

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



6 September 2019

Our Ref Finance, Audit and Risk  
Committee  
Your Ref.  
Contact. Amelia McNally  
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To: Members of the Committee: Councillors Kate Aspinwall, Sam North, Steve Deakin-Davies, Morgan Derbyshire, Steve Jarvis, Kay Tart and Michael Weeks

Substitutes: Councillors Sam Collins, George Davies, Ian Moody and Adem Ruggiero-Cakir

You are invited to attend a

**MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE**

to be held in the

**COUNCIL CHAMBER, COUNCIL OFFICES, GERNON ROAD,  
LETCWORTH GARDEN CITY**

On

**MONDAY, 16TH SEPTEMBER, 2019 AT 7.30 PM**

**\*\*MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL  
AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION  
ON YOUR TABLET BEFORE ATTENDING THE MEETING\*\***

Yours sincerely,

Jeanette Thompson  
Service Director – Legal and Community

## **Agenda**

### **Part I**

<b>Item</b>	<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. MINUTES - 29 JULY 2019</b> To take as read and approve as a true record the minutes of the meeting of the Committee held on the 29 July 2019.	(Pages 5 - 12)
<b>3. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chairman of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency.  The Chairman will decide whether any item(s) raised will be considered.	
<b>4. CHAIRMAN'S ANNOUNCEMENTS</b> Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
<b>5. PUBLIC PARTICIPATION</b> To receive petitions, comments and questions from the public.	
<b>6. SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2018/19</b> REPORT OF THE SHARED INTERNAL AUDIT SERVICES AUDIT MANAGER  To consider the Shared Internal Audit Service Annual Report 2018/19.	(Pages 13 - 26)
<b>7. SHARED INTERNAL AUDIT SERVICES PROGRESS REPORT</b> REPORT OF THE SHARED INTERNAL AUDIT SERVICES AUDIT MANAGER  To consider the Internal Audit Progress Report, the proposed amendments to the 2019/20 Annual Audit Plan and the implementation status of high priority recommendations.	(Pages 27 - 46)

8. **ANNUAL GOVERNANCE STATEMENT 2018/19: UPDATED ACTION PLAN FOR 2019/20** (Pages 47 - 54)  
REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

For the Finance, Audit & Risk Committee to note the progress made against the Action Plan for 2019/20.

9. **FRAUD POLICY REVIEW** (Pages 55 - 78)  
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider Fraud Prevention Policy.

10. **RISK AND OPPORTUNITIES MANAGEMENT UPDATE SEPTEMBER 2019** (Pages 79 - 90)  
REPORT OF THE SERVICE DIRECTOR - RESOURCES

A report to provide the Committee with an update on the Corporate risks and the proposed changes to these risks.

11. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**  
The Chairman to lead a discussion regarding possible agenda items for future meetings.

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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES,  
GERNON ROAD, LETCHWORTH GARDEN CITY  
ON MONDAY, 29TH JULY, 2019 AT 7.30 PM

#### MINUTES

**Present:** *Councillors Councillor Kate Aspinwall (Chairman), Councillor Sam North (Vice-Chairman), Morgan Derbyshire, Steve Jarvis, Michael Weeks and Adem Ruggiero-Cakir (In place of Kay Tart)*

**In Attendance:** *Nick Jennings (Shared Anti-Fraud Manager, Shared Anti-Fraud Services), Darren Bowler (Assistant Manager, Shared Anti Fraud Service), Suresh Patel (Audit Executive Director, Ernst and Young), Julie Criel (Ernst and Young), (Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager), Reuben Ayavoo (Policy and Community Engagement Manager) and Hilary Dineen (Committee, Member and Scrutiny Manager)*

**Also Present:** *At the commencement of the meeting approximately 2 members of the public.*

#### 14 APOLOGIES FOR ABSENCE

*Audio Recording – 1 minutes 15 seconds*

Apologies for absence were received from Councillor Kay Tart.

Having give due notice Councillor Adem Ruggiero-Cakir advised that he would be substituting for Councillor Tart.

#### 15 MINUTES - 3 JUNE 2019

*Audio Recording – 1 minute 45 seconds*

Councillor Michael Weeks apologised for his non-attendance at the meeting held on 3 June 2019.

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 3 June 2019 be approved as a true record of the proceedings and be signed by the Chairman.

#### 16 NOTIFICATION OF OTHER BUSINESS

*Audio Recording – 2 minutes 41 seconds*

There was no other business notified.

#### 17 CHAIRMAN'S ANNOUNCEMENTS

*Audio Recording – 2 minutes 45 seconds*

- (1) The Chairman welcomed those present at the meeting, especially those who had attended to give a presentation;

- (2) The Chairman advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (3) The Chairman drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question;
- (4) The Chairman reminded Members to complete their skills audit. The Service Director – Resources was working hard to train members of the Committee to a high standard.

## **18 PUBLIC PARTICIPATION**

*Audio Recording – 3 minutes 44 seconds*

There were no presentations by members of the public.

## **19 SHARED ANTI-FRAUD SERVICE REPORT**

*Audio Recording – 3 minutes 50 seconds*

The Shared Anti-Fraud Manager, Shared Anti-Fraud Services, introduced the Shared Anti-Fraud Service Report.

The Assistant Manager, Shared Anti Fraud Service, presented the detail of the report.

The following Members took part in the debate and asked questions:

- Councillor Michael Weeks;
- Councillor Sam North;
- Councillor Steve Jarvis;
- Councillor Kate Aspinwall.

The Shared Anti-Fraud Manager and Assistant Manager provided answers to questions raised by Members.

A workbook on anti bribery and fraud was given to each Member.

**RESOLVED:** That the report entitled Shared Anti-Fraud Service be noted.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to review the following:

- The Councils work to combat fraud in 2018/19;
- The performance of SAFS in meeting its KPIs in 2018/19;
- The progress delivering the Councils 2019/20 Anti-Fraud Plan.

## **20 ANNUAL GOVERNANCE STATEMENT 2018**

*Audio Recording – 27 minutes 44 seconds*

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019 together with the following appendix:

- Appendix A – Annual Governance Statement for 2018/19 and Action Plan.

**RESOLVED:**

- (1) That the review of Finance Audit and Risk Committee that advised that it was compliant with CIPFA regulations be noted;
- (2) That the Annual Governance Statement for 2018/19 and the amended action plan, as attached to the report at Appendix A, be approved.

**REASON FOR DECISIONS:**

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234;
- (2) This Committee is the legal body with responsibility for approval of the AGS;
- (3) Reviewing the AGS Action Plan during 2019/20 will provide the Committee with assurances that NHDC is examining and where necessary improving its governance arrangements.

**21 AUDIT FINDINGS REPORT FOR NHDC 2018/19**

*Audio Recording – 30 minutes 43 seconds*

The Audit Executive Director and Engagement Partner, Ernst and Young, presented the report entitled Audit Findings Reports for NHDC 2018/19.

The following Members entered into the debate:

- Councillor Michael Weeks.

**RESOLVED:** That the report entitled Audit Findings for NHDC 2018/19 be noted.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the Audit Findings for NHDC 2018/19.

**22 STATEMENT OF ACCOUNTS 2018/19**

*Audio Recording – 39 minutes 5 seconds*

The Service Director – Resources presented the report entitled Statement of Accounts 2018/19 together with the following appendix:

- Appendix A- Statement of Accounts 2018/19 (with highlighted changes).

**RESOLVED:** That the 2018/19 Annual Statement of Accounts, as set out in Appendix A, be approved and signed by the Chairman.

Note: The Chairman signed the Accounts.

**REASON FOR DECISION:** To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of the Statement of Accounts by no later than the 31 July 2019.

**23 ANNUAL REPORT ON RISK MANAGEMENT 2018/2019**

*Audio Recording – 42 minutes 33 seconds*

The Chairman advised that this agenda item and any reports had been amalgamated with Agenda Item 11.

**24 RISK AND OPPORTUNITIES MANAGEMENT UPDATE**

*Audio Recording – 42 minutes 43 seconds*

The Service Director-Resources presented the report entitled Risk and Opportunities Management Update together with the following appendices:

- Appendix A - New Risk Anti Social Behaviour;
- Appendix B - Annual Report on Risk Management 2018-19.

The Risk Management Group would hold its next meeting on 8 August 2019 and Members of this Committee were welcome to attend. This Group discussed a number of issues and reviewed at least one corporate risk per meeting.

He explained that it was for the Committee to consider suggested changes to the risks

A new risk was being brought to the attention of the Committee, being the Impact of Anti-Social Behaviour on Council Facilities. This was being presented as a Service Risk, although the Committee could change this.

This did not relate to Anti Social Behaviour in general, but to the effect on Council properties.

Appendix B of the report was the Annual Report on Risk Management that would be considered by Cabinet and Council.

The following Members asked question and entered in the debate:

- Councillor Sam North;
- Councillor Kate Aspinwall
- Councillor Steve Jarvis;
- Councillor Michael Weeks.

Members felt that the Anti-Social Behaviour risk should be a Corporate Risk. The Council needed to consider the likelihood of the impact and threats associated with this risk. This had already had an effect on the ability to keep car parks open and public toilets had been vandalised and had to be closed resulting in a cost to the Council.

Members noted that, in Letchworth, although the rates of crime had dropped, anti-social behaviour had dramatically increased in the Town Centre. This may result in the Council having to provide more services such as CCTV and lighting.

Members also noted that this was not only regarding financial risk, but also reputational risk and the ability to provide services.

The Service Director-Resources advised that CCTV had been discussed in relation to the multi store car parks, however it would be difficult to place cameras in a place that they would not also be damaged.

