



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 22 MARCH 2017
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor M Pope (Chairman)
Councillors D Abbott, A Alder, P Boylan, B Deering (Vice-Chairman),
I Devonshire, P Kenealy, W Mortimer, S Stainsby and C Woodward

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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.)

Public Attendance

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

Audio/Visual Recording of meetings

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

AGENDA

1. Training item - Pensions

Presentation to Members

2. Apologies

To receive apologies for absence.

3. Minutes (Pages 7 - 16)

To confirm the Minutes of the meeting held on 25 January 2017

4. Declarations of Interest

To receive any Members' Declarations of Interest

5. External Auditor 2016 - 2017 Audit Plan (Pages 17 - 34)

6. Update on Implementation of Annual Governance Statement Action Plan
(Pages 35 - 42)

7. Shared Internal Audit Service (SAFS) Position Statement (Pages 43 - 64)

8. Shared Internal Audit Plan 2017/18 (Pages 65 - 88)

9. Shared Internal Audit Service - Audit Plan Update (Pages 89 - 106)

10. Risk Management Monitoring Report (Pages 107 - 118)

11. Risk Management Strategy (Pages 119 - 138)

12. Complaints submitted to the Monitoring Officer - Update

13. Review of the Constitution

Report to follow.

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 AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON
WEDNESDAY 25 JANUARY 2017, AT 7.00
PM

PRESENT: Councillor M Pope (Chairman)
Councillors D Abbott, A Alder, P Boylan,
B Deering, W Mortimer and S Stainsby.

ALSO PRESENT:

Councillors P Ruffles.

OFFICERS IN ATTENDANCE:

Victoria Clothier	- Legal Services Manager
Philip Gregory	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Kevin Williams	- Acting Head of Legal and Democratic Services

ALSO IN ATTENDANCE:

Natalie Clark	- Ernst Young LLP
Debbie Hanson	- Ernst Young LLP
Nick Jennings	- SAFS
Margaret Mulkerrin	- SIAS

540 TRAINING ITEM – FRAUD

The Counter Fraud Manager provided a training presentation on Fraud. He defined fraud and explained that the principal risk was the danger of losses rather than actual fraud. He referred to estimated fraud losses

across a range of sectors and explained that actual losses were likely to be significantly higher.

Members were advised that reported fraud was the highest recorded crime with over 3.6 million cases unveiled by an annual survey. Fraud and cybercrime now accounted for almost half of all crime according to the Office for National Statistics (ONS). Across the 6 Authorities covered by the Shared Anti-Fraud Services (SAFS), this equated to an estimated financial risk of about £12m.

The Counter Fraud Manager provided a second presentation in respect of the Hertfordshire Shared Anti-Fraud Service. He detailed the partner Authorities and the objectives of the Shared Anti-Fraud Service (SAFS). He summarised what SAFS provided and referred to the pleasing situation regarding fraud reporting in East Herts.

Members were advised of risks relating to a “perfect storm” of newly emerging fraud threats for local government following welfare reforms and austerity measures. The Counter Fraud Manager confirmed to Councillor A Alder that it was not for SAFS Officers to recover Council’s fraud losses once a fraud had been identified.

Members were advised that a quarterly report was submitted to the Revenues and Benefits Shared Service in respect of the Council Tax and Business Rate collection rates. He referred to a common fraud whereby a business closed down without paying business rates then re-emerging as the same business under a new name.

The Counter Fraud Manager also confirmed to Councillor A Alder that SAFS did not work with the National Health Service (NHS) as the NHS employed its own fraud Officers. He responded to a number of other comments and questions from the Committee.

The Counter Fraud Manager confirmed to Members that

he would investigate the possibility of fraud prevention and awareness raising sessions for Parish and Town Councils. The Chairman thanked the Officer for his presentations. The Committee received the presentations.

RESOLVED – that the presentations be received.

541 APOLOGIES

Apologies for absence were submitted on behalf of Councillors I Devonshire and C Woodward.

542 MINUTES – 23 NOVEMBER 2016

RESOLVED – that the Minutes of the meeting held on 23 November 2016 be confirmed as a correct record and signed by the Chairman.

543 CHAIRMAN'S ANNOUNCEMENTS

The Chairman advised that he had agreed to move the matters referred to in Minutes 544 and 545 up the Agenda prior to consideration of the External Audit Grants Certification Report 2015/16.

544 CONSTITUTION WORKING GROUP REVIEW – INTERIM REPORT

The Legal Services Manager submitted a report providing Members with an overview of the Constitution Working Groups approach so far. She invited Members to receive the report and advised that she had sought authority from the Chairman to amend the report. She confirmed that she was not seeking a recommendation from Members at this stage and the report was solely to update the Committee.

Members were reminded that the Committee had previously authorised the setting up of a Constitution Working Group (CWG) to carry out the review of the Constitution. Whilst carrying out the review, it had

become apparent that a significant amount of time needed to be allocated to revising the Constitution not only in the sense of making it more user friendly to the public.

The Legal Services Manager stated that she was not in a position to report full recommendations and Officers would continue to work with the CWG to meet the initial timetable. Councillor B Deering stated that he was on the CWG and acknowledged that reviewing the constitution was a significant job for Officers. Members received the report subject to Officers reporting back to the Committee on the ongoing progress of the review.

RESOLVED – that (A) the report be received; and

(B) the Legal Services Manager report on the ongoing progress of the review at the next meeting.

545 COMPLAINTS SUBMITTED TO THE MONITORING OFFICER – UPDATE

The Acting Head of Legal and Democratic Services explained the current procedure in terms of the complaints process and complaints submitted formally to the Monitoring Officer. He stated that he preferred informal local resolution for dealing with complaints with referral to the Standards Sub-Committee only if required.

The Acting Head stated that the code of conduct did not extend to the conduct of Town or Parish Council Officers or to the conduct of Councillors in their private lives. He detailed the criteria used to address complaints and the criteria under which complaints could be made to the Monitoring Officer.

Members were advised that 9 complaints had been lodged which variously related to Parish and Town Councils and East Herts Council. The Acting Head confirmed that 2 complaints had been referred for external investigation and he was not in a position to

elaborate any further at this meeting. He responded to a couple of minor queries from the Committee.

Councillor A Alder commented that there should be a level playing field in terms of Members of the Committee selected to serve on the Standards Sub-Committee. She confirmed that she had undertaken the necessary training on two occasions.

Members noted the update.

RESOLVED – that the update be noted.

546 EXTERNAL AUDIT – GRANTS CERTIFICATION REPORT 2015/16

The External Audit Manager submitted a report detailing the results of certification and other assurance work regarding the Annual Grants Certification for 2015/16. The Manager introduced the report and gave an overall summary of the positive position in respect of Annual Grants Certification for 2015/16. She referred in particular, to the very positive position regarding the Revenues and Benefits Shared Service.

Members were advised of a number of minor issues they should be aware of on page 6 of the report submitted. The Manager also advised that from 2018/19, the Council would be responsible for appointing its own auditor and this was likely to include making arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that would be established by the Department for Work and Pensions (DWP).

The Manager confirmed to Councillor S Stainsby that, as regards the certification of the housing benefits subsidy claim, no qualification letter was required this year which was an improvement over the previous year when one had been issued by the previous auditors. Amendments were required which had resulted in a marginal decrease in the subsidy due of £5,440.

Members were advised that this did not constitute a financial loss rather an over claim of income. The Committee noted the report as detailed.

RESOLVED – that the report be noted.

547 TREASURY MANAGEMENT STRATEGY STATEMENT
2017/18

The Executive Member for Finance and Support Services submitted a report which set out the proposed treasury management strategy and annual investment strategy for 2017/18. The report detailed where changes had been made to the revised treasury management strategy and annual investment strategy for 2016/17 or to the credit criteria for selection of investment counterparties approved for 2016/17.

Finally, the report presented the 2017/18 prudential indicators for approval. The Head of Strategic Finance and Property detailed the 3 principal areas of treasury management. He highlighted the aims of the strategy documents and advised that the issue had also been considered by the joint meeting of Scrutiny Committees on 17 January 2017. He referred Members to Essential Reference Paper 'B' of the report submitted regarding the approval of financial indicators and investment policies.

The Head of Strategic Finance and Property responded to a number of queries from Members. He referred in particular to the good practice of maintaining flexibility when entering into day to day lease arrangements. He also referred to the substantial exit costs associated with the conditions of long terms loans taken out by the Authority. Members were advised that this situation was kept under regular review by Officers.

The Head confirmed to the Committee Chairman that Officers always sought to utilise cash in the bank before resorting to borrowing and, if borrowing was necessary, Officers would prefer to report this to Council before

moving forward with such action.

Councillor W Mortimer commented on whether such decision making could be taken in consultation with the Chief Executive, the Chairman of the Audit and Governance Committee and the Section 151 Officer.

The Committee approved the recommendations now detailed.

RESOLVED – that (A) the Treasury Management Strategy and Annual Investment Strategy detailed in paragraphs 2.1 – 2.2 be received and recommended for approval by Council via the Executive;

(B) the Prudential Indicators detailed in paragraph 2.3 be recommended for approval by Council via the Executive; and

(C) the counterparty listing detailed in paragraph 2.4 be recommended for approval by Council via the Executive.

548 AUDIT AND GOVERNANCE COMMITTEE: WORK PROGRAMME 2016/17

The Head of Strategic Finance and Property submitted a report detailing the proposed 2016/17 work programme for Audit and Governance Committee. Councillor P Boylan requested that a further update in respect of the Constitution Working Group Review be submitted to the meeting due on 22 March 2017. This was supported.

Members approved the work programme for Audit and Governance Committee, as now amended.

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

549 SHARED INTERNAL AUDIT SERVICE – AUDIT PLAN UPDATE

The Shared Internal Audit Service (SIAS) submitted a report detailing the progress made in delivering the Council's Annual Audit Plan for 2016/17 as at 6 January 2017. The report proposed amendments to the approved 2016/17 Audit Plan and detailed the status of previously agreed high priority audit recommendations.

The report also provided an update on performance management information. The SIAS Officer summarised the report and provided a number of updates that Members should be aware of. The SIAS Officer and the Head of Strategic Finance and Property responded to a number of minor queries from Members. The Head confirmed that low and medium term priorities were reported to the Leadership Team on a monthly basis.

