood of a risk occurring during the year may increase or decrease, and the impact similarly too. This should be reflected in the scoring.

The risk owner. (A Director or senior Manager).

The controls / mitigating actions for the reporting period should be listed here, along with the actions that you plan to implement in future.

Code allocated by Corporate Risk Team. Year followed by individual code, then reference number. Codes are:
SR = Strategic Risk
OR = (Corporate) Operational Risk
CCS = Customer and Community departmental risk
FSS = Finance and Support Services
NS = Neighbourhood Services

The matrix will update automatically.

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EAST HERTS COUNCIL

AUDIT COMMITTEE - 16 MARCH 2016

REPORT BY DIRECTOR OF FINANCE & SUPPORT SERVICES

AUDIT COMMITTEE WORK PROGRAMME 2016/17

WARD(S) AFFECTED: ALL

_____

Purpose/Summary of Report

- This report provides a proposed Audit Committee work programme for the 2016/17 civic year for consideration.

RECOMMENDATION FOR AUDIT COMMITTEE:	
That	
(A)	**the proposed 2016/17 Audit Committee work programme be approved.**

1.0   Background

1.1   The Audit Committee was formed on 17 May 2006 and as part of the governance arrangements its work programme is approved each civic year. The work of the Committee during this civic year has been analysed. In the light of this work and discussions with the Council's External and Internal Auditors, the programme for the next civic year has been prepared.

2.0   Report

2.1   A proposed Audit Committee work programme for the 2016/17 civic year is given at **Essential Reference Paper 'B'**.

2.2   It has been usual practice to have some training as the first item on the agenda. Specific issues will be identified by the Committee.

3.0   Implications/Consultations

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

Background Papers
Audit Committee Work Programme 2015/16 - Audit Committee 20 January 2016.

Contact Member: Councillor Will Mortimer
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IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	*People* **– Fair and accessible services for those that use them and opportunities for everyone to contribute** This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.
Consultation:	External & Internal Audit have been consulted during the compilation of the Work Programme. No public consultations were required during the preparation of this report.
Legal:	There are no additional legal implications to those already contained in this report.
Financial:	There are no additional financial implications to those already contained in this report.
Human Resource:	There are no additional human resources implications to those already contained in this report.
Risk Management:	There are no additional risk management implications to those already contained in this report.
Health and wellbeing – issues and impacts:	There are no additional health and wellbeing implications to those already contained in this report.

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Draft Audit Committee Work Programme 2016/17 Civic Year

Committee Date	Agenda Items
15 June 2016	- Training item - Draft Statement of Accounts 2015-2016. - Shared Internal Audit Service Annual Assurance Statement and Annual Report 2015/16. - Shared Internal Audit Service- Audit Plan Update Report. - Update on Implementation of Annual Governance Statement Action Plan. - Draft 2015/16 Annual Governance Statement. - Annual Review of Data Quality Strategy. - Risk Management monitoring report 1 January 2016 to 31 March 2016. - Audit Committee Work Programme.
21 September 2016	- Training item - External Audit - Audit Results Report. - Statement of Accounts 2015/16. 2015/16 Annual Governance Statement. - Treasury Management Strategy – 2015/16 Outturn - Annual Shared Internal Audit Service Board Report 2015/16. - Shared Internal Audit Service- Audit Plan Update Report. - Shared Anti-Fraud Service (SAFS) Position Statement. - Risk Management monitoring report 1 April 2016 to 30 June 2016. - Audit Committee Work Programme.
23 November 2016	- Training item - External Audit - 2015/16 Annual Audit Letter. - Council response to 2015/16 Annual Audit Letter. - External Audit - Planned Audit Fees for 2016/17. - Treasury Management Strategy- 2016/17 Mid-year Review. - Update on Implementation of Annual Governance Statement Action Plan.

Draft Audit Committee Work Programme 2016/17 Civic Year

	• Risk Management monitoring report 1 July 2016 to 30 September 2016. • Audit Committee Work Programme.
25 January 2017	• Training item • External Audit- Grants Certification Report 2015/16. • Treasury Management Strategy Statement 2017/18. • Shared Internal Audit Service- Audit Plan Update Report. • Update on Implementation of Annual Governance Statement Action Plan. • Audit Committee Work Programme.
22 March 2017	• Training item • External Audit- Audit Plan. • Shared Internal Audit Service- Audit Plan Update Report. • Shared Anti-Fraud Service (SAFS) Position Statement. • Internal Audit Plan 2017/18. • Update on Implementation of Annual Governance Statement Action Plan. • Risk Management monitoring report 1 October 2016 to 31 December 2016. • Risk Management Strategy. • Audit Committee Work Programme 2017/18 Civic Year.