The Chairman asked the Committee to consider a new risk regarding Climate Emergency and the impact that mitigation would have on the Council. Placing this item on the Risk Matrix



would ensure more scrutiny. It was suggested that this risk should be related to the Council's implementation of the Climate Change Strategy.

The Service Director- Resources advised that this would be referred to the Risk Management Group and, following consideration by that Group, would be referred back to this Committee.

Members asked for the link to the Council's Risk Management System, Pertana, be circulated to all Members and substitutes of the Committee.

**RESOLVED:**

- (1) That the Service Director – Resources be requested to refer an update to the existing Climate Change risk to the Risk Management Group;
- (2) That the Workforce Planning Risk retain its current Risk score of 5.
- (3) That the Service Director – Resources be requested to circulate the link to the Council's Risk Management System, Pertana, to all Members and Substitutes of this Committee.

**RECOMMENDED TO CABINET:**

- (1) That the risk entitled Impact of Anti-Social Behaviour on Council Properties be adopted as a Corporate Risk;
- (2) That the Annual Report on Risk and Opportunities be noted and referred to Full Council for consideration.

**REASON FOR DECISIONS:**

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of risk and opportunities management.

**25 FIRST QUARTER REVENUE BUDGET MONITORING 2019/20**

*Audio Recording – 1 hour 9 minutes 51 seconds*

The Accountancy Manager presented the report entitled First Quarter Revenue Budget Monitoring 2019/20.

The following Members took part in the debate:

- Councillor Kate Aspinwall:
- Councillor Michael Weeks.

**RECOMMENDED TO CABINET:**

- (1) That Cabinet note this report;
- (2) That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £239k decrease in net expenditure;
- (3) That Cabinet notes the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £130k decrease in net expenditure. These will be incorporated in the draft revenue budget for 2020/21.

**REASON FOR DECISIONS:** To enable the Finance, Audit and Risk Committee to consider the report entitled First Quarter Revenue Budget Monitoring 2019/20 prior to consideration by Cabinet.

**26 FIRST QUARTER INVESTMENT STRATEGY (Integrated and Treasury Monitoring) 2019/2020**

*Audio Recording – 1 hour 17 minutes 58 seconds*

The Service Director – Resources presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review together with the following appendices:

- Appendix A - Capital Assets as at 31 March 2019;
- Appendix B - Capital Programme Detail including Funding 2018/19 onwards;
- Appendix C - Treasury Management Update.

The following Members asked questions and took part in the debate:

- Councillor Sam North;
- Councillor Michael Weeks.

In response to a question about the riskiness of investing in other Councils, the Service Director – Resources advised that all Councils had the ability to raise Council Tax and were subject to strict controls. Most trading and commercial ventures were done through companies, which gave some protection to the Council.

In response to a further question he advised that most investments were managed in-house, although fund management was used for approximately 25 percent of investments. These were used where the rate obtained (after fees) was better than could be obtained in-house.

**RESOLVED:** That the report entitled First Quarter Investment Strategy (Capital and Treasury) Review be noted.

**RECOMMENDED TO CABINET:**

- (1) That Cabinet notes the forecast expenditure of £7.822million in 2019/20 on the capital programme, paragraph 8.2 refers;
- (2) That Cabinet approves the adjustments to the capital programme for 2019/20 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 by £1.408million;
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability;
- (4) Cabinet is asked to note the position of Treasury Management activity as at the end of May 2019.

**REASON FOR DECISIONS:** To enable the Finance, Audit and Risk Committee to consider the report entitled First Quarter Investment Strategy (Capital and Treasury) Review prior to consideration by Cabinet.

## 27 MEDIUM TERM FINANCIAL STRATEGY 2020-25

*Audio Recording – 1 hour 35 minutes 5 seconds*

The Service Director – Resources presented the report entitled Medium term Financial Strategy 2020-25 together with the following appendix:

- Appendix A- Medium Term Financial Strategy 2020-25.

The following Members asked questions and took part in the debate:

- Councillor Kate Aspinwall;
- Councillor Steve Jarvis;
- Councillor Sam North.

Members queried how the Commercialisation Strategy interacted with the Medium Term Financial Strategy and asked what estimates had been made regarding growth.

The Service Director- Resources advised that he expected these would form part of detailed budget setting.

Members suggested that the MTFS should contain a comment that it did not take account of any potential impacts of Brexit.

In response to a question about how the MTFS reflected housing growth, the Service Director – Resources advised that currently there was an assumption of one percent growth in Council Tax Base.

### **RECOMMENDED TO CABINET:**

- (1) That Cabinet ask the Service Director – Resources to update the MTFS to show that it did not take account of any potential impacts of Brexit;
- (2) That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2020-25 as attached at Appendix A.

**REASON FOR RECOMMENDATIONS:** To enable the Finance, Audit and Risk Committee to consider the report entitled Medium Term Financial Strategy prior to consideration by Cabinet.

## 28 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS

*Audio Recording – 1 hour 48 minutes 16 seconds*

The Chairman requested that should any Members have any suggestions for agenda items at future meetings would the please advise himself, officers or the Committee Clerk.

The meeting closed at 9.19 pm

Chairman

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# Shared Internal Audit Service

Annual Report **2018/19**

# Annual Report Contents

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**WELWYN  
HATFIELD**  
BOROUGH COUNCIL



**THREE RIVERS**  
DISTRICT COUNCIL



**Stevenage**  
BOROUGH COUNCIL



  
**Hertfordshire**

# Introduction

## Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2018/19.

I am writing this year's introduction with a smile on my face, and a quiet sense of professional satisfaction. We have reason to celebrate success this year in that we achieved our overall performance targets again despite several ongoing challenges. This follows a two-year period where our targets were narrowly missed.

This has only been possible with the commitment and dedication of both the in-house team and our external service provider, as well as the co-operation of our partners and stakeholders. I am very proud of the work of the SIAS Team and delighted to be able to look to the future with a sense of cautious optimism.

Following the completion of the SIAS restructure in 2017/18, the year had a strong focus on delivery of our partners audit plans, as well as consolidation, stability and revisiting the 'nuts and bolts' of the service to ensure that we had solid foundations for the future.

We are pleased to have BDO back with us as our external delivery partner after a competitive tender process. They have been a vital component of service resilience and access to specialist skills, and we look forward to the continuation of our successful relationship.

I received some sage advice recently from one of our Audit Committee Chairs, who reminded me that internal audit is not just about performance indicators but also about positive outcomes for good governance. To this end, we expanded and developed hugely beneficial relationships with our Audit Committees and achieved notable success in areas such as follow-up and implementation of internal audit recommendations.

For further highlights, I invite you to delve into the Annual Report itself and, as ever, I enjoy the engagement, dialogue and feedback the report fosters.

**Chris Wood**

*Head of the Shared Internal Audit Service*

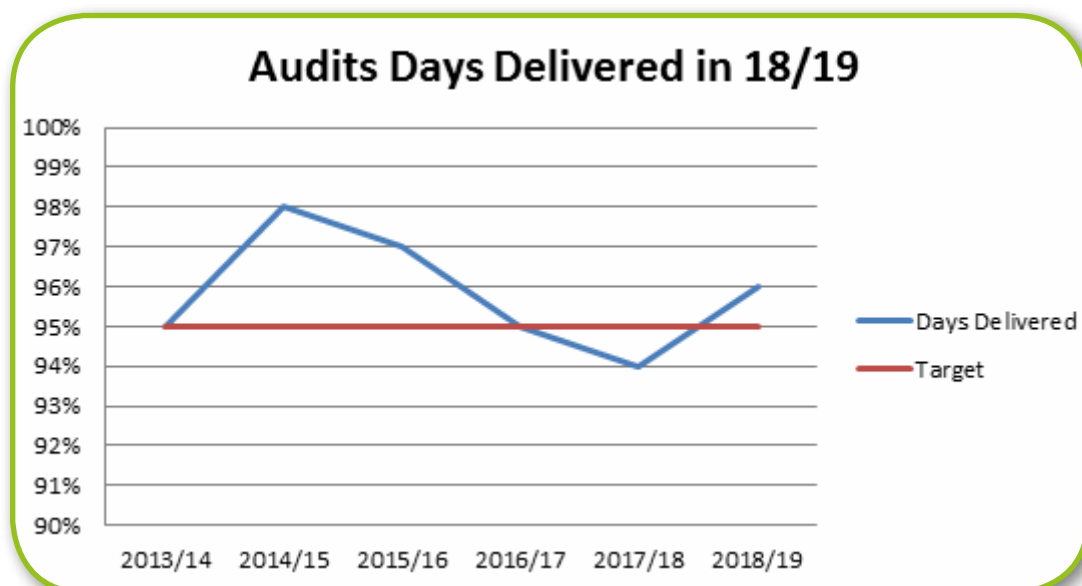
June 2019

## Levels of Delivery

Whilst the Service faced some challenges during the year arising from staff sickness absences and vacancies, it nonetheless surpassed its overall target of delivering 95% of days commissioned by clients with a final outturn of 96%. This is a testament to the hard work and resilience of the SIAS Team.