The Head confirmed to the Committee Chairman that work on the Business Continuity Plan was ongoing and the Leadership Team was being kept up to date on a regular basis. A report on any outstanding issues would be submitted to the Audit and Governance Committee as soon as possible. Members received the report and approved the recommendations now detailed.

RESOLVED – that (A) the Internal Audit Progress report as now submitted be noted;

(B) the amendments to the Audit Plan as at 6 January 2017, be approved; and

(C) the status of high priority recommendations be noted.

550 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Strategic Finance and Property submitted a report regarding the 2015/16 Annual Governance Statement. Members were invited to consider the content of Essential Reference Paper 'B' of the report submitted, in respect of details of proposed actions that needed to

take place prior to confirmation being given that adequate and effective controls were fully in place.

The Head summarised the current position regarding the necessary enhancements to internal control arrangements. The Committee noted the progress made in implementing the action plan detailed in the 2015/16 Annual Governance Statement.

RESOLVED – that the progress made in implementing the action plan detailed in the 2015/16 Annual Governance Statement be noted.

551 MINUTES OF THE STANDARDS SUB-COMMITTEE – 13 DECEMBER 2016

Members noted the Minutes of the Standards Sub-Committee meeting held on 13 December 2016.

RESOLVED – that the Minutes of the Standards Sub-Committee meeting held on 13 December 2016, be received.

The meeting closed at 8.42 pm

Chairman
Date

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East Hertfordshire District Council

Year ending 31 March 2017

Audit Plan

3 March 2017

Ernst & Young LLP



Building a better
working world

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

3 March 2017

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 2016/17 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 22 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies ". It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

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

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

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 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

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

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

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

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

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

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
Valuation of property assets – Old River Lane	
<p>Valuation of property assets is a significant accounting estimate that has a material impact on the financial statements.</p> <p>The Old River Lane site was purchased by the Council during 2015 and classified as an investment asset in the Council's 2015/16 accounts. The Council is continuing to develop its proposals for the use of this site and this is likely to result in changes in the classification and valuation of the asset in 2016/17. Due to the material nature of the asset, small changes in assumptions when valuing the asset could have a material impact on the Council's financial statements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Assessing the classification of the Old River Lane site, the valuation basis that is assigned as a result and any material increases or impairments that arise during 2016/17. ▶ Assessing and placing reliance on the work of the property valuation specialists commissioned by the Council to value the Old River Lane Site. We will also consult with EY Estates team where appropriate in relation to this valuation. ▶ Reviewing and testing the accounting entries and disclosures made within the Corporation's financial statements in relation to any revaluations or impairments.
Risk of management override	
<p>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.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ 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 ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
Other financial statement risks	
Financial statements presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement	
<p>New reporting requirements have been introduced in the CIPFA Accounting Code of Practice (the Code) as a result of the 'Telling the Story' review of the presentation of local authority financial statements. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note. The Code no longer requires statements or notes to be prepared in accordance with CIPFA's Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES, MiRS and new notes to ensure disclosures are in line with the Code ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

under which the Authority operates. We expect this to show the Council's segmental analysis. A re-statement of the prior year comparators is also required.

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 2016-17 this is based on the overall evaluation criterion:

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

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

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

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

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment therefore 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 risk assessment has identified the following risks which we view as significant for the 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
Informed decision making and partnership working: Development of Old River Lane	
<p>The Council purchased Old River Lane for investment purposes during 2015/16. This is a substantial asset and the purchase of such a significant investment asset is outside the Council’s normal course of business.</p> <p>The development of the site is therefore significant project for the Council which presents challenges in terms of governance, financial and risk management as well as partnership working.</p> <p>Plans for the site are continuing to be developed, and decisions that the Council is making now, will impact on revenue and capital costs relating to the project, in current as well as future years.</p>	<p>We will assess the arrangement in place supporting the development of the site, focusing on:</p> <ul style="list-style-type: none"> ▶ Gaining an understanding of the plans for Old River Lane development ▶ Assessing the governance and financial and risk management arrangements in place to support key decision making ▶ Understanding the financial implications of the project and the key decisions being made, including the linkage between the capital programme and revenue budgeting ▶ Understanding how the Council is working with other bodies and partners in relation to the project.

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).

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

Rather than relying on key controls, we consider that it is more efficient to undertake a substantive approach to the audit. This is the approach we have adopted in previous years and will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. Our approach will also involve:

- ▶ Use of our analytics tools.
- ▶ Reference to the work of internal audit in order to inform our planning and risk assessment.
- ▶ Reliance on management and auditor specialists in relation to specific items and disclosures in the accounts; primarily pensions, property valuations and business rates appeals provisions.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. We have collected data from you for the first nine months of the financial year and will do so again at year-end. 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

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the 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 either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Management specialist - actuary Auditor specialist – EY Pensions Advisory group will review the work commissioned by the NAO for local government and fire pension funds.
Property valuation	Management's expert (Wilks, Head and Eve)
Business rates appeals provision	Management's expert (Inform)

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 data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

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

- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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

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 £1.743m based on 2% of Gross Expenditure. We will communicate uncorrected audit misstatements greater than £87,000 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 significant experience on Local Government audits. Debbie Hanson is supported by Natalie Clark who is responsible for the day-to-day direction of audit work and is the key point of contact for the 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 and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17.

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	Audit Committee timetable	Deliverables
High level planning	April 2016		Audit Fee Letter

Risk assessment and setting of scopes	February 2017	22 March 2017	Audit Plan
Year-end audit	July- August 2017	September (date to be confirmed)	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	September 2017	December 2017	Annual Audit Letter
Certification work	September – November 2017	December 2017	Annual certification report

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
<ul style="list-style-type: none"> ▶ 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. 	<ul style="list-style-type: none"> ▶ 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, analysed 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 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion audit and VFM conclusion	52,331	52,331	53,102	An additional fee of of £771 was charged for the additional work in response to the significant risks identified in relation to our value for money conclusion in 2015/16
Total Audit Fee – Code work	52,331	52,331	52,331	
Certification of claims and returns ¹	5,955	5,955	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 Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances on initial audits [delete if not an initial audit] 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ 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 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ 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 Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Certification Report ▶ Annual Audit Letter if considered necessary

UK required communications with those charged with governance

EY | Assurance | Tax | Transactions | Advisory

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EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017

REPORT BY THE HEAD OF STRATEGIC FINANCE AND PROPERTY

UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT 2016/17 ACTION PLAN

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- The 2015/16 Annual Governance Statement contains two 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..

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

That:

(A)	the progress made against implementing the action plan contained in the 2015/16 Annual Governance Statement be reviewed and Members' advise of any recommendations;
------------	--

1 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 Red, Amber and Green (RAG) basis.

2 Report

2.1 For the purposes of the Annual Governance Statement, internal control is being interpreted in its broadest sense covering both financial and management 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 and Governance Committee on 21 September 2016.

2.4 This is the first position statement report since approval of the Annual Governance Statement. Current positions have been reflected and a RAG status is shown against each action.

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

Annual Governance Statement 2015/16 – Audit Committee 21
September 2016.

Contact Member: Councillor Linda Haysey,
Leader of the Council.
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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy The report summarises progress on implementing key actions with regard to the governance of the Council in 2016/17 and contributes to all the Corporate Priorities.
Consultation:	Extensive consultation took place on the action plan in order to agree the actions.
Legal:	No specific implications arise from this report.
Financial:	There are no direct financial implications arising from the report.
Human Resource:	No specific implications arise from this report
Risk Management:	This report documents significant matters related to the ongoing governance of the council.
Health and wellbeing – issues and impacts:	No specific implications arise from this report.

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ANNUAL GOVERNANCE STATEMENT

ACTION PLAN 2016/17

Significant governance issues

Required enhancements to internal control arrangements:

Issue	Resp. Off.	Initial Target Date	Actions needed to achieve milestone	Current Position	RAG Status
Impact of Welfare Reform changes	Leadership Team	Oct 2016	<ul style="list-style-type: none"> Impending Legislation will have an adverse financial impact on a significant number of residents. Officers will monitor the impact of these changes both on residents and the business of the Council. 	<ul style="list-style-type: none"> These are being actively monitored by officers in Housing & Health and Revenues & Benefits. 	AMBER
			<ul style="list-style-type: none"> Provide residents more support for services across the Council through staffing levels, budget management and the communication with residents. 	<ul style="list-style-type: none"> Heads of Service have assessed their service requirements as part of the Finance and Business Planning process subject to the Budget Report being approved by Council. 	AMBER

Page Issue 42	Resp. Off.	Initial Target Date	Actions needed to achieve milestone	Current Position	RAG Status
			<ul style="list-style-type: none"> Implement Council policies effectively. 	<ul style="list-style-type: none"> This is ongoing 	AMBER
Development of a District Plan that is approved by the planning inspectorate.	Leadership Team	Dec 2017	<ul style="list-style-type: none"> Plan to be agreed within required timeframe. 	<ul style="list-style-type: none"> Plan is currently out for public consultation 	AMBER



East Hertfordshire Council
Shared Anti-Fraud Service
Report
March 2017

Recommendation

Members are recommended to:

Note the progress of the Shared Anti-Fraud Service and progress against the Anti-Fraud Action Plan 2016/2017 *(to 31.7.2016)*.

Agree the Anti-Fraud Action Plan 2017/2018.

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- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 SAFS Update
 - 2.1 SAFS Staffing
 - 2.4 Fraud Awareness & Reported Fraud
 - 2.10 Pilot Projects

- 3 Anti-Fraud Documents
 - 3.1 Performance against the Anti-Fraud Action Plan 2016/2017
 - 3.5 Proposed Anti-Fraud Action Plan 2017/2018
 - 3.7 Anti-Fraud Reports 2017/2018

Appendices.

1. Progress against East Herts Councils –Anti-Fraud Action Plan 2016/2017



Adobe Acrobat
Document

2. Proposed East Herts Council Anti-Fraud Action Plan 2017/2018



Adobe Acrobat
Document

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- the progress made by the Shared Anti-Fraud Service (SAFS) against the Council's Anti-Fraud Action Plan which supports the Council's published Anti-Fraud and Corruption Strategy;
 - the proposed Anti-Fraud Action Plan for 2017/2018.

Background

- 1.2 According to reports from the Chartered Institute for Public Finance and Accountancy (CIPFA) The National Audit Office (NAO), and Cabinet Office, it is estimated that fraud loss across local government in England stands at around £2.2billion each year.
- 1.3 The Department for Communities and Local Government, and CIPFA have also issued guidance, advice, and best practice 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, to recognise their fraud risks and to invest resources in counter fraud activities that deliver savings.
- 1.4 It is essential that 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 and prosecution of fraud.