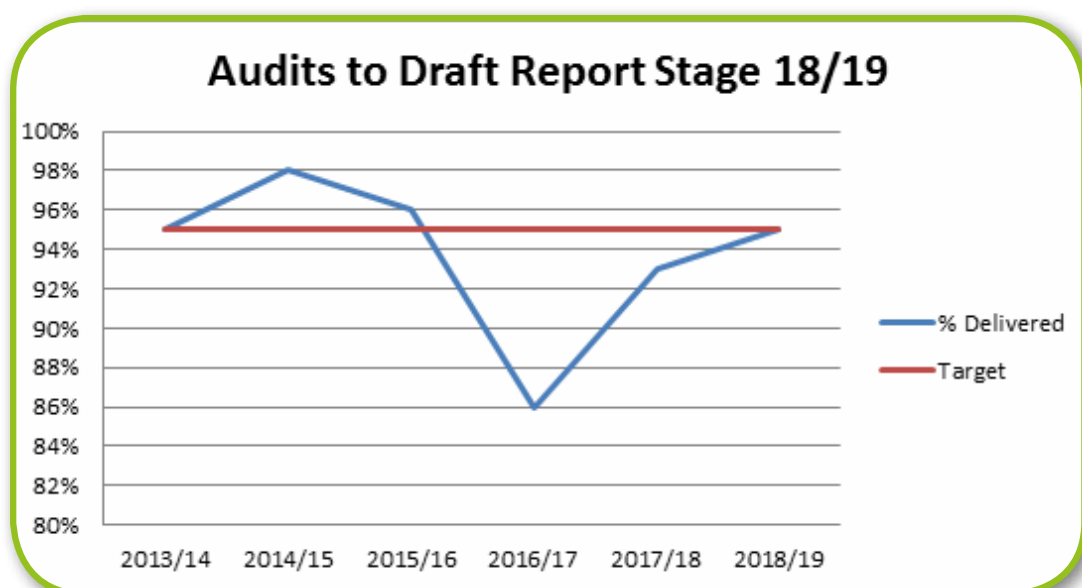
Despite the challenges referred to above, the Service achieved its overall target of delivering 95% of its audit reviews to draft report stage by the close of the year.

**Figure 1:** Percentage of audits days delivered



**Achieved  
its overall  
targets despite  
resilience  
challenges...**

**Figure 2:** Percentage of audits to draft stage





# Shared learning - The Power of Partnership

Shared learning happens through the dialogue we have with others. It has long been part of the vision of our Board that the service acts to facilitate the sharing of learning across its partners. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to publicise and promote issues big and small.

**Our quarterly shared learning papers are now a regular feature at management boards, governance groups and team meetings across our partners**

Over the course of 2018/19, our quarterly shared learning papers continued to be a regular feature at management boards, governance groups and team meetings across our partners. General learning points arising from our work (e.g. high priority recommendations from across our partners) and the wider local government environment have been disseminated through our regular papers with contributions from across our Assurance Services. A recurring theme arising from our internal audit work was partnership or shared service governance.

In addition to our shared learning papers and newsletters, we hosted a very well received follow-up workshop for our partners and other stakeholders building on the Local Authority Trading and Commercial Governance themes from last year, utilising the commercial expertise of our audit delivery partners BDO.

We have used our governance expertise to develop internal audit recommendation databases, update Audit Committee Terms of Reference and facilitate the Annual Governance Statement process for our partners, with the learning from one partner informing similar exercises at others.

During the year, an audit on Financial Monitoring and Business Continuity Arrangements– 3rd Party Contractors fed directly into a Member-led Scrutiny on supply, market and contractor volatility post Carillion at one of our partners. This topic has now informed several audit plans of other SIAS partners and had also featured in the 'Audit Together' newsletter to which we contribute, along with other topical issues such as Brexit Preparedness.

Our involvement with 'Audit Together', a strategic alliance of similar internal audit partnerships, our audit delivery partners (BDO) and an array of contacts through bodies such as the Local Authority Chief Auditors Network (LACAN) and Home Counties Chief Internal Auditors Group (HCCIAG) have been invaluable in sharing experiences, points of practice and ideas that help us to develop as a service in response to client need and the ever-evolving field of internal audit. Our staff, partners and Audit Committee members continue to provide helpful challenge, which causes us to pause and think about matters big and small, whether about assurance levels, recommendation priorities, professional judgement and intellectual curiosity or about our skills, performance, systems and culture.

# Developing our People and Processes

SIAS is committed to providing its services to clients in the most cost effective and resilient way possible, while giving the service the management and performance information it needs to support decision making and work allocation processes. The development of our in-house time recording, and audit plan management system is an excellent example of a service development that has delivered on both counts.

The technology for the new systems is based around established Microsoft products (Excel and Access) and the costs associated with system maintenance are absorbed within existing corporate overheads. This has allowed the Service to not only secure a financial saving of circa £3,000 per annum but, more importantly, to future proof its existing business processes.

Building on these recent developments, SIAS has introduced an online, real-time performance dashboard that allows our team to track their individual performance against targets, review their work allocation and monitor progress of audit delivery. This has been integrated into the monthly one-to-one meetings the team has with their line managers, as well as the formal appraisal (PMDS) process.

We also commenced the process of reviewing and updating our Internal Audit Manual. This is a comprehensive set of working documents designed to inform, direct, guide and train internal auditors within the team, and includes things such as our vision, structure charts, policies, audit methodology, quality control arrangements and working paper and report templates.

New assurance levels and internal audit recommendation priorities were introduced across our partners and became 'business as usual' as the year progressed.

Processes of course mean nothing without skilled team members to meet the ever-changing demands on a modern internal audit service. We rolled out a Training and Skills Matrix based on the Chartered Institute of Internal Auditors (CIIA) Core Competency Framework, the Internal Audit Apprenticeship and the requirements of the Public Sector Internal Audit Standards to identify opportunities for collective and individual improvement and development. The results will inform a training, development, skills and succession planning project in 2019/20 (see Future Developments below).

We also successfully recruited two Trainee Auditors, one of whom is the first in our team to embark on the new Internal Audit Apprenticeship. One of our Client Audit Managers was the public sector representative on the CIIA / Barclays Learning and Development Forum that developed the Apprenticeship Standard in the first instance.

**Service developments delivering cost effectiveness and resilience, while informing decision-making**

**Skilled team members to meet the ever-changing demands on a modern internal audit service**

**“A professional and friendly service which will provide value...”**

## First Class Customer Service

In order to monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2018/19 we have received 100% satisfactory or higher feedback rating from our customers; an improvement on the previous year.

Some of the comments that accompany the formal scoring document are shown below:

“Auditor astute and approachable. A number of insightful queries regarding process and record keeping were made to inform the assessment.”

“Excellent service conducted by experienced Auditor with a wealth of experience who understood our processes and systems.”

“A professional and friendly service which will provide value to the strategic direction of ICT at Hertsmere”

“Auditor was really good during the process, asking us questions and probing us when necessary. It was good to complete this to make sure we are following the correct processes and to have formal confirmation that we are doing everything that we should be doing to a high standard.”

“The service received was professional and took the time to investigate the issues surrounding this project. At the same time officers were easy to communicate with putting me at ease with the process. At all times I felt that there was a genuine desire to identify any issues and concerns without being onerous or overbearing to reach a predetermined outcome. There was no prejudgement of the situation and I had plenty of opportunities to ask for clarifications throughout the process.”

“Outstanding service. Thank you for the advice and help. Very happy with the service provided. ‘The auditor’ gave excellent advice which was very helpful. Thank you”

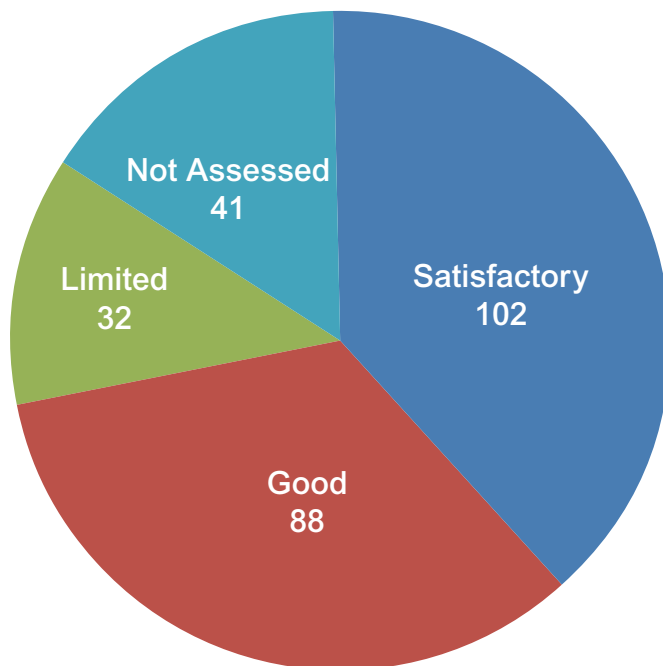


# Performance - Outcomes

SIAS completed 263 assurance and other projects to final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

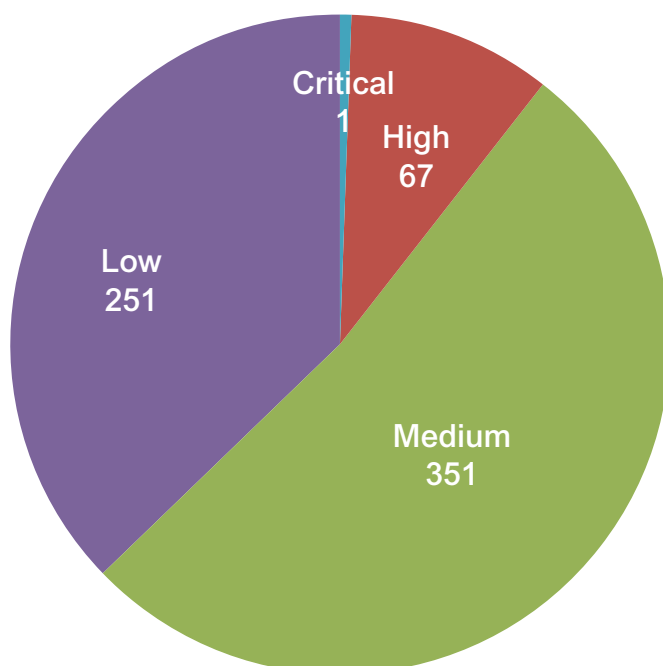
**Figure 3:** Distribution of Audit Opinions 2018/19



**263 assurance and other projects identifying 670 recommendations**

For those audits where recommendations were required, the priority ratings are set out in figure 4 below:

**Figure 4:** Prioritisation of Recommendations 2018/19





## Performance Indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

**Table 1:** SIAS Business Performance

Indicator	Target	Actual as at 31 March 2018	Actual as at 31 March 2019	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	96%	Despite continued resilience challenges in year, the service achieved both of its targets.
Progress against plan: audits issued in draft by 31 March	95%	93%	95%	
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	97%	100%	Continued good performance in this area

## Financial Performance of SIAS

SIAS began operating on a fully traded basis in 2012/13.