2 SAFS Update

Staffing

- 2.1 The Shared Anti-Fraud Service is a partnership of councils and housing providers across Hertfordshire and Bedfordshire with the aim of deterring, preventing, investigating and pursuing fraud for each of its partners providing a robust and resilient service
- 2.2 East Hertfordshire Council (the Council) is a founder member of the SAFS Partnership and this service provides the front line of the Council's Anti-Fraud activity.
- 2.3 SAFS was originally created as a two year pilot, in 2015, with an option to extend the service for a maximum of five years. In December 2016 the SAFS Board agreed to continue with the existing service from April 2017 and the Partnership has now been joined by Luton Borough Council from January 2017.

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 has options for the public and staff to report suspected fraud.
- 2.5 SAFS has its own webpage – www.hertfordshire.gov.uk/fraud which has an online reporting tool, a hotline (0300 123 4033) and a secure email account for reporting fraud – fraud.team@hertscgcsx.gov.uk. These contact details have been added to the Council's own website to capture all fraud reported to the Council.
- 2.6 Between April and December 2016, SAFS received over 600 allegations of fraud across all of its Partners. For East Herts Council 108 matters were reported in year and a number of live cases were carried forward from 2015/2016.
- 2.7 A full report on cases dealt with in 2016/1017 will be provided to this committee in the summer of 2017 but currently fraud savings or losses in excess of £30k have been identified
- 2.8 Training has been delivered to officers of the Council on Anti-Money Laundering, Housing Fraud, Fraud Awareness and ID Fraud. Elected Members have also been provided with some general fraud awareness as well as an introduction to SAFS.
- 2.9 Being a Partner to SAFS also includes access to the services of the National Anti-Fraud Network, CIPFA Centre for Counter Fraud and the latest fraud alerts and emerging fraud risks from Action Fraud and Hertfordshire Police.

Pilot Projects

- 2.10 SAFS has developed a good relationship with the Councils Shared Revenue and Benefit Service and this has included fraud awareness training and an improved reporting fraud process. SAFS have also worked with the Housing, Customer Service and Parking Enforcement Teams.
- 2.11 SAFS has delivered a county-wide Council Tax Review Framework to identify fraud in Council Tax, particularly around fraudulent discounts and exemptions, as well as empty homes, and council tax support schemes. This will be introduced in the Spring of 2017 for all districts, and will be funded by the County Council and all participating districts.
- 2.12 East Herts Council is a pilot site (one of 5 in the UK) for joint working with the Department for Work and Pensions where allegations of fraud impact on both council tax and housing benefit these are investigated in partnership by SAFS and DWP Investigators. This pilot has been so successful that DWP have announced a national roll out in the summer of 2017.

- 2.13 SAFS have recently begun undertaking investigations into Blue Badge abuse/fraud in the Councils car-parks and have worked with the Councils Parking/Civil Enforcement Officers conducting joint patrols around the District.

3 Anti-Fraud Documents

Performance against Anti-Fraud Action Plan 2016/2017

- 3.1 The Council has in place an Anti-Fraud and Corruption Policy although this is due for review in the near future
- 3.2 A copy of the 2016/2017 Anti-Fraud Action Plan and progress against this can be found at **Appendix 1**. Activity against the plan includes the officer/service with the responsibility for action, and key dates for delivery.
- 3.3 With the introduction of SAFS, delivery of the plan has been shared by various Council Officers, SIAS, and SAFS. This has worked well in 2016/2017 with more of the work around proactive counter fraud activity migrating towards SAFS.
- 3.4 All of the objectives set in the 2016/2017 plan have been achieved, or are well on the way to delivery.

Proposed Anti-Fraud Action Plan 2017/2018

- 3.5 Although the format and delivery of the 2016/2017 worked well this still represented the delivery of a new service. The plan for 2017/2018 uses slightly different format which is based on SAFS providing a more business as usual service. See **Appendix 2** for a copy of the plan.
- 3.6 Adherence to the proposed plan for 2017/2018 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the Government, NAO, and CIPFA.

SAFS Reports 2017/2018

- 3.7 SAFS will provide a full report to this Committee in summer 2017 on the Council's anti-fraud performance and activities in 2016/2017. 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 2018 SAFS will provide a revised Anti-Fraud Action Plan for 2018/2019.
- 3.8 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council.

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**North Hertfordshire District Council
Anti-Fraud Plan 2017/2018**

in partnership with

Hertfordshire Shared Anti-Fraud Service



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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 effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils states that the key elements 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 and the Chartered Institute for Public Finance and Accountancy.

National Context.

The Chartered Institute for Public Finance and Accountancy (CIPFA) **Local Government Counter Fraud and Corruption Strategy (2016-2019)** included a summary of fraud losses across councils in England.

- Actual fraud losses reported by local government in 2013 totalled £207m (this excludes housing benefit)
- Hidden fraud loss for local government was estimated at £1.9bn.
- As admitted previously by the National Fraud Authority in 2013 the scale of fraud against local government is large, but difficult to quantify with precision.
- The strategic response to fraud threats contains three main principles 'Acknowledge/ Prevent/ Pursue'.

In its 2015 publication '**Code of practice on managing the risk of fraud and corruption**' CIPFA 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.

SAFS/ EHC Team Business Plan 2017 2018

Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility
ACKNOWLEDGE	ACKNOWLEDGEMENT The risk of fraud the the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy	Have in place an Anti-Fraud and Corruption Strategy	Head of Legal
			Membership of SAFS	Retaining Board Membership of SAFS	S.151 Officer
			Internal Audit	Have in place an effective IA Plan and Audit Committee	S.151 Officer
	FRAUD AWARENESS Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Member Support	Policies to deal with Money Laundering/ Bribery/ Whistleblow ing/ Sanctions	Head of Legal
			Local New s Media	Issue a press release for every successful prosecution in 2017/2018	SAFS/Comms
			Promote Fraud Team	Promotion of internet fraud pages (SAFS) and local media exposure	SAFS/Comms
PREVENT	CUSTOMER SERVICE Service performance is managed to the highest standards so that agreed levels of service are met	Ensure customers and staff are informed about counter fraud work	Fraud Awareness Training	Deliver five fraud training awareness training sessions to Council Staff, or tailored training as requested by services	SAFS
			Internal Awareness	Conduct an E-Survey of fraud awareness across officers	SAFS
			Customer Service	Issue customers with information leaflets when attending interviews	SAFS
	PERFORMANCE Maximize performance through robust risk assessment and quality investigation work.	Be recognized as a high performing and successful fraud team.	Shard Revs and Bens	Maintain good relationship with Revs and Bens Team	SAFS/R&B Mgt
			Meeting SAFS Champion	Quarterly meetings with EHC SAFS Board Rep	SAFS/S.151
			Reports to Audit Comms	2 Reports to Audit Committee	SAFS
PURSUE	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Quality Fraud Referrals	100% risk assessment on all fraud referrals received	SAFS
			Individual Targets	SAFS CFO- Set PMDS Targets to match EHC KPIs	SAFS
			Data Matching	NFI Data Matches 2017 to be reviewed in year	SAFS
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Fraud Referrals	Monitor source of fraud referrals each quarter	SAFS
			Performance Report	Issue a performance report in Summer 2018	SAFS
			Interview Under Caution	SAFS management checks on all sanctions issued	SAFS
PURSUE	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Sanction Files	File management checks on live caseload	SAFS
			Witness Statements	100% check on witness statements used in prosecution cases	SAFS
			Legal Services	promote case conferences between Solicitors & Investigators @ HCC	SAFS/ HCC Legal
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Prosecutions	Ensure all cases suitable for sanction are reviewed in line with Policy	SAFS
			Formal Cautions	Ensure that the Councils makes use of civil penalties where appropriate	SAFS/S.151
			Admin Penalty	Ensure that the use of Administrative Penalties is maximised	SAFS/S.151
PURSUE	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Legal Service Liaison	Continue to work with HCC Legal Service and maximise recovery of costs	SAFS/ HCC Legal

SAFS Resources 2017/2018**Budget**

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018. This restructure would result in a small increase in fees for all Partners. The Board agreed that the annual fee for District Councils, who did not hold housing stock, would be fixed to £80,000 +VAT. The Board also received assurance from financial modelling that the service would be sustainable, in its current form for 5 years with an increase in fees each year at 1% from 2019 onwards.

It has been agreed that the service would 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 now stands at 14.5 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Business Support who are funded from SAFS Budgets.

For staffing – East Herts Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on one of the Assistant Managers for quarterly liaison meetings, management meetings and two Audit Committees reports per annum. SAFS also have access to an Accredited Financial Investigator (AFI) and criminal litigation services.

SAFS

KPIs for EHC 2017/2018

KPI	Measure	2017/2018 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at EHC (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff*	100% of all	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Councils financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£100k From fraud identified and savings/prevention	£25k	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	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 for local data matching. Access to NFI output. County wide Council Tax Review Framework.	100%	Create a data hub for Hertfordshire.

**Costs will include salary and direct on-costs for CFO (1 FTE), ACFM (1/3 FTE), Intel Officer (1/3 FTE) = £62k. Costs for NAFN/CIPFA/CMS/ Data Hub = £10k. Costs for 5 training events = £2.5k.*

SAFS - Standards of Service.

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

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud 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 Data Protection Act 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 Privacy Impact Assessment.
 - 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 Council's 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 Council's Audit Committee.

12. SAFS will provide Alerts to the 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.*

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**East Hertfordshire District Council
Performance against
Anti-Fraud Plan
2016/2017**

(Hertfordshire Shared Anti-Fraud Service)



EHDC Anti-Fraud Action Plan 2016/2017

Anti-Fraud and Corruption Strategy	Activity	Lead Officer/s	Target Date/Value/Measure	Progress at 31.7.2016
Acknowledge and understand fraud risks	Review the Council's existing Anti-Fraud and Corruption Strategy, Fraud Response Plan and, Whistleblowing Policy, Money Laundering Policy implement a new Fraud Prosecution Policy.	EHDC Head of Legal Services. Chief Exec and SAFS Manager	October 2016	Prosecution Policy presented AC by SAFS for adoption in March 2016. Anti-Fraud and Corruption Policy reviewed in 2015.
	Ensure that the Council retains its Board and Partner role in SAFS and funding for the services provided by SAFS.	s.151 Officer/ Chief Exec	Ongoing to April 2017.	s.151. or Strategic Director attends SAFS Board Decision about continuation of Project post April 2017 to be made by SAFS Board September 2017.
	Annual fraud reports to the Audit Committee.	SAFS Manager s.151 Officer	2 Reports to AC Annually	AC dates for SAFS reports agreed Sep 2016 and March 2017 in Fwd Plan

	Identify key fraud risks faced by the Council. Add to Risk Register as appropriate.	SAFS Manager and EHDC Risk Manager	September 2016	Outstanding.
	Promote and publicise the costs of fraud to staff, members and local residents including the impact this had on Council Services.	SAFS Manager and EHDC Comms Team	Ongoing but to start from June 2016	Further Cheater Campaign linked to new SAFS webpage arranged for Sep/Oct 2016. Several local PRs issued to residents in 2016.
	Subscribe to organisations and events that demonstrate the Council's zero tolerance to fraud.	SAFS Manager	Ongoing	SAFS joined CIPFA Centre for Counter Fraud for all Partners.
	Roll out an E-learning anti-fraud training package for EHDC Staff	HR Manager and SAFS Manager	March 2017	Outstanding
	Provide Money Laundering training for appropriate staff	Monitoring Officer. MLRO. Head of Legal Services	October 2016	Arranged for s.151 and MLRO for October 2016.
	Provide Fraud Awareness training to Elected Members	SAFS Manager	March 2017	Outstanding
Anti-Fraud and Corruption Strategy	Activity	Lead Officer/s	Target Date/Value/Measure	Progress at 31.7.2016



Prevent and deter fraud	Maintain a strong internal control framework as assessed by SIAS Internal Audit Annual Report	S.151 and SIAS Manager	Ongoing	AGS and Internal Audit Plan
	Create and maintain Data Sharing Procedures including Information Sharing Protocol (ISP), PIA/EIA to allow for lawful exchange of data between SAFS and EHDC.	IT Manager, Head of Legal Services, and SAFS Manager	Review from April 2016 onwards	ISP being reviewed for all SAFS Partners by HCC and NHDC Legal with emphasis on revised PIA.
	Deliver fraud awareness, prevention training and workshops to Council Services at risk of fraud	SAFS Manager	5 Local Events at EHDC delivered by SAFS	Housing Event Oct 2016 AML Oct 2016 NNDR- Nov 2016 Induction Training for new staff in place.
	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 Manager	Ongoing	RK (SCFO) in place NJ/SE support this work
	Issue Fraud Alerts to appropriate staff and managers as when new fraud threats arise and publish a Fraud & Corruption Newsletter for staff.	SAFS Manager	Ongoing from April 2016	9 Alerts issued in 1 st Qtr. from NAFN, OWL, NFIB and Partners.
	Have in place fraud reporting tools to allow staff and public alike to report fraud.	SAFS Manager and EHDC Webteam	Ongoing from April 2016	Webpage, Hotline, Direct line, email all available.

	Permit SAFS to oversee and assist the delivery of the National Fraud Initiative 2016 as the NFI SPOC for EHDC.	SAFS Manager and S.151 Officer	October 2016	Agreed that SAFS will act as Key-Contact and upload roles for 2016/2017.
	Provide access to services such as National Anti-Fraud Service (NAFN), CIPFA, Local Authority Investigation Officers Group (LAIOG) to benefit both EHDC and SAFS.	SAFS Manager	April 2016	SAFS subscribes to NAFN, CIPFA, LAIOG, PNLD for all Partners.
Anti-Fraud and Corruption Strategy	Activity	Lead Officer/s	Target Date/Value/Measure	Progress at 31.7.2016
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.	SAFS Manager	Ongoing from April 2016. SAFS Champion Meetings £100k Target for 16/17	Fraud of £62k identified in first Qtr 2016/2017
	Maximise civil recovery and utilise civil recovery methods to seek redress where fraud is identified.	SAFS and Shared Revs and Bens Manager	Ongoing from April 2016	EHDC have policy and process in place and are now capable of issuing CPs.
	EHDC will Publicise prosecutions, sanctions, recovery to demonstrate a zero tolerance to fraud and act as a deterrent to others.	EHDC Comms Manager and SAFS Manager	As and when required	Several PR issued already and a number of cases are pending outcomes that will



				be reported as well.
	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.	SAFS Manager and s.151 Officer	Ongoing from April 2016	Meetings taking place with S.151 and Board Reports.
	EHDC to 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 Manager, S1.151 Officer and Shared Revs and Bens Manager	October 2016	SAFS are leading on procurement of a CTAX 'Review Framework' for whole County. Go live- October 2016



East Herts Council
Audit and Governance Committee
2017/18 Internal Audit Plan Report
22 March 2017

Recommendation

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2017/18

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
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Appendices

A Proposed East Herts Council Audit Plan 2017/18

B Proposed East Herts Council Internal Audit Plan 2017/18 – Provisional Start Dates

C Proposed East Herts Council Internal Audit Plan 2017/18 – Reserve List

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed East Herts Council 2017/18 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 Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2016 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 first meeting of the Audit and Governance Committee in the 2017/18 Civic year 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

Planning Principles

- 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 2017/18 has been characterised by:

- a) Detailed discussions with senior 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 2017/18 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to Leadership Team for discussion and agreement;
- e) The plan is shared with external audit.

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

The Planning Context

- 2.4 The context within which local authorities and housing associations provide their services remains challenging:
- Austere public finances will last well into the next parliament, 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 continues to develop 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 remains 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.

Internal Audit Plan 2017/18

- 2.7 The draft 2017/18 audit plan is included at Appendix A and contains a high level proposed outline scope for each audit; Appendix B details the agreed start months. The table below shows the estimated

allocation of the total annual number of purchased audit days for the year.

	2017/18	%
Purchased audit days		
Key Financial Systems	101	25
Operational audits	152	38
Joint Reviews	10	2
Procurement / Contracts	25	6
IT Audits	30	8
Strategic Support*	53	13
Risk Management	6	2
Anti-Fraud	5	1
Follow Ups	3	1
Completion of 2016/17 Work	15	4
Total allocated days	400	100%

* This covers supporting the Audit Committee, monitoring, client liaison and audit planning for 2018/19.

- 2.8 The draft plan has been signed-off by EHC Leadership Team. However, in view of the recent arrival of a new S151 Officer (Head of Strategic Finance and Property post), it is recognised that there may be a requirement to flex the plan, particularly in respect of some of the key financial systems audits, to align these to the changing environment. In particular, the impact of the new finance system on both the approach and timings will be considered in-year. For example it may be more beneficial in 2017/18 for audit resources to be spread across the year to provide controls assurance as the project evolves.

Any significant audit plan changes agreed between Management and SIAS will be brought before this Committee for approval through the usual plan update reporting cycle.

- 2.9 Members will note the inclusion of a provision for the completion of projects that relate to 2016/17. 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 its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2017/18 and any proposed changes will be reported to this Committee four times in the 2017/18 civic year.
- 3.2 The implementation of agreed high priority audit recommendations will be reported to the Audit and Governance Committee as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2017/18 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
<p>1. Planned Days percentage of actual billable days against planned chargeable days completed.</p>	95%
<p>2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.</p>	95%

<p>3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.</p>	<p>100%</p>
<p>4. Number of High Priority Audit Recommendations agreed</p>	<p>95%</p>
<p>5. External Auditor Satisfaction</p>	<p>External Auditors are able to rely upon the range and quality of SIAS' work</p> <p>Not applicable at EHC as External Audit does not currently place reliance on the work of SIAS.</p>
<p>6. Annual Plan</p>	<p>Presented to the March meeting of the Audit and Governance Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.</p>
<p>7. Head of Assurance's Annual Report</p>	<p>Presented to the first meeting of each Audit and Governance Committee in the new financial year.</p>

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
KEY FINANCIAL SYSTEMS		
General Ledger	SIAS will conduct an audit on the General Ledger. Areas of coverage may include systems access controls, journals and virements, feeder system reconciliations, bank reconciliations, control accounts, suspense accounts and year-end processes. The impact of the implementation of the new financial accounting system planned for 2017/18 will be considered when scoping this audit.	10
Debtors	SIAS will conduct an audit on the Debtors system. Areas of coverage may include the raising of sales ledger invoices, accounting of payments received, refunds, credit notes, recovery processes (including write-off's), reconciliations, and systems access. The impact of the implementation of the new financial accounting system planned for 2017/18 will be considered when scoping this audit and is the rationale behind the return to a full audit (in 2017/18), mid-way through the Control Risk Self- Assessment (CRSA) cycle.	14
Creditors	SIAS will conduct an audit on the Creditors system. Areas of coverage may include the set-up and amendment of supplier records, ordering, goods receipting, invoicing, payment runs, reconciliation of the creditors system to the general ledger and systems access. The impact of the implementation of the new financial accounting system planned for 2017/18 will be considered when scoping this audit and is the rationale for the return to a full audit in 2017/18, mid-way through the Control Risk Self- Assessment (CRSA) cycle.	14
Treasury Management	SIAS will conduct an audit on the Treasury Management system and associated records. Areas of coverage may include investment policies and procedures, systems access, cashflow	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	forecasting, placing and authorisation of investments, capital and interest payments, reconciliations, external service providers / contracts, and performance monitoring.	
Council Tax	SIAS will conduct an audit on the Council Tax system. Areas of coverage may include reconciliation of records with the Valuation Office Agency, application of discounts reliefs and exemptions, billing, collection, refunds and recovery of unpaid council tax debts including write-offs and reconciliation of the council tax system to the general ledger.	10
NDR	SIAS will conduct an audit on the NDR system. Areas of coverage may include reconciliation with Valuation Office Agency records, reliefs and exemptions, liability, billing, collection, refunds, recovery including write-off of unpaid debts and reconciliation to the general ledger.	10
Housing Benefits and Rent Allowances	SIAS will conduct an audit on the Benefits system. Areas of coverage may include the set-up of standing data, processing of new and amended assessments including backdating, payments to claimants, recovery and write-off of overpayments, reconciliation of the benefits system to the general ledger, system access controls and data retention.	10
Payroll	SIAS will conduct an audit on the Payroll system. Areas of coverage may include starters and leavers, transfers and amendments, payroll payments, application of pension contribution rates, payroll deductions and third party payments, reconciliations, management exception reports, systems access / security and management of the external Payroll contract. The impact of the implementation of the new payroll system (due to go live 1 April 2017) will be considered when scoping this audit.	14