Appendix A sets out the summary financial position at 31 March 2019. The partners determined that the service should aim to build a reasonable surplus and to consider the financial position of the service on a three-year rolling basis.

The intention of this is to smooth the impact of any unforeseen events impacting on trading performance in future years.

# Future Developments



The SIAS Service Plan for 2019/20 is divided into four themes focusing on People, Performance, Position and Process. This facilitates undertaking service development in a structured and methodical way to achieve our vision of being an exemplar shared service at the leading edge of audit service delivery.

The SIAS Management Team held an away afternoon in April to develop the main ideas in our 2019/20 Service Plan. A number of 'quick wins' were identified, as well as three projects that we would like to complete ahead of our next peer review required by the end of 2020. The projects centre on the following:

- a) Training, skills, development and succession planning (People theme),
- b) Work allocation (Performance theme), and
- c) Updating and improving the SIAS profile and content on partner intranet and websites, as well as Schools Grid (Position theme)

The changing face of service delivery within Local Government also presents the Service with new opportunities, challenges and demands and a need to provide higher levels of consultancy advice, evolve our knowledge and skills, and apply new approaches and techniques to the work at hand. The increased use of, or access to, data analytics tools is likely to become a key feature in the work of the Service going forward. The use of these tools will allow the Service to facilitate delivery of the widest coverage of process driven areas.

## Our Board Members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

In 2018/19, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Assistant Director (Finance and Estates)	Stevenage Borough Council
Sajida Bijle	Corporate Director	Hertsmere Borough Council
Steven Pilsworth	Interim Director of Resources	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Hertfordshire District Council
Ka Ng	Executive Director – Resources, Environment and Cultural Services	Welwyn Hatfield Borough Council
Isabel Brittain	Head of Strategic Finance and Property	East Herts Council
Jo Wagstaffe	Shared Director of Finance	Watford Borough Council and Three Rivers District Council
Terry Barnett	Head of Assurance	SIAS



## Appendix A - SIAS cost centre: revised budget against outturn 2018/19

	Budget £	Outturn £
Salaries & Salary Related	1,054,410	980,670
Partner / Consultancy Costs	95,875	137,313
Transport	8,500	7,313
Supplies	18,483	9,890
Office Accommodation Cost	17,005	17,005
Total expenditure	1,194,273	1,152,191
Income	1,209,339	1,220,711
<b>Net (surplus) / deficit</b>	<b>(15,066)</b>	<b>(68,520)</b>





## Appendix B - Definitions of Assurance Levels and Priority of Recommendations

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

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





## **North Herts District Council** Audit Committee Progress Report

16 September 2019

### Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 30 August 2019,
- Note the proposed amendments to the 2019/20 Annual Audit Plan, and
- Note the implementation status of high priority recommendations.

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.5 High Priority Recommendations
  - 2.8 Proposed Amendments to the 2019/20 Annual Audit Plan
  - 2.9 Performance Management

## Appendices

- A Progress against the 2019/20 Audit Plan
- B Implementation Status of High Priority Recommendations
- C 2019/20 Audit Plan Start Dates Agreed with Management
- D Assurance and Finding Definitions 2019/20

# 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 2019/20 as at 30 August 2019.
- b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
- c) Proposed amendments to the 2019/20 Annual Audit report
- d) An update on performance management information as at 30 August 2019.

## Background

- 1.2 The 2019/20 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2019.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving feedback on the delivery of the 2019/20 Internal Audit Plan.
- 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 30 August 2019, 31% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2018/19 final reports have been issued since 17 May 2019 (cut-off date for the SIAS Update Report for 3 June 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Joint Waste Contract	July 2019	Limited	1 High, 4 Medium
Herts Home Improvement Agency	August 2019	Limited	7 High, 8 Medium, 3 Low

- 2.3 Following the finalisation of the above audit reports, all 2018/19 audits have now been completed and final reports issued. The above two reports will be considered when forming our 2019/20 annual assurance opinion.

- 2.4 The Herts Home Improvement Agency (HHIA) audit was included in the 2018/19 Annual Audit Plan for Hertfordshire County Council with a supporting contribution of days from North Herts District Council, Stevenage Borough Council, East Herts Council and Watford Borough Council as partners of the HHIA. Seven high priority recommendations were made in the HHIA audit relating to the following areas:
- a) Governance structures, work streams and resources;
  - b) Financial reporting and monitoring;
  - c) The cost recovery model;
  - d) Management information systems;
  - e) Recruitment and business continuity (succession planning);
  - f) Site visits and inspections; and
  - g) Post works sign off.
- 2.5 We have not included the high priority recommendations from the HHIA audit at paragraph 2.7 and appendix B as they are owned and monitored by the HHIA Board and subject to follow up by Hertfordshire County Council. The HHIA Board provided comments and actions in response to the findings raised in the report prior to the finalisation of the report.
- 2.6 In addition, SIAS has planned a follow up audit of the HHIA later in 2019/20 to provide further assurance to all partner audit committees.
- 2.7 The following 2019/20 final reports have been issued since 17 May 2019 (cut-off date for the SIAS Update Report for 3 June 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Review of FAR	July 2019	N/A	-
Cyber Security	August 2019	Satisfactory	4 Medium, 1 Low
Transparency Code	September 2019	Satisfactory	N/A
Time Recording System	September 2019	Limited	1 High, 1 Medium, 1 Low

- 2.8 Details on the status of all audits in this year's plan can be found in Appendix A.

### **High Priority Recommendations**

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

- 2.10 We have made two high priority recommendations as a consequence of the work undertaken in the audits detailed in paragraph 2.2 and 2.7 above. These relate to the Joint Waste Contract and Time Recording System audits completed.
- 2.11 The Joint Waste Contract high priority recommendation relates to the prioritisation and full implementation of the performance management regime. The high priority recommendation raised in the Time Recording System audit relates to management oversight of the use and completion of time records. Further details can be found in Appendix B.
- 2.12 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not implemented.

### **Proposed Amendments**

- 2.13 The Committee should note that there are no planned changes to the 2019/20 Annual Audit Plan. Contingency in the 2019/20 Annual Audit Plan for the Council currently stands at 7 days.
- 2.14 There have been some locally agreed changes to proposed start dates, details of these can be found in Appendix C.

### **Performance Management**

#### **Reporting of Audit Plan Delivery Progress**

- 2.15 To help the Committee assess the current situation in terms of progress against the projects in the audit plan, we have provided a timetable that shows the overall progress at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

<b>Summary – 30 August 2019</b>			
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (25)</b>	<b>Profile to date</b>
Draft / Final Report Issued	4	16%	(5/25)
In Fieldwork / Quality Review	4	16%	(4/25)
Terms of Reference Issued / In Planning	2	8%	(3/25)
Yet to be planned	15	60%	(13/25)

Deferred	0
Cancelled	0



- 2.16 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.17 As at 30 August 2019, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 30 August 2019	Actual to 30 August 2019
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	34% (114 / 333 days)	31% (102 / 333 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	20% (5 / 25 projects)	16% (4 / 25 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A – No surveys returned
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

- 2.18 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2019/20 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.



## APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 30 AUGUST 2019

### 2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Key Financial Systems									
Integra 2 – General Ledger, Debtors and Creditors						14	Yes	0	Allocated
Treasury Management						8	Yes	0	Allocated
Expenses						10	Yes	0	Allocated
Budgetary Control						10	Yes	0	Allocated
Revenues						15	Yes	0	Allocated
Benefits						10	Yes	0	Allocated
Corporate Audits									
Data Quality of Performance Information						15	Yes	0	Allocated
Workforce Planning and Development						20	Yes	18	In Fieldwork
Corporate Resilience						15	Yes	1.5	In Fieldwork
Corporate Change Management						15	Yes	0	Allocated
Operational Audits									
Trade Waste						15	Yes	0	Allocated
Temporary Accommodation						12	Yes	0	Allocated
Time Recording System	Limited	0	1	1	1	12	Yes	12	Final Report Issued
Members Expenses Benchmarking						8	Yes	0.5	In Planning
Parking Strategy and						15	Yes	0	Allocated

## APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 30 AUGUST 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Enforcement									
Transparency Code	Satisfactory	0	0	0	0	12	Yes	12	Final Report Issued
Equality and Diversity						10	Yes	1.5	In Fieldwork
Herts Home Improvement Agency						2	Yes	0	Allocated
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
King George V Playing Fields						1	Yes	0	Allocated
<b>Procurement / Contracts</b>									
Financial Resilience of Suppliers						15	Yes	0	Allocated
<b>IT Audits</b>									
General Data Protection Regulations						10	Yes	6	In Fieldwork
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	0	Allocated
<b>Anti-Fraud</b>									
SAFS Review						2	Yes	0.5	ToR Issued
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2	Yes	0	Allocated
Shared Learning						3	Yes	0	Through Year
<b>Contingency &amp; Ad Hoc Activity</b>									
Contingency & Ad Hoc Activity						7	Yes	0	As Required
<b>Strategic Support</b>									

# APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 30 AUGUST 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	4	Through Year
Client Meetings						8	Yes	4	Through Year
Liaison with External Audit						1	Yes	0	Through Year
Progress Monitoring						10	Yes	5	Through Year
SIAS Development						5	Yes	5	Through Year
2020/21 Audit Planning						6	Yes	0	Through Year
<b>2018/19 Projects requiring completion</b>									
Finalisation of Projects						11	Yes	11	As Required
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>340</b>		<b>102</b>	

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
1.	Corporate Debt Management (March 2018)	<p>We recommend that the Council undertakes training with all officers responsible for debt management and recovery. Within this training and in lieu of a corporate policy, clear procedures should be outlined and documented to provide clear direction and consistent approach to debt management and recovery in all directorates.</p> <p>The training and procedures should set out the entire standard corporate debt recovery process, from start to finish, in writing and through illustration (via a summary flowchart), so that the automated and manual intervention stages, actions and timings are all clearly defined.</p> <p>The roles,</p>	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	<p><b>June 2019</b> - Not applicable.</p> <p><b>September 2019</b> - A survey on the format of the aged debt report, which seeks the views of budget holders, has just commenced. Once a revised report has been set up taking into consideration both the audit recommendations and views of managers, officers will set up some training with managers on what the report is telling them and what action they need to take.</p>	<b>In Progress</b>

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>responsibilities and delegations of corporate finance, corporate recovery and services in regard to monitoring, pursuing and writing off overdue sales invoices should be fully explained to all officers and accurately reflect the Financial Regulations.</p> <p>The Council should initially focus on getting the basic debt recovery steps implemented in practice. Once this is in place, the Council should review the impact on overall debt levels and assess the capacity and resources available to pursue debts robustly.</p>					

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
2.	Corporate Debt Management (March 2018)	<p>We recommend that the Council establish a corporate debt management group, responsible for providing unified oversight of the debt management actions and improve recovery of higher risk / value types of sundry debts.</p> <p>The group's membership should include representation from relevant service areas as well as legal and finance to provide advice and expertise on process and good practice.</p> <p>Initially, we recommend that the group meets on a monthly basis until management is satisfied that recovery is consistent and more effective than found to be at the present time. Thereafter, consideration could be</p>	<p>Report to SMT on establishing group and agree remit, membership and approach.</p> <p>Set up group.</p>	Controls, Risk & Performance Manager / Revenues Manager	<p>30 April 2019</p> <p>31 May 2019</p>	<p><b>June 2019</b> - A report has been to SMT and we have approval for the corporate debt management group to be set up. We have established the scope/remit of the group and set up a formal document. Controls, Risk and Performance Manager will now be organising the first meeting and the rest of the actions will follow on from that.</p> <p><b>September 2019</b> – This recommendation has been implemented. A report regarding the establishment of a Corporate Debt Management Group was taken to SMT and the Group was subsequently set up. The first meeting was held in July 2019 and further meetings have been arranged.</p>	Implemented

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>given to reducing the frequency of meetings.</p> <p>This is an approach to corporate debt management taken by another SIAS Partner.</p>					
3.	Museum Services (February 2019)	<p>We recommend that the Council implements a plan to address the future storage that it will face.</p> <p>There are several options to consider:</p> <p>a) Invest in a new storage facility that is larger and has greater capacity to house an expanding range of artefacts;</p> <p>b) Purchase additional space to handle the overflow from the current storage facility; or</p> <p>c) Invest resources to</p>	The Council is aware that the long term storage requirements need to be investigated and will undertake an options appraisal to identify the best approach to try and resolve this.	Service Director (Commercial)	30 April 2020	<p><b>June 2019</b> - Not applicable</p> <p><b>September 2019</b> – the service will undertake and complete the options appraisal during 2019/20, ideally prior to the commencement of the 2020/21 corporate business planning cycle. This will enable any relevant proposals to be included in the capital investment proposals for the new year.</p>	<b>Not implemented</b>

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>undertake rationalisation of the current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit analysis should be completed to support the management decision.</p>					
4.	Joint Waste Contract (July 2019)	<p>In raising the finding opposite, we recognise that the four indicators in place have a significant weighting within the PMR and therefore measuring these allows management to assess service delivery.</p> <p>Moving forward, we recommend that management undertake an exercise of prioritising the remaining indicators and determine which</p>	<p>A clear structure including timescales for the full implementation of PMR criteria was in place at the time of audit and since close of audit this has continued to be worked upon.</p> <p>We are currently carrying out works on the remaining</p>	Joint Waste Services Manager	31 August 2019	<b>September 2019:</b> Following the SIAS audit and as previously agreed, further work has taken place and all 64 criteria within the Performance Monitoring Regime are now live and operational for the Urbaser contract.	<b>Implemented</b>



## **APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

<b>No.</b>	<b>Report Title / Date of Issue</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Implementation Date</b>	<b>History of Management Comments (Last 12 months)</b>	<b>Status of Progress</b>
		<p>are the next most important service measurement indicators. This should be part of the project currently underway.</p> <p>In addition, we recommend that priority is given to formally agreeing the service failure types to be measured. A clear and defined record of all adjustments to the PMR should be maintained and appropriate approval retained.</p> <p>A contract variation notice should be raised to formalise any locally agreed changes to performance criteria, with the support of the Legal Commercial Team Manager.</p>	<p>categories and anticipate these to be fully implemented for end of August 19.</p>				

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
5.	Time Recording System (September 2019)	<p>We recommend that the MSU to send details of timesheets having to be unlocked, to the Line Managers to provide an overview of the timeliness of timesheet completion.</p> <p>Management should be reminded of their responsibilities, as highlighted in recommendation 1, relating to monitoring and oversight of officers' time records. Consideration should be given to the production of exception reports that detail incomplete time records at the end of the period and these should be shared with management.</p> <p>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented</p>	<p>Management Support Unit (MSU) Manager to arrange for confirmation that the request has been received to unlock will be sent to individual's line managers, with the reason for the unlock request.</p> <p>IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.</p>	Service Director (Customers)	31 December 2019	<b>September 2019</b> – not applicable	<b>Not Implemented</b>

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.					





## APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Time Recording System <b>Final Report Issued</b>	Workforce Planning and Development <b>In Fieldwork</b>		Corporate Resilience <b>In Fieldwork</b>	General Data Protection Regulations <b>ToR Issued</b>	Temporary Accommodation <b>In Planning</b>
Review of FAR <b>Final Report Issued</b>	Cyber Security <b>Final Report Issued</b>		Equality and Diversity <b>In Fieldwork</b>	Data Quality of Performance Information	Members Expenses Benchmarking <b>In Planning</b>
2018/19 Carry Forward Projects	Transparency Code <b>Final Report Issued</b>				
October	November	December	January	February	March
Integra 2	Budgetary Control		Corporate Change Management	Parking Strategy and Enforcement	
Treasury Management	Benefits		Trade Waste		
Expenses	Systems Access (Passwords)		Financial Resilience of Suppliers		
SAFS Review (moved from July) <b>ToR Issued</b>			King George V Playing Fields		
			Revenues (moved from November)		

**Herts Home Improvement Agency** – this is a joint review with the other partner authorities and a start month has not yet been agreed.

## APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2019/20

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

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

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**FINANCE, AUDIT & RISK COMMITTEE  
16 SEPTEMBER 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2018/19: Updated Action plan for 2019/20**

**REPORT OF: THE POLICY AND COMMUNITY ENGAGEMENT MANAGER**

**EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]**

**COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT**

**1. EXECUTIVE SUMMARY**

- 1.1 For the Finance, Audit & Risk Committee to note the progress made against the Action plan for 2019/20. This Action plan was presented to the Committee as part of the final Annual Governance Statement (AGS) for 2018/19 at the July 2019 meeting.

**2. RECOMMENDATIONS**

- 2.1. That the committee notes the progress made against the individual actions as outlined in the Action plan for 2019/20 at Appendix A.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The AGS must be considered by Members of the Committee and approved under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234, before the Statement of Accounts.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan during 2019/20 will provide the Committee with assurances that NHDC is examining and where necessary improving its governance arrangements.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options to be considered.

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. As reported to the Committee on 3 June 2019 [[Draft Annual Governance Statement \(AGS\) 2018/19 report](#) ] the governance review and AGS format is based on the 2016 CIPFA/ SOLACE Framework.
- 5.2. At the Committee on 29 July 2019, Members were asked to approve the AGS for 2018/19 and the attached Action Plan for 2019/20. The external auditors Ernst & Young and SIAS were provided with a draft of the self- assessment Ernst & Young for comments.
- 5.3. Any comments, or queries were included and links provided following this consultation as appropriate.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 Reference is made to the report of 3 June 2019, which sets out the legal requirements for preparation, review and approval of the AGS, together the matters included/ and parties involved in that process. As indicated this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 *before* the relevant authority approves the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance<sup>1</sup>. The AGS was prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance<sup>2</sup>). The detailed self-assessment document has not been appended. It has been loaded on the Council's Corporate Governance internet page and will remain on the site until the next review is undertaken [[SMT AGS self-assessment document](#)].
- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, overall conclusion on the arrangements and appends the Action Plan.

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<sup>1</sup> CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

<sup>2</sup> As above (*ibid*)



## **8. RELEVANT CONSIDERATIONS**

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced. The approved AGS for 2019 can be found on the Council's website [[Annual Governance Statement 2018/19](#)].
- 8.2. Appendix A notes the progress made against the individual actions against the Action Plan for 2019/20. Of the eight actions, 3 have been completed and the remaining five are on-going for this financial year. Further updates and related amendments to the AGS Action Plan for 2019/20 will be reported to this Committee at the March meeting. Any revisions to the Local Code of Governance will be presented at that time.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under the Local Audit and Accountability Act ('LAAA') 2014/ AAR 2015 Regulations the 2018/19 AGS must be approved by this Committee by 31<sup>st</sup> July for financial year 2018/19.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" Review and approval of the AGS is a non-executive function and falls within the Committee's remit.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report.