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Asset Management	SIAS will conduct an audit on the Asset Management system and associated records. Areas of coverage may include systems access, asset management plans, acquisitions and disposals, lease transactions, rent reviews and condition surveys.	10
Payroll Annual Pension Certificate	Annual pension certificate verification.	1
OPERATIONAL AUDITS		
Development Management (pre-application process)	To provide assurance in relation to changes to the planning pre-application process including implementation of the planned new charging regime.	6
Section 106 (application of revised charging)	To provide assurance that the revised charges (as per the Supplementary Planning Document) are applied in practice.	8
Old River Lane Development	To provide assurance during development of the Old River Lane site – actual scope to be determined by rate of progress but likely to focus on project management activities.	14

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Accommodation Project (challenge assumptions)	To provide assurance during the lifecycle of the Accommodation Project - actual scope to be determined by rate of progress but likely to focus on project management activities.	12
Business Continuity Planning	To provide assurance that business continuity arrangements are fit for purpose. Scope likely to include review of business impact assessments, roles and responsibilities, testing and review programmes.	10
Communications	To provide assurance that internal and external communications are subject to appropriate oversight and approval.	10
3 Cs	To provide assurance that complaints, comments and compliments are logged on a central electronic database, responses are managed and management information is available and utilised to identify trends / issues.	12
Hertford Theatre - Income	To provide assurance that processes and controls over income collection are robust following introduction of the new digital ticketing system (Ticketsolve).	10
Play Safety Inspections	To provide assurance that the inspection programme is risk assessed, evidenced and responsive work is undertaken as required.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Digital East Herts	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.	12
Off-Payroll Payments	To provide assurance that the treatment of contractors, agency workers and employees is in accordance with IR35 requirements.	5
Licensing - processing of applications and issue of licences	To provide assurance that the licence application and issue processes are administered in an effectively controlled manner. Scope to cover all licence types.	15
Taxi Licensing Enforcement	To provide assurance that the taxi licence revocation process is subject to appropriate and proportionate controls, including sign-off and appeals.	8
Food Safety Inspections	To provide assurance that the performance monitoring of the inspection regime for new food businesses is reliable and robust.	10
New Payroll System – rollout of self-service	To provide assurance that the rollout of new self-service functionality within the payroll system provides efficiency for end-users and control enhancements.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
DFG Capital Grant Certification	To provide Head of Internal Audit sign-off on the annual Disabled Facilities Capital Grant return, due at the end of September each year.	2
JOINT REVIEWS		
Shared Learning	For the provision of Shared Learning Newsletters and Summary Themed Reports.	5
Joint Reviews	Topics to be determined by the SIAS Board.	5
PROCUREMENT / CONTRACTS		
Local Authority Serious and Organised Crime Checklist	<p>The Serious and Organised Crime Agency (SOCA) has developed resources that allow local authority Internal Audit teams to scrutinise business operations to establish where there may be vulnerabilities to serious and organised crime. The methodology includes:</p> <ul style="list-style-type: none"> • A Serious and Organised Crime Checklist - to assess serious and organised crime risks; • A Serious and Organised Crime Audit - to scrutinise business operations to establish where there may be vulnerabilities; and • Non-involvement with Serious and Organised Crime Statement – for use in Invitation to Tenders and Official Journal notices. <p>It is proposed that the Serious and Organised Crime Checklist (covering Governance & Strategy, Operations and Insider Threat) is utilised initially to identify any weaknesses or</p>	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	vulnerabilities, which may later form the basis for more detailed audit work using the Serious and Organised Crime Audit Framework.	
Procurement and Contract Management	<p><u>Procurement</u> – to provide assurance that roles and responsibilities are defined, contract documentation is consistent, waivers and exemptions are correctly applied, tendering procedures are robust and a spend analysis is undertaken.</p> <p><u>Contract Management</u> – to provide assurance that corporate policies and procedures are in place, corporate training is provided, performance and financial management of contractors is maintained, contractual and supplier risk is managed and governance, relationship management and contract administration is robust.</p>	15
IT AUDITS		
Mobile Device Management	This audit will consider a variety of mobile device security policies, password policies, encryption policies, data classification policies, acceptable use policies, antivirus software policies, wireless access policies, incident response policies, remote working policies, privacy policies and others in analysing effective risk management of mobile devices (Council and personal). This audit is not about data centre security.	6
IT Procurement	To provide assurance that the Council replicates successes and learns the lessons from events where things did not go well. Consideration will be given to capacity, skills and knowledge to lead and manage IT procurement as a specialised and critical area of procurement.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
IT Shared Service Agreement	<p>The IT Shared Service was established in 2013 and the partnership agreement expires in August 2018, with the option to extend for a further two years. After four years of operation, it is deemed to be an opportune time to review the shared service and the partnership agreement.</p> <p>This will include a review and assessment of successes, hurdles, failures and benefits of the shared service, governance, the current position and direction of travel, measuring key deliverables against original business objectives and shifting of focus to meet demands of the changing IT and digital environment, i.e. where does the shared service need to be and is it fit for purpose now.</p> <p>The audit review is not a replacement for a full management review, but it is anticipated to provide insight into where things are and what needs to be done.</p>	6
IT Incident Management	<p>To provide assurance over:</p> <ul style="list-style-type: none"> a) Policies, protocols, procedures and defined responsibilities, including investment, risk management and identification, vulnerability assessment, documentation and communications, b) Incident identification, logging, categorisation and prioritisation, c) Incident diagnosis, investigation, response and escalation (e.g. major or minor incident), d) Incident resolution and recovery, e) Incident closure, f) Incident monitoring and reporting, not just by individual incident but by period, number and type too. <p>Although incident management featured as an assurance area within the 2016/17 Cyber Risk</p>	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	audit, repeated cyber-attacks and incidents make this an area for further in depth coverage.	
Cyber Security	<p>A number of Councils are specifying annual cyber security audits in response to ongoing cyber security threats and vulnerabilities.</p> <p>The UK is one of the world's leading digital nations and the ability to secure technology, data and networks from the many threats is key. Yet cyber-attacks are growing more frequent, sophisticated and damaging when they succeed. The Government's National Cyber Security Strategy 2016-21 was released in November 2016, and it is proposed that the renewed focus on cyber security provided by the Strategy should form the basis for a further audit, with the scope to be determined at the point of delivery.</p>	6
RISK MANAGEMENT		
Risk Management	To provide assurance that the Strategy has been approved, is subject to periodic review, risk is managed in accordance with strategy, roles, responsibilities and accountabilities for risk management are defined, a 'risk aware' culture is maintained through training and other appropriate measures and processes identify new, emerging and changing risks,	6
ANTI-FRAUD		
Anti-Fraud – Controls Review	Provision of support and advice on internal control issues identified during the work of the Shared Anti-Fraud Service.	5

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
FOLLOW UP OF AUDIT RECOMMENDATIONS		
Follow Up of Audit Recommendations	Follow up of high priority internal audit recommendations.	3
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2016/17	To prepare and agree the Head of Internal Audit Opinion for 2016/17	5
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee.	12
Client Liaison	To meet with the Council's Audit Champion and other key officers.	10
External Audit Liaison	As required.	1
Plan Delivery	Audit plan monitoring and reporting.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Monitoring		
2018/19 Audit Planning	To provide services in relation to the preparation and agreement of the 2018/19 Audit Plan.	10
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
COMPLETION OF 2016/17 Work		
Completion of 2016/17 Projects	Completion of outstanding work from 2016/17.	15
TOTAL AUDIT PLAN DAYS		400

Audit Plan Items (April 2017 to March 2018) – Start Dates Agreed with Management

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate	Risk Mgmt	Off-Payroll Payments	Business Continuity Planning	Section 106	Food Safety Inspections	Council Tax	Treasury Management	Debtors	Creditors	Comms	
Licensing	Taxi Licensing Enforcement	Cyber Security	Hertford Theatre – income	Digital East Herts (actual timings tbd)	DFG Capital Grant Sign-Off	Housing Benefits & Rent Allowances	Payroll	Asset Mgmt		Play Safety Inspections	
3C's (complaints, compliments & comments)	Procurement & Contract Mgmt		IT Procurement	Mobile Device Mgmt	Accommodation Project (actual timings tbd)	Development Mgmt (Pre-applications)	NDR	General Ledger			
				Serious & Organised Crime Checklist	IT Shared Service Agreement	Old River Lane (actual timings tbd)	New Payroll System – rollout of self-service (actual timings tbd)				
				IT Incident Management							

2017/18 RESERVE LIST	
Development Management	To provide assurance over controls governing planning applications.
Housing Allocations	To provide assurance over applications to join the housing register and nominations for vacant properties.
Commercialisation	Scope to be determined – typical areas include assessment of opportunities, prioritisation, record keeping and success criteria.
New Financial Management System	To provide assurance that a robust control environment is maintained following the implementation of the new financial system.
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.
Waste Partnership with NHDC	Scope to be determined in agreement with management.
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.

Syrian Refugee Resettlement	To provide assurance over the placement of Syrian refugees.
Grants Management	To provide assurance over the management of grants across the Council.
Economic Development	To provide assurance over the use of discretionary funding.
Customer Service Centre	To provide assurance over the setting and application of customer service standards.

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East Herts Council
Audit and Governance Committee
SIAS Progress Report
22 March 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 3 March 2017; and
- Note the status of high priority recommendations and agree removal of completed actions.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.4 Proposed Amendments to Audit Plan
 - 2.5 Performance Management

Appendices

- A Progress against the 2016/17 Audit Plan
- B Implementation Status of High Priority Recommendations
- C Audit Plan Items (April 2016 to March 2017) – Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2016/17 as at 3 March 2017.
- b) Proposed amendments to the approved 2016/17 Audit Plan.
- c) Implementation status of previously agreed high priority audit recommendations.
- d) An update on performance management information as at 3 March 2017.

Background

- 1.2 The 2016/17 Audit Plan was approved by the Audit Committee on 16 March 2016.
- 1.3 The Audit and Governance Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to the Committee on 25 January 2017.
- 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

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 3 March 2017, 90% of the 2016/17 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual project within the audit plan.