## **11. RISK IMPLICATIONS**

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and an Action Plan to improve governance identified and monitored.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken and mitigation measures identified by the report author and Policy team. The Corporate Policy team undertake an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council's website<sup>3</sup>.

### **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

### **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct human resource implications relating to this matter.

### **15. APPENDICES**

- 15.1 Appendix A - Action plan for 2019/20 and corresponding actions

### **16. CONTACT OFFICERS**

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### **17. BACKGROUND PAPERS**

- 17.1 The Finance, Audit & Risk Report and Appendix A (3 June 2019 linked above).
- 17.2 The SMT AGS self-assessment is on the Corporate Governance Page: <https://www.north-herts.gov.uk/home/council-data-and-performance/policies/corporate-governance>. This contains links to further relevant background documents, reports,

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<sup>3</sup> <https://www.north-herts.gov.uk/sites/northherts-cms/files/Cumulative%20EiA%20assessment%20201819%20FINAL.pdf>

Policies and Guidance. The AGS also refers to documents and where possible, links have been provided to relevant pages and or documents.

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Action	Officer update
1.Implementation of new member protocol and induction from May 2019; encourage members to access GrowZone to access relevant e-learning as and when appropriate; [Service Director – Customers]	An extensive Induction programme took place in May 2019 for new members. A Councillors' Learning and Development Protocol was also instituted with nominated Member training champions for 2018/2020. <b>COMPLETED</b>
2.Revised Staff - Staff cultural values and behaviours have been incorporated into the RPR process. (Learning & Development; Deputy Chief Executive)	The RPR process has incorporated the new staff cultural values and behaviours. The values are prominently displayed throughout the District Council office. <b>COMPLETED</b>
3. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module (Learning & Development)	127 staff have completed the awareness training, 23 have progressed the training and 209 have yet to start. <b>(on-going)</b>
4. Re-organisation – Directorate teams are aligned to new responsibilities and ensure resilience; fully staffed [Service Directors]	Directorates are now aligned to their new responsibilities. <b>COMPLETED</b>
5. The Area Committee Grants criteria to be reviewed in 2019/20 to ensure that it is fit for purpose (Service Director – Legal & Community)	A Grants policy option paper has been produced for consideration/review by the Executive/Deputy member for Community Engagement. <b>(On-going).</b>
6. Media training for members (Communications Manager and Committee Services)	Proposed training for Cabinet members is being arranged for a potential date in the winter of 2019. <b>(On-going).</b>
7. Implement recommendations of Gender Pay Gap Report action plan for 2019/20 (Senior Management Team)	The Gender Pay Gap group have reviewed the Career development survey results. There are plans in place to introduce a support network, a review of recruitment practices/vacancy advertising/training and secondment opportunities <b>(On-going).</b>
8. Implementation of LGA Peer review recommendations [Senior Management Team].	LGA Peer review is scheduled to take place in the Winter of 2019. The recommendation will be implemented once this review is concluded. <b>(On-going).</b>

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**FINANCE, AUDIT AND RISK COMMITTEE  
16 SEPTEMBER 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: FRAUD PREVENTION POLICY**

REPORT OF : *SERVICE DIRECTOR - RESOURCES*

EXECUTIVE MEMBER : EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY : PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

The overarching fraud prevention policy attached at appendix A has been written to replace the existing policies and guidance that cover: fraud, corruption, money laundering and bribery. It also covers additional requirements in relation to tax evasion. The intention of the new policy is to provide all the information in one place and reduce duplication.

**2. Recommendations**

2.1 That Cabinet approve the Fraud Prevention Policy attached at Appendix A.

**3. REASONS FOR RECOMMENDATIONS**

The new policy provides all the information in relation to fraud and similar offences. This makes it more accessible, especially as the total length of documentation is shorter. By making it easier to read and understand policies, it should aid compliance.

**4. ALTERNATIVE OPTIONS CONSIDERED**

It was considered whether to just continue to review and update the existing policies. This was discounted due to the expected benefits of a combined policy. Whilst most other Authorities continue to have separate policies, there is no requirement for this.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

The Finance, Audit and Risk Committee will be consulted on this policy and asked to provide any comments.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 Policies should be reviewed on a regular basis to ensure that they remain current in relation to any new legislation or other guidance. The review is also an opportunity to consider whether the policy has remained relevant and accessible.
- 7.2 The policies that this policy is proposed to replace have evolved separately over time, and they have a lot of similar content. The current anti-bribery policy was approved by Cabinet in March 2016, the anti-fraud and corruption policy was approved by the Senior Management Team in April 2014 and the money laundering policy had a minor update in April 2017.
- 7.3 The Criminal Finances Act 2017 introduced a corporate offence of failing to prevent tax evasion. Whilst the Council's financial regulations and other policies already provide the controls in relation to this, it is felt to be appropriate to add it in to this policy as well.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 As this new policy replaces three existing policies, it is not possible to provide a tracked changes version. A link to the existing policies is provided in background papers. The philosophy that has been applied is that a policy only fully serves its purpose if it has been read by all of the intended audience and the required actions have been understood. There have been no changes to the fundamental content or requirements of the policy. Therefore the aim has been to:
- Retain all necessary content in the body of the policy
  - Provide a brief summary of essential actions
  - Remove any duplication
  - Provide practical examples of how it applies
  - Move additional information (especially where it is not relevant to everyone) in to 'toolkits' or appendices
  - Minimise references to legislation and external guidance, unless it is expected that it would be used on a regular basis
- 8.2 The Council has essential e-learning for fraud awareness and prevention and anti-bribery. Both of these modules are short and remain very relevant. The fraud training has recently been promoted again to Officers. Checks on who has completed it will then take place and those Officers that have not completed it will be sent personal reminders, with the intention of achieving 100% completion. The same approach will be adopted for the anti-bribery module after that. At its meeting on 11<sup>th</sup> April 2017, Full Council resolved that all Officers and Members undertake the anti-bribery e-learning module. The completion rate of the module by Members at the time was very low, and there have been new Members since. As such, Members will be reminded that the anti-bribery module is essential learning and therefore must be completed by all. It is also intended to provide Member and Officer training sessions (in conjunction with the



Shared Anti-Fraud Service) covering all aspects of this new policy. This will not replace the e-learning modules, but will allow more in-depth training in some of the key areas.

- 8.3 The Bribery Act 2010 created a corporate offence of failure to prevent bribery. This means that if an Officer or Member were to be found guilty of a bribery offence, then the Council could also be prosecuted. The Council would have a defence if it can show that it has put in place adequate procedures. Adequate procedures are not defined by the legislation, but the Ministry of Justice provided guidance that included 6 principles. These principles are detailed below, as well as detailing how the Council will meet them. The Criminal Finances Act also references guidance about procedures that organisations should put in place. This guidance has the same 6 principles. The 6 principles have therefore been applied across the whole policy, as this would seem to be good practice.
- 8.4 **1. Proportionality of risk-based prevention procedures and 3. Risk Assessment.** These are covered by the policy in section 3 in sub-section entitled “Risk Assessment and Proportionate Action”. It is also considered that the policy itself makes it clear what the individuals it covers are required to do.
- 8.5 **2. Top Level Commitment.** This policy has been reviewed by the Senior Management Team, and they will implement it in practice if it is adopted by Cabinet. Training in relation to this area will continue to be mandatory for all Officers.
- 8.6 **4. Due diligence.** This is covered by the policy in section 3 in sub-section entitled “Working with third parties and contractual terms”.
- 8.7 **5. Communication and Training.** See paragraph 8.2 above in relation to internal communication and training. The Council’s contract terms make it clear to suppliers that we have a zero-tolerance approach to the various offences covered by this proposed policy.
- 8.8 **6. Monitoring and Review.** This policy and all linked policies and procedures (including the financial regulations) will be kept under regular review by Senior Management, and the Service Director: Resources and Service Director: Legal and Community in particular. These reviews will not be at set intervals but will react to changes to legislation, any concerns raised and any other relevant factors. Examples of triggers could be a whistle-blowing complaint or an Internal Audit finding and recommendation.

## **9. LEGAL IMPLICATIONS**

- 9.1 As reference in paragraph 8.3, there is a requirement to have procedures in place in relation to preventing bribery and tax evasion. This report details the proposed policy and other actions that are planned in relation to this.
- 9.2 Under paragraph 5.6.1 of the Constitution, Cabinet “prepare and agree to implement policies and strategies other than those reserved to Council”. The Finance, Audit and Risk Committee “review and comment on the development of anti-fraud and anti-corruption strategies” (Constitution paragraph 10.1.5 (n)).

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no significant capital or revenue implications arising from the content of this report. It is expected that any training sessions provided by the Shared Anti-Fraud Service will be covered by the existing partnership agreement and payment.

## **11. RISK IMPLICATIONS**

- 11.1 The proposed fraud prevention strategy is being put in place as part of the Council's overall control framework that helps to reduce risk. Any incidences of the offences covered by this policy could result in financial, legal and reputational risks for the Council.
- 11.2 The Council has an overarching "Fraud, Corruption and Bribery" risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside. It also covers financial and other (e.g. reputational) risks.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 As detailed in the report, it is intended that there will be a requirement for Officers to continue to undertake mandatory e-learning in relation to this policy.

## **15. APPENDICES**

*Fraud Prevention Policy.*

## **16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

<https://www.north-herts.gov.uk/home/council-data-and-performance/policies/anti-fraud-and-corruption-policy>

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**Fraud Prevention Policy (including fraud, corruption, money-laundering, bribery and tax evasion)**

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes, including some specific additional requirements
Others	Agency staff, temporary staff, volunteers, consultants, contractors and partners

**You must:**

- Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include
- Not commit any of the offences detailed
- Report any suspicions of these offences being committed
- Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed
- Disclose any gifts and hospitality that you receive, in line with other policies

**Policy author and further advice from:** Ian Couper, Service Director- Resources

**Contents:**

1. Definitions
2. Reporting
3. Practical Considerations
4. Implications of non-compliance
5. Toolkit A- Potential signs of control weaknesses
6. Toolkit B- Specific requirements in relation to Money Laundering risks
7. Appendix A- Disclosure Report to the Money Laundering Reporting Officer
8. Appendix B- Role of the Money Laundering Reporting Officer (MLRO)

**1. Definitions**

***Fraud*** encompasses an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or to cause a loss, or to expose another to a risk of loss. It can be perpetrated for the benefit of or to the detriment of North Hertfordshire District Council and by persons outside as well as inside the Council.

***Corruption*** is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of a Member or officer of the Council.

**Money laundering** is the term used to describe a number of offences involving the proceeds of crime or terrorist funds. It is a criminal offence to:

- Conceal, disguise, convert, transfer or remove criminal property from the United Kingdom
- Enter into or become concerned in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquire, use or possess criminal property
- Fail to disclose one of the principal offences listed above, where there are reasonable grounds for knowing or suspecting the money was a proceed of crime
- Tell someone that you are going to make a report or tell someone that they are being investigated (tipping-off)
- Falsify, destroy, dispose of, conceal any document which is relevant to an investigation, or allow this to happen

**Bribery** is an inducement or reward offered, promised, received or provided to gain personal, commercial, regulatory or contractual advantage and such advantage leads to the improper performance of a relevant function or activity. It is a criminal offence to:

- Give, promise to give, or offer payment, gifts or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer payment, gifts or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- Accept payment from a third party that is offered with the expectation that it will obtain business advantage for them, whether known or suspected
- Accept a gift or hospitality from a third party if it is offered or provided with an expectation that a business advantage will be provided by the Council in return, whether known or suspected
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.

It is also an offence for the Council to fail to prevent bribery, or to fail to put in place adequate measures to prevent bribery.

**Tax evasion** is criminal conduct which involves individuals or businesses paying too little tax or wrongly claiming tax repayments by acting dishonestly. It is an offence to dishonestly “take steps with a view to” or “be knowingly concerned in” the evasion of the tax. For these offences to be committed it is not necessary that any tax actually be successfully evaded. It is now also an offence for the Council to fail to take appropriate steps to prevent an associated person (e.g. employees and contractors) criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country. Examples include:

- Knowingly entering false or misleading information in relation to the employment of an individual to facilitate the underpayment of income tax
- Knowingly processing invoice payments or raise debt to facilitate the underpayment of tax
- Knowingly processing documents for services supplied to the Council as being outside the scope of VAT, when they should be in scope
- Knowingly helping an overseas contractor to avoid overseas tax on payments they make to the Council

- Knowingly processing a payment to an employee / contractor as an expense rather than another type of payment which would be subject to tax.

## **2. Reporting**

The Council will promote an environment where everyone feels able to report any concerns that they have, including anything related to this policy.

With the exception of Money Laundering (see below), any suspicions that you have can be reported to:

- Your immediate Manager or Supervisor
- Your Service Director
- The Monitoring Officer (see the Whistleblowing policy)

Suspicions of fraud against the Council can also be reported to the Shared Anti-Fraud Service (<https://www.hertfordshire.gov.uk/services/Business/Consumer-advice/safs.aspx>). Suspicions of benefit fraud (including housing benefit fraud) should be reported to the Department for Work and Pensions (online at <https://www.gov.uk/report-benefit-fraud>, by phone 0800 854 440 or text phone 0800 328 0512).

Suspicions of Money Laundering must be reported directly to the Money Laundering Reporting Officer (MLRO) (Service Director- Resources) or the Deputy MLRO (Service Director- Customers) using the form at Appendix A. The form guides you through the information that you need to provide, and you should provide as much information as possible, including any supporting information. You should avoid talking to anyone else about any suspicions, due to the criminal offence of tipping-off.

The referral should take place before any payment is taken (where applicable) and must not then be taken until clearance is received from the MLRO. The MLRO will consider all reports in a timely manner and follow the process described in Appendix B.

The Council will investigate all suspicions that are reported, and where deemed appropriate the matter raised may be:

- Referred to the Shared Internal Audit Service (SIAS)
- Referred to the Shared Anti-Fraud Service (SAFS)
- Referred to the Police
- Subject to an HR investigation undertaken by management
- Referred to the Council's External Auditor
- Subject to an Independent Inquiry
- Reported to National Crime Agency (Money Laundering only)

Individuals may be worried about repercussions from failing to engage in what they believe is a criminal activity or reporting that activity. The Council encourages openness and will support anyone who raises genuine concerns under this Policy and/ or our Whistleblowing Policy, even if they turn out to be mistaken. This is because reporting such concerns has been identified as one of the most effective tools to counter fraud and related offences.

The Council is committed to ensuring no one suffers any detrimental treatment as a result of acting in good faith. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the Monitoring Officer immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Complaints Resolution Policy.

You should also note that failing to report suspicions of money laundering is, in itself, a criminal offence.

### **3. Practical considerations**

The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces. This section highlights some of the more detailed requirements.

The role of the Finance, Audit and Risk Committee includes reviewing and developing anti-fraud and anti-corruption strategies, as well as reviewing the effectiveness of SAFS.

#### **Risk Assessment and Proportionate Action**

Management are responsible for putting in place processes and controls that help to prevent fraud, corruption and bribery. For higher risk areas (e.g. payments and income) this should limit the responsibility that is placed on one person, involve effective separation of duties and be fully compliant with the Financial Regulations and Contract and Procurement Rules. This should include that full records are maintained. These controls should be kept under review to ensure they are operating effectively and that staff have received appropriate training. SIAS can support in this through operational audits.

If a SIAS audit or a fraud incident highlights an opportunity for controls to be improved, then the Council is committed to taking proportionate action to address this. The responsible manager is expected to determine and implement any improvements.

The Council has an overarching “Fraud, Corruption and Bribery” risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside. It also covers financial and other (e.g. reputational) risks.

In relation to Money Laundering, the Council has determined those activities that are most susceptible to money laundering. From this it has developed some specific requirements that are detailed in Toolkit B. If you are involved in financial transactions, treasury management, Council Tax, NNDR or sale of land and property then you must be fully aware of the requirements in this toolkit.

#### **Linked Policies and Procedures**

Everyone is required to adhere to all Council policies, procedures and processes. There are a number of policies/ Codes that specifically relate to this area, i.e.:

- Employee Code of Conduct (Officers)
- Councillor’s Code of Conduct (Members)
- Employee Handbook (Officers)
- Financial Regulations (Officers and Members)
- Contract and Procurement Rules (Officers and Members)
- Conflicts of Interest Policy (Officers)



- Management of Organisational Conflicts in Council roles and duties Guidance (Officers and Members)
- Whistleblowing Policy (Officers and Members)
- Employee Gifts and Hospitality Policy (Officers)
- Members Protocol for Gifts and Hospitality (Members)
- Protocol for Member/ Officer Working Arrangements
- Information Security Policy (Officers and Members)

### **General management controls**

Effective management also helps to ensure that controls are operating effectively. Toolkit A at the end of this policy provides some areas to look out for.

Managers are required to comply with HR checks during the recruitment process. This requires that written references are obtained for all employees (including temporary and agency staff). Also, where appointment is dependent on the holding of specific qualifications, HR manages the process for ensuring that stated qualifications are verified and copies of certificates retained on the individual's personal file. This helps to ensure the integrity of all staff working for the Council.

The Council's Scheme of Delegation, Financial Regulations and Contract Procurement Rules contain checks and balances on decision-making and ensure that decisions are taken at the right level with appropriate transparency.

### **Working with third parties and contractual terms**

It is appreciated that the Council has less control when it contracts with others to undertake services or works on its behalf. However it takes a risk based approach, based on the need to acquire specialist skills, seek economies of scale or obtain additional capacity. There are additional requirements when working with contactors and third parties.

The terms of the Council's contracts require that contractors take all reasonable steps, in accordance with good industry practice, to prevent any bribery and fraudulent activity by the Staff, the Contractor (including its shareholders, members, directors) and/or any of the Contractor's suppliers, in connection with the receipt of monies from the Council. The Contractor must notify the Council immediately if it has reason to suspect that any fraud has occurred, is occurring or is likely to occur. In response to this information, the Council will decide how to respond.

The Council's zero tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and partners at the outset of our business relationship with them and as appropriate thereafter.

The contact manager, or partnership lead, will be responsible for communicating and ensuring adherence to these requirements. Where a Selection Questionnaire is used, the standard version ensures understanding and acceptance of these requirements at an early stage, and therefore this must be used as a template.

A company is automatically and perpetually barred from competing for public contracts where it is convicted of a corruption offence. Although this can be lifted where the company

has demonstrated that they have taken sufficient action to change their behaviour (known as self-cleaning). Organisations that are convicted of failing to prevent bribery are not automatically barred. The Council has the discretion to exclude organisations convicted of this offence, and (unless exceptional circumstances apply) will exercise this discretion. The Council will also reserve the right to continue to exclude organisations where it is felt that evidence of 'self-cleaning' is insufficient.

Toolkit A at the end of this policy provides some further areas to look out for.

## **Communication and Training**

The Council is committed to making training available to everyone. This will range from general training (e.g. e-learning) through to specific training for certain roles. Some of this training will be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All officers should also request training on any areas that they are uncertain about.