2.2 Nine projects from the 2016/17 Audit Plan have been finalised since the deadline date for the January 2017 meeting of the Audit and Governance Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Council Tax	Jan '17	Substantial	One medium One merits attention
NDR	Jan '17	Substantial	Three medium
Health & Safety	Feb '17	Substantial	Two medium One merits attention
Main Accounting	Feb '17	Full	None
Trade and Clinical Waste	Feb '17	Substantial	Two medium
Internet and Email	Feb '17	Substantial	Two medium
Car Parks – New Pay & Display Machines	Feb '17	Substantial	One medium One merits attention
Treasury Management	Mar '17	Full	None
Project Management & Benefits Realisation	Mar '17	Moderate	Six medium Two merits attention

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. There are no high priority recommendations arising from the audits finalised since the deadline date for the January 2017 audit committee meeting.

2.4 The current position in respect of previously agreed outstanding high priority recommendations is shown at Appendix B.

Proposed Audit Plan Amendments

- 2.5 Since the January 2017 meeting of the Audit and Governance Committee, the following changes to the 2016/17 Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:

Deleted Audits (days returned to contingency):

- Digital by Design (16 days)
Audit deferred to 2017/18 to align with progress on the Digital East Herts programme

Performance Management

- 2.6 Annual performance indicators and associated targets were approved by the SIAS Board in March 2016 and are reviewed annually.
- 2.7 As at 3 March 2017 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 3 March 2017	Actual to 3 March 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	92%	90%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	77% (23 of 30 projects to draft)	70% (21 of 30 projects to draft)
3. Client Satisfaction	100%	100%	100%

– percentage of client satisfaction questionnaires returned at ‘satisfactory’ level			
4. Number of High Priority Audit Recommendations agreed	95%	95%	None yet made in 2016/17

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 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 and Governance 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 and Governance Committee’s first meeting of the civic year.

2016/17 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					12	Yes	8.5	In fieldwork
Benefits	Full	0	0	0	12	Yes	12	Final report issued
Council Tax	Substantial	0	1	1	10	Yes	10	Final report issued
Creditors (CRSA Year 1)	Full	0	0	0	10	Yes	10	Final report issued
Debtors (CRSA Year 1)	Full	0	0	0	10	Yes	10	Final report issued
Main Accounting	Full	0	0	0	12	Yes	12	Final report issued
NDR	Substantial	0	3	0	10	Yes	10	Final report issued
Payroll					12	Yes	10.5	In fieldwork
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury (CRSA Year 2)	Full	0	0	0	6	Yes	6	Final report issued
Operational Audits								
Absence Management					10	BDO	9	In quality review
BACS	N/A	-	-	-	6	Yes	6	Final report issued
Car Parks – New pay & display machines	Substantial	0	1	1	10	Yes	10	Final report issued
Cash and Banking	Full	0	0	0	12	Yes	12	Final report issued
Consultants					10	Yes	9.5	Draft report issued
Development Management – pre applications	-	-	-	-	1	N/A	1	Cancelled
Digital by Default	-	-	-	-	2	N/A	2	Cancelled
Elections					10	Yes	4.5	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 3 MARCH 2017

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Enviro Crime	Substantial	0	0	4	15	Yes	15	Final report issued
Freedom of Information	Substantial	0	0	3	10	Yes	10	Final report issued
Health & Safety	Substantial	0	2	1	12	Yes	12	Final report issued
Land Charges					8	Yes	3.5	In fieldwork
Project Management / Benefits Realisation	Moderate	0	6	2	12	Yes	12	Final report issued
Safeguarding					15	Yes	8	In fieldwork
Tree Surveying					12	BDO	10.5	In quality review
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
Procurement								
New Payroll Contract – controls assurance	-	-	-		1	N/A	1	Cancelled
Trade / Clinical Waste	Substantial	0	2	0	12	Yes	12	Final report issued
Land Drainage Contract	-	-	-	-	3	N/A	3	Cancelled
IT Audits								
Internet and Email Usage	Substantial	0	2	0	4	BDO	4	Final report issued
Cyber Risk	Moderate	0	3	2	8	Yes	8	Final report issued
Digital Information Management					4	BDO	3.5	Draft report issued
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					5	N/A	4.5	Ongoing
Joint Review – Local authority Trading					5	BDO	1	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 3 MARCH 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Joint Review - PREVENT					5	BDO	2	In fieldwork
Joint Review – CIL					0	N/A	0	Cancelled
Risk Management								
No audits in the plan					0	N/A	0	
Anti-Fraud								
Follow up fraud related themes					0	N/A	0	Cancelled
Strategic Support								
2017/18 Audit Planning					10	N/A	9	Ongoing
Audit Committee					15	N/A	14	Ongoing
Client Liaison					10	N/A	9	Ongoing
Liaison with External Audit					1	N/A	1	Complete
Head of Internal Audit Opinion 2015/16					5	N/A	5	Complete
Progress Monitoring					10	N/A	9.5	Ongoing
SIAS Development					5	N/A	5	Complete
Contingency								
Unused Contingency					35	N/A	0	
Follow Ups								
Follow up of high priority recommendations					5	N/A	5	Complete
2015/16 Projects requiring completion								

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 3 MARCH 2017

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Various					15	N/A	15	Complete
EHC TOTAL					400		328.5	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
1.	Business Continuity Planning (01/10/13)	<p>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.</p> <p>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</p>	<p>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.</p> <p>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</p>	Director	30 June 2014	<p><u>May 2016</u> Critical services have completed resource requirement questionnaires and the plan has been updated. There are some suspected weaknesses in the plan that will be brought out through running a test scenario. HCC Resilience Team will organise once all new EHC senior managers are in place.</p> <p>Revised to 30 September 2016.</p> <p><u>August 2016</u> Critical services will be required to recomplete questionnaires and</p>	Implemented – remove from list

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
		BCPs.	plans will be established and reviewed annually. Testing will take place in line with the established schedule.			<p>prepare their plans to reflect the restructure.</p> <p>Revised to 31 December 2016.</p> <p><u>December 2016</u> The corporate Business Continuity Plan was completed and tested on 31 October 2016. Further testing of the plan and process will take place in the summer of 2017. Services are currently preparing their own plans. A number have completed and the remainder will follow in January 2017, enabling reporting to Executive Members in February 2017.</p>	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
						<p>Revised to February 2017.</p> <p><u>February 2017</u> Plan tested on 31 October 2016. Further test proposed for June 2017, to include information cascades that have been implemented. Future tests will be scheduled every six to twelve months.</p> <p>All services prepared continuity plans and resource questionnaires ahead of Leadership Team 6 February 2017.</p>	
2.	Business Continuity Planning	Once the actions related to findings 1 and 2 have been	Now that the Shared ICT service is in place	Director	31 March 2014	<u>May 2016</u> Statement of intent from Directors is	Implemented – remove from list

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
	(01/10/13)	<p>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.</p> <p>In addition to this, key stakeholders need to meet and agree on comprehensive roles and responsibilities with regard to business continuity planning, and these responsibilities should be documented within the plan.</p>	<p>and IT business continuity arrangements are being taken forward then this action will also move forward at the same time.</p>			<p>included in the plan. Risk Assurance Officer has produced an initial Business Continuity framework that can be adjusted as and when needed. Finalisation and sign off will follow on from the test.</p> <p>Revised to 30 September 2016.</p> <p><u>August 2016</u> As above, sign-off and finalisation will follow on from test which has been postponed from 22 September to 31 October 2016.</p> <p>Revised to 31 October 2016.</p>	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
						<p><u>December 2016</u> The plan will be formally signed off when the service updates (appendices) are complete. The Plan has already been circulated to Leadership Team, and contacts agreed and placed on a secure page of the intranet to improve resilience.</p> <p>Revised to February 2017.</p> <p><u>February 2017</u> Business Continuity Plan signed off at Leadership Team on 6 February 2017. (Plan includes details of roles and responsibilities).</p>	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (March 2017)
						<p>Distributed to appropriate staff and placed on intranet.</p> <p>Promotion at emergency planning volunteering event on 7 March 2016. Briefing for Executive Members scheduled for 21 March 2017.</p>	

APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Certificate Complete	Trade / Clinical Waste Final report issued	Project Management / Benefits Realisation Final report issued	Consultants Draft report issued	Enviro Crime Final report issued	Tree Surveying In quality review	Council Tax Final report issued	Treasury Mgt Final report issued	Debtors Final report issued	Creditors Final report issued	Land Charges In fieldwork	
BACS Final report issued		Cash and Banking Final report issued			Car Parks – New pay & display machines Final report issued	Benefits Final report issued	Payroll In fieldwork	Asset Mgt In fieldwork	Internet & Email Usage Final report issued		
FOI Final report issued		Cyber Risk Final report issued			Disabled Facilities Grant Certification Complete	NDR Final report issued	Safeguarding * In fieldwork	Main Accounting System Final report issued	Digital Information Management Draft report issued		

APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

							Health & Safety*	Absence Mgt	Elections*			
							Final report issued	In quality review	In fieldwork			

***Notes**

- Health & Safety audit deferred from May to October at Management’s request in view of the absence of the main contact officer.
- Safeguarding audit deferred from July to November at Management’s request in view of the revised management arrangements.
- Elections audit deferred from August to December at Management’s request in view of other service priorities.

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

RISK MANAGEMENT MONITORING REPORT (OCTOBER TO DECEMBER 2016)

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 2016.

RECOMMENDATION FOR AUDIT AND GOVERNANCE COMMITTEE

That:

(A)	the risk management controls implemented be approved.
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1.0 Background

1.1 The Strategic Risk Register was last considered by Audit and Governance Committee on 23 November 2016. (Period July to September 2016). The content of the register has been updated with controls implemented between October and December 2016 recorded. Please see **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 2016/17 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 Target scores have also been included with effect from 1st April 2016, although the terminology has been changed to ‘residual risk’. These demonstrate where Officers believe the likelihood and / or impact can be mitigated. (The title ‘current risk’ has also changed to ‘inherent risk’).

2.5 Controls implemented during the period October to December 2016 have been recorded, and scores amended as necessary. Please refer to Essential Reference Paper B for more information.