### **4. Implications of non-compliance**

In all cases the Council will seek to make use of the strongest available sanctions for engagement in these illegal activities and/ or non-compliance with this policy. Whilst this is primarily focused on behaviour against the Council or where purporting to be acting on behalf of the Council, it is likely that it will also be applied to more general engagement in these activities. As a deterrent and to make public its position with regard to these acts, the Council seeks to publicise its successful sanctions in the local press

For Members, this will include prosecution and civil proceedings. The Council will also utilise its own Standards Committee to the fullest extent to promote high standards and regulate the conduct of Members.

For employees (including agency and temporary staff), this will include disciplinary action, prosecution and civil proceedings. Employees found to have committed guilty of gross misconduct for offences of fraud, theft, serious financial malpractice, using their position for personal gain or for the gain of others, will be subject to immediate dismissal. As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis. The decision to refer the matter on for further action, such as Police prosecution, will be taken by the Service Director- Resources and the investigating officer, in conjunction with the Council's Monitoring Officer.

It should also be noted that failure to undertake any mandatory training will also result in disciplinary action being taken against employees and Members.

Where others commit, or attempt to commit, fraud (or related acts) against the Council, then the Council will seek to apply sanctions whenever possible. This will range from official warnings to criminal prosecution. In all cases, the Council will seek to recover any fraudulently obtained amounts, and where necessary and appropriate its costs incurred in doing so, and will utilise all means available to recover these amounts. This will include freezing assets, confiscation orders, civil litigation and general debt recovery.

## **5. TOOLKIT A- Potential signs of control weaknesses**

The following are potential signs of concern in relation to staff and processes.

- Staff not taking annual leave
- Staff only ever taking very short periods of leave
- Due to sickness or vacancies, processes are not being followed in full (e.g. where checks are required, they are not taking place)
- Complaints (or an increase in complaints) from customers or other stakeholders
- Decision making records are missing, or rationale is missing or not sufficiently justified
- Authorisation processes are not followed correctly, and those responsible for monitoring those processes are hindered from doing so
- Staff are secretive about certain matters or relationships
- Staff make trips out at short notice without explanation
- Staff have a more lavish lifestyle than you would expect
- Staff or a contractor/ consultant is accused of engaging in improper business practices

The following are risk factors in relation to suppliers.

- Requests for stage payments that are not in accordance with the contract or seem unusual
- Requests for payment in a different way to usual (e.g. a new bank account)
- Requests for payment in a different currency or via a different country, especially where there is no known connection to the business
- A supplier or potential supplier has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials
- A potential supplier/ supplier requests payment in cash and/or refuses to sign a formal agreement, or to provide an invoice or receipt for a payment made
- A supplier or potential supplier requests an unexpected additional fee or commission to "facilitate" a service
- A supplier or potential supplier demands entertainment or gifts before commencing or continuing contractual negotiations or provision of services
- A supplier or potential supplier requests that you provide employment or some other advantage to a friend or relative
- The Council receives an invoice from a supplier or potential supplier that appears to be non-standard or customised
- A supplier or potential supplier insists on the use of side letters or refuses to put terms agreed in writing
- A supplier or potential supplier requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to the Council
- Those who work for the Council or on its behalf are offered an unusually generous gift or lavish hospitality by a supplier or potential supplier
- Requests for charitable support or donations in lieu of, or in addition to, contractual payments

## **6. TOOLKIT B- Specific requirements in relation to Money Laundering risks**

### **General**

The Council will not accept cash payments that are greater than £3,000. Anyone who wishes to make a cash payment in excess of this limit will need to make advance arrangements for acceptance with the Service Director- Resources.

The Council will also not accept £50 notes due to the increased risk of fraudulent notes.

For all transactions it is important to think about if anything feels wrong, e.g.:

- Is it plausible that the person can pay the amount they are paying by the means that they are paying it?
- Does the name of the person involved match the source of the funds (e.g. name on cheque book, credit card)?
- Is the payment being broken down in to a number of small transactions?
- Refunds where the money is going to a different place than the original source
- Does the transaction make sense?

### **Treasury Management**

The Service Director- Resources is responsible for detailing the procedures it has in place for establishing the identity / authenticity of lenders, and ensuring that these are followed. The Council does not accept loans from individuals, and loans will only be obtained from the Public Works Loan Board (PWLB), authorised institutions under the Banking Act and other Local Authorities.

### **Council Tax and NNDR**

Refunds that exceed £500 for Council Tax or £5,000 for NNDR Tax will be subject to a Money Laundering check. This involves the Senior Officer/Manager checking the validity of the refund and confirming that the refund is being paid to the correct party (i.e. the party responsible for the payment).

### **Sale of Land and Property**

Where the Council is proposing to sell either land or property with a value in excess of £10,000, client identification must be sought before business is conducted. If the client has legal representation, then the responsibility for confirmation of identity rests with their legal representative, otherwise it rests with the Council's Legal Services Team.

Evidence of the identity of the prospective client should be obtained as soon as practicable after instructions are received unless evidence of the client has already been obtained. This requirement applies to both new and existing clients.

Evidence obtained from an individual should confirm proof of identity and proof of their current address. Evidence obtained with regard to an organisation should allow the company to be fully identified in terms of registered office, registration number etc. If satisfactory evidence of identity is not obtained then the transaction must not be progressed.

Evidence should be annotated 'Evidence re Money Laundering', placed on the Council's client file and retained for at least five years from the end of the business relationship or one-off transaction(s). This is to ensure that it could be used in a future investigation into money laundering. Care must be taken to ensure compliance with the General Data Protection Regulations when storing individuals' personal data.

Records should be maintained in such a way as to provide an audit trail during any subsequent investigation. In practice, records of work carried out for clients in the normal course of Council business should suffice in this regard.

Where evidence of identity is required, the Council officer dealing with the transaction, must require individuals to provide evidence of identity in the form of at least one of the following documents:

- Current passport
- Current full UK photocard driving licence (both sections)
- Current UK provisional photocard driving licence (both sections)
- Birth certificate
- Marriage certificate

Additionally, an individual must prove their current address by providing at least one item from the following list:

- Current full UK photocard driving licence (if not already used as evidence of identity)
- Current UK provisional photocard driving licence (if not already used as evidence of identity)
- Bank, building society or credit union statement or passbook (with printed address) (less than 3 months old)
- Recent utility bill (i.e. dated within the last twelve months), i.e. gas, electric, water (not a mobile phone bill)
- Mortgage statement (less than 12 months old)
- Insurance document (less than 12 months old)
- Credit card statement (less than 3 months old)

Original documents should be photocopied and the client requested to sign them thus confirming that the photocopies are an authentic copy of the original documents presented.

If a client is unable to visit in person, the client should be asked to provide documents 'certified as a true copy' by a notary public. Checks should then be made to ensure that the notary is registered with the Law Society. Once this has been confirmed, the notary should be contacted to confirm that they did indeed certify the documents.

Where the client is a company, identity should be established by means of:

- The company's full name and registration number;
- Details of the registered office address; and
- Any separate trading address relevant to the contract concerned

A company search should then be carried out to verify the details given and check the location of any relevant trading address.

In the event that one or a few individuals effectively own the company, the personal identity of the key contact should also be checked. This should include obtaining the evidence

described above in relation to individuals, as well as evidence of their position within the organisation.

**APPENDIX A- Disclosure Report to the Money Laundering Reporting Officer**

**CONFIDENTIAL**

**FOR COMPLETION BY THE OFFICER REPORTING THE SUSPECTED OFFENCE**

**To: Ian Couper, Service Director- Resources**

From: .....

Service Directorate: ..... Tel: .....

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address(es) of person(s) involved:**

(Please also include date of birth, nationality, national insurance numbers- if possible)

(If a company please include details of nature of business, type of organisation, registered office address, company registration number, VAT registration number)

**Nature, value and timing of activity involved:**

(Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)

**Nature of suspicions regarding such activity:**

(Please continue on a separate sheet if necessary)

**Has any investigation been undertaken (as far as you are aware)?**

Yes                      No

**If yes, please include details below:**

**Have you discussed your suspicions with anyone else?**

Yes                      No

**If yes, please specify below, explaining why such discussion was necessary:**

**Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)**

Yes                      No

**If yes, please specify below:**

**Do you feel you have reasonable grounds for not disclosing the matter to the FCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)**

Yes                      No

**If yes, please set out full details below:**



**Are you involved in a transaction which might be a prohibited act under the Proceeds of Crime Act and which requires appropriate consent from NCA?**

Yes

No

**If yes, please enclose details below:**

**Please detail below any other information you feel is relevant:**

**Signed:..... Dated:.....**

**Do not discuss the content of this report with anyone, especially the person you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence.**

**FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER**

Date report received: .....

Date receipt of report acknowledged: .....

**Consideration of Disclosure**

Action plan:

**Outcome of Consideration of Disclosure**

Are there reasonable grounds for suspecting money-laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA?

Yes                      No

If yes, please confirm date of report to NCA: .....

Details of liaison with NCA regarding the report:

Is consent required from the SOCA for any ongoing or imminent transactions that would otherwise be prohibited acts?

Yes                      No

If yes, please confirm full details:

Date consent received from SOCA: .....

Date consent given by you to employee: .....

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

Date consent given by you to employee for any prohibited act transactions to proceed:

.....

Other relevant information:

Signed:..... Dated:.....

**THIS REPORT MUST BE RETAINED FOR FIVE YEARS**

## **APPENDIX B- Role of the Money Laundering Reporting Officer (MLRO)**

Upon receiving a disclosure report, the MLRO will date it and formally acknowledge its receipt. The acknowledgement will also advise of the timescale within which response should be expected.

The MLRO will consider the disclosure report and any other relevant internal information available to them. This might