- 2.6 No scores have been altered. One new risk has been added: SR16 'Development of Old River Lane, Bishop's Stortford'.
- 2.8 The Executive will consider the Strategic Risk Register on 4 April 2017.
- 2.9 All strategic risks can be viewed on 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

2016 /17 Quarter 2 risk management monitoring report to Audit and Governance Committee 23 November 2016

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Executive Member for Finance and Support Services
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Contact Officer: Isabel Brittain
Head of Strategic Finance and Property
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Report Author: Graham Mully
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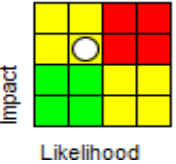
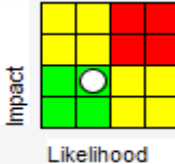
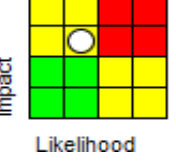
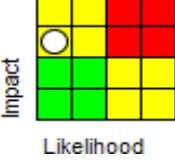
ESSENTIAL REFERENCE PAPER 'A'

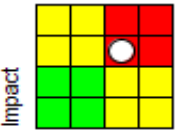
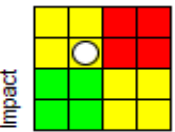
IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy
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.

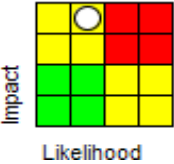
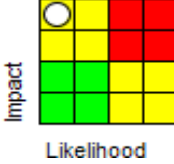
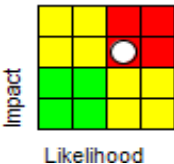
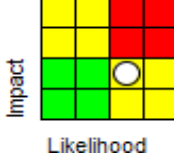
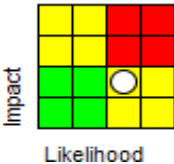
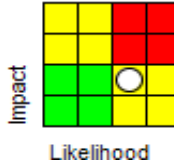
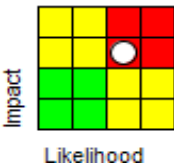
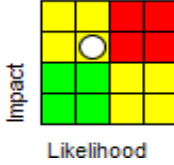
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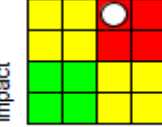
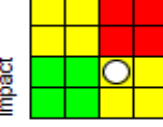
Code 16SR	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
1a	Risk of significant deviation from plan in terms of funding. This is predominately a risk of a significant reduction but a significant increase could also cause risks to materialise.	There is uncertainty around future funding, both from Government and other areas such as income from commodities markets for recycled materials. There is some clarity on 2016/17 but little beyond then, particularly with the potential impact of leaving the EU and on trade relations. There are cost pressures combined with an increased awareness and scrutiny of financial position.	<p>Likelihood</p>	3	3	October to December 2016: The referendum vote to exit the EU has resulted in continued uncertainty. DCLG have indicated that they expect 100% Business Rates Retention to launch from April 2019. The funding situation is being carefully monitored. The Healthcheck reporting process remains in place.	<p>Likelihood</p>	3	3	Isabel Brittain
1b	Business rate income significantly reduced from planned anticipated level (and current levels).	Appetite and ability as a Council to influence economic development. Neighbouring authorities reducing rates. Revaluation and appeals. (Maximum liability circa £10m if all appeals were granted). Inability to influence economic regeneration. Economic vitality.	<p>Likelihood</p>	4	4	October to December 2016: Consultation for 100% business rate retention closed. DCLG to review fair funding - EHDC could benefit but could lose out.	<p>Likelihood</p>	4	3	Isabel Brittain
2	Risk of not having capacity / capability and flexibility to continue to deliver service levels over time.	There are challenges 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.	<p>Likelihood</p>	3	3	October to December 2016: Four services restructuring at present. Resource and capacity of service areas being considered.	<p>Likelihood</p>	3	2	Emma Freeman
3	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.	<p>Likelihood</p>	3	2	October to December 2016: No concerns reported with any major contracts or shared service. Waste tender four months behind but under control and not a significant cause of concern at present.	<p>Likelihood</p>	3	1	All Heads of Service

	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
4	Risk that investment and effort in alternative service delivery models does not deliver benefits and returns.	Moving more towards other delivery models in future with public sector partners. This is part of the wider context of the changing role of Local Government moving forward. 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	2	October to December 2016: Work has commenced to investigate the viability of a Council-owned housing company. Member briefing session scheduled for 10 January 2017, with Chief Executive of another authority invited to discuss experience.		2	2	All relevant Heads of Service
5	Information management: Misuse or loss of key information leading to breach. The potential disclosure of personal data inappropriately.	The Council handles a large amount of information and data which if not managed properly could be compromised. This could be perhaps through carelessness or hacking and security of the information could be compromised. Failure to comply with information governance principles. Action may be taken by the ICO. Individuals may suffer if their personal data, particularly sensitive personal data is disclosed.		3	2	October to December 2016: No reportable data breaches.		3	1	Kevin Williams

Code 16SR	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
6	Impact of Housing and Planning Act.	<p>The key potential impacts are:</p> <ul style="list-style-type: none"> • Introduction of Starter Homes as a form of affordable housing, with nationally prescribed percentages to be delivered through the planning process, is likely to reduce the supply of new affordable rented homes thus reducing housing options for those on no / low incomes. This could place increased pressure on existing housing stock and potentially increase homeless approaches to the Council, leading to higher workloads • The opening up of the planning application assessment process to third parties could see workloads/income drop for the Council and its influence in decision making reduced. Potential for significant impact on staff resources, income and the ability to support direct and back office services. • Provisions for the Government to determine district plans where local authorities have not done so within certain time limits could erode the Council's reputation and ability to shape local development. • Further provisions for flexibilities with regard to fee levels and self setting of fees if the Council continues to operate established performance levels. 		3	3	<p>October to December 2016: The Housing Service is closely monitoring levels of demand. Work has commenced to investigate the viability of a Council-owned housing company which could contribute to local supply of housing in all tenures. Member briefing session about housing company scheduled for 10 January 2017.</p> <p>District Plan published for consultation in November 2016, and process concluded December 2016.</p>		3	2	Jonathan Geall and Kevin Steptoe

	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
7	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 management, Cannot bid for funding for infrastructure, lost opportunity, open to challenge in meantime, legal / reputational / political issues. Impact on New Homes Bonus.		3	2	October to December 2016: District Plan published for consultation in November 2016, and process concluded December 2016. Further steps achieved towards final plan.		3	2	Kevin Steptoe
8	Significant development proposals at strategic sites (Welwyn Garden City, Bishop's Stortford) - need to ensure good quality developments securing all necessary infrastructure.	Ambitions not achieved. Ability of building industry to deliver, including contribution for infrastructure. Poor environment. Loss of development opportunity. Reputational risk.		4	3	October to December 2016: Continue to maintain dialogue with potential developers.		4	1	Kevin Steptoe
9	Failure to deliver Digital East Herts.	Risk that services are not provided across multiple channels to improve the customer experience and realise efficiency gains. Step change to digital basis for service delivery will not be made within the window of invest opportunity in the next two years.		3	2	October to December 2016: Agreed programme plan at Leadership Team in December 2016, and prioritisation session then held with Managers. Detailed prioritisation plan to be discussed with Heads of Service in January 2017 to exploit opportunities for quick wins, as well as ensuring process reviews link in with other projects being delivered across the organisation.		2	2	Adele Taylor
10	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.		4	2	October to December 2016: Thorough self-audit undertaken using Hertfordshire County Council template. Issues of concern have been addressed.		4	1	Jonathan Geall
11	Safeguarding adults.	Maintain and develop interagency relationships, Council policy and training.		3	2	October to December 2016: WRAP / Prevent training almost complete. One final session remains. Dementia Friends training offered to staff.		3	1	Jonathan Geall

Code 16SR	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
12	Encouragement of economic vitality cross the District.	Risk that opportunities to develop and improve Bishop's Stortford and Hertford town centres are not maximised through the Old River Lane Planning Framework and Hertford Urban Design Study. Also ensure regular dialogue with business and organisations representative of business. Interventions to be proposed where appropriate e.g. business improvement district opportunities.		4	2	October to December 2016: Member steering groups established. Funding achieved for HUDS first project.		4	1	Ben Wood
13	Extreme weather - Either unable to resource or prioritise emergency planning response and other mitigation measures.	Frequency of events likely to increase. Emergency planning response could be compromised. Impact on east/west travel in District and on infrastructure, especially transportation. Lack of resource for mitigation activity e.g. land drainage function. Impact on Council properties, particularly sites on flood plains.		3	3	October to December 2016: Emergency Plan placed on website to improve resilience, replacing memory sticks. Testing of out of hours escalation / call cascade undertaken. Test of Business Continuity Plan took place on 31 October 2016, with weaknesses identified now being tackled. All services are also preparing their own specific plans.		2	3	Jonathan Geall
14	Devolution - fail to engage, and influence partners to engage, leading to missed opportunities.	Hertfordshire not seen as a 'player' nationally and regionally. Unable to be proactive and engage early on in this agenda. Missed opportunities to maximise benefit.		2	3	October to December 2016: Some work is continuing across the 10 districts and county in relation to the proposed options for collaboration (rather than devolution). Still lack of clarity from government about options for devolution in two tier areas, especially non-mayoral options.		2	3	Liz Watts
15	Referendum vote to leave EU.	Further budget reductions likely. Potential impact on the economy, particularly employment and the housing market. Loss of EU funding for local schemes. Legislative changes.		3	3	October to December 2016: Rural Development Programme funding has been guaranteed by the Government up to the point at which the UK leaves the EU.		3	2	Ben Wood

	Title	Description	Inherent Risk Matrix	Inherent Impact	Inherent Likelihood	Controls introduced in quarter three, and future controls planned	Residual Risk Matrix	Residual Impact	Residual Likelihood	Managed By
New 16	Development of Old River Lane, Bishop's Stortford.	The acquisition of the Old River Lane site presents opportunities to revitalise and shape the town centre, but there are risks around undertaking large-scale development, including land use choices, viability, impact on other areas and functions of the town centre, etc.		4	3	October to December 2016: Draft vision and planning framework for the town centre released, and public exhibition / consultation undertaken.		2	3	Liz Watts

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

RISK MANAGEMENT STRATEGY

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The Risk Management Strategy has been reviewed and updated.

<u>RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE: That:</u>	
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(A)	the updated Risk Management Strategy be scrutinised; and
(B)	the Executive be advised of any recommendations.

1.0 Background

1.1 The Risk Management Strategy is reviewed annually. This report details amendments since 2016/17.

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 presented to Audit Committee on 16 March 2016.
- 2.4 Audit Committee supported the revised Risk Management Strategy in principle, but requested that changes to the senior management structure be reflected. The impact of the senior management and meeting structure on risk management processes were therefore considered and trialled in quarter two before resubmission to Audit and Governance Committee on 23 November 2016.
- 2.5 Only minor changes have been necessary this year as the strategy remains fit for purpose. Most amendments concern the management structure.
- 2.6 Alterations have been tracked. The Strategy will also be submitted to The Executive.
- 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 and Governance Committee 23 November 2016 and Audit Committee 16 March 2016

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy
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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Risk Management Strategy

2017/18 Review

Leadership Team
Audit and Governance Committee
Executive
Council

6 February 2017
22 March 2017
TBA
TBA

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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 governance and must be embedded in 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, the nature of our operations and the drive to reduce bureaucracy.

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 and Governance Committee
- Leadership Team

Training is provided to those listed above, members of staff who prepare committee reports and / or those who should consider risk in the roles that they perform.

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

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.

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

National drivers behind strategic risk management

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

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, and without unnecessary layers of bureaucracy, 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.

Local drivers behind strategic risk management

The Council's vision is:

~~'To preserve the unique character of East Herts and ensure it remains one of the best places to live and work 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, particularly across projects. 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.

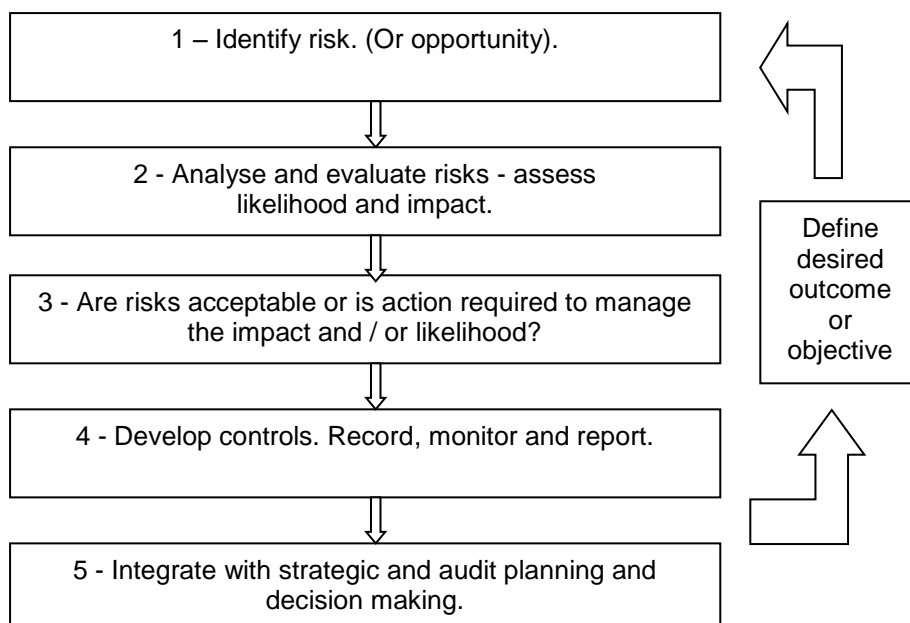
Benefits of risk management

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

Section 3 - Implementation of risk management

Implementing the strategy involves a 5-stage process:



Stage 1 – Risk identification

What could prevent the Council, your service, project or partnership from meeting objectives or outcomes? It is important that those involved with the process clearly understand what the Council wants to achieve in order to be able to identify the barriers.

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

- Making bids for funding.
- ~~Pursuing beacon status or other awards.~~
- Taking a national or regional lead on policy development.
- Savings that may be achievable if a project goes to plan.
- 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 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. The tender, and establishment of the insurance reserve, provide an opportunity to self-fund well managed risks.	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.

where possible. ~~These corporate themes are raised with each Head of Service quarterly.~~

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 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.

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.~~

Stage 4 – Recording, monitoring and reporting

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register, ~~including ownership of the risk and allocation of responsibility for each mitigating action.~~

~~With effect from 2016/17 a~~ target residual risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.

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

Leadership Team is responsible for ensuring that strategic risks are managed and will report to the Executive quarterly within the Corporate Healthcheck report. Audit and Governance Committee will also receive four strategic risk monitoring reports each year.

~~To reduce bureaucracy, a~~ less formal approach is taken for operational (or service) risks. A discussion takes place quarterly between Heads of Service and the Risk Assurance Officer and service managers, with a register recording the highest scored risks prepared and submitted to Heads of Service for monitoring.

~~Whilst a minimalist risk register operates,~~ Strategic risks are not recorded on Covalent for Members' benefit but operational risks are not. However any Ssignificant concerns are escalated to Leadership Team.

~~Stage 4 – Recording, monitoring and reporting~~

~~Leadership Team is responsible for ensuring that strategic risks are managed.~~

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

~~Heads of Service are responsible for ensuring that key risks in their service are managed.~~

~~Council-wide operational risks are also considered, with comments collated and reported to risk owners, Leadership Team or the Operational Risk Management Group as necessary.~~

~~Leadership Team will report strategic risks to the Executive quarterly as part of the Corporate Healthcheck report. Audit and Governance 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. East Herts encourages innovation, providing this is within the framework laid down by the Financial Regulations, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- The Council's **performance management framework** supports the monitoring of strategic 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.

Section 4 - Risk management in projects and partnerships

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

Project / Programme management

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

Risk management should feature regularly on meeting agendas and a reporting mechanism agreed with the Head of Service or Risk Assurance Officer.

Partnerships

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

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

The Council's 'Partnership Protocol' 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 Communications, Strategy and Policy has replaced a Partnership Register.

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 and Governance 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 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-strategic 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.
- The Portfolio Holder for Risk Management is recognised as the Member champion for Risk Management

Audit and Governance 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 Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- Take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff. Advise the Executive 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 [Service Managers 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 ensure that the risk management process is part of all major projects, partnerships and change management initiatives.

Heads of Service

- To be individually responsible for their service risks.
- Be actively involved in the identification and assessment of [service-risks through the service planning process](#).
- 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.~~

Service Managers

- Manage service level risks and maintain a risk register in conjunction with the Risk Assurance Officer.

Operational Risk Management Group

- To review operational risks that affect numerous teams within the authority. Plan mitigation activity and produce support the development of procedures / policies.
- To support the maintenance of the Council's Business Continuity Plan including testing.
- 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.

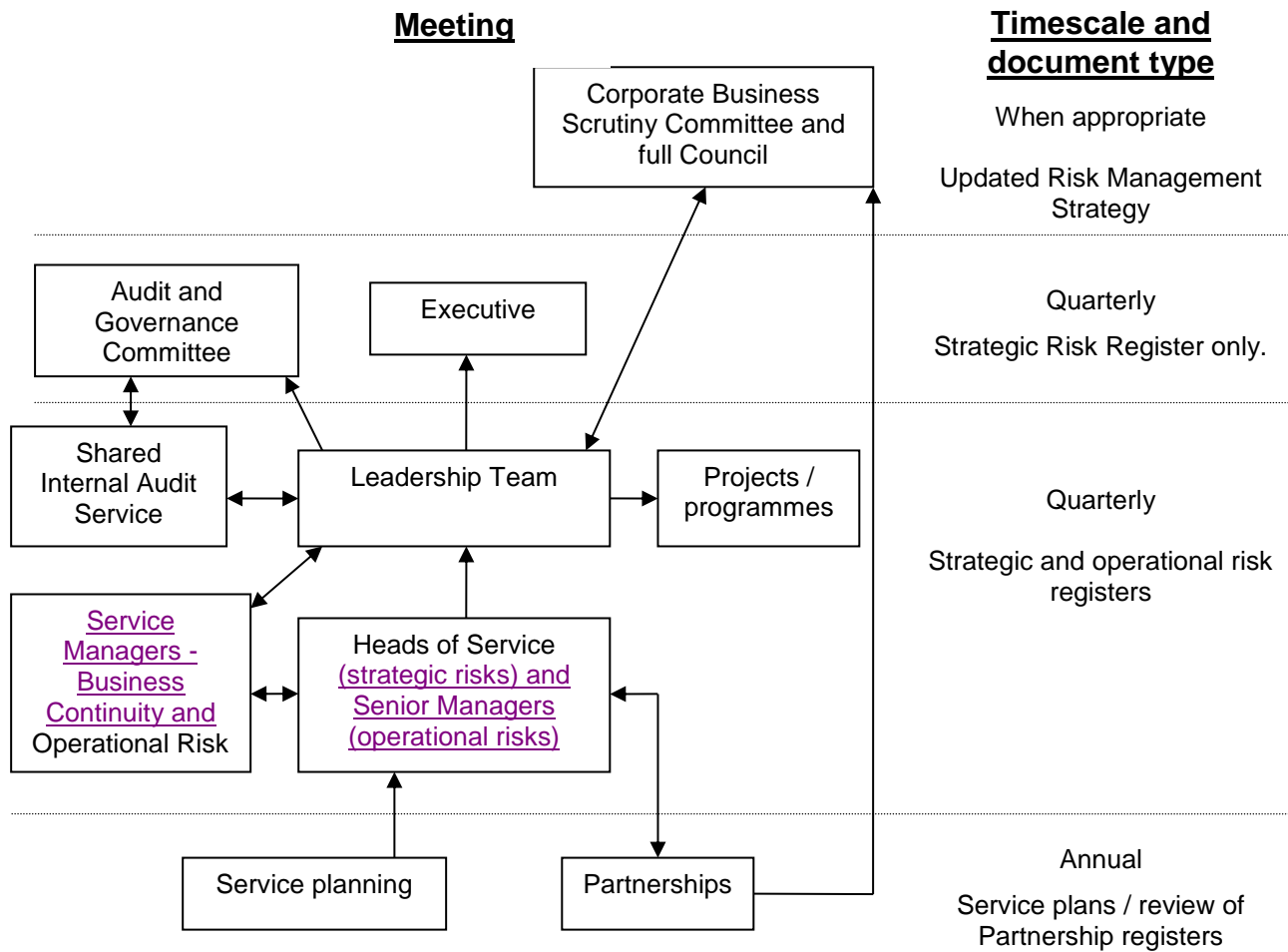
Strategic Finance and Property Team

- 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 co-ordinate the Business Continuity Plan and service and operational risk registers. ~~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:



Section 6 - Conclusion

Risk management is integrated into the Council's culture. The Strategy formalises the 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 Leadership Team interlocks with the existing quarterly healthcheck.

Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the local or central government policy or 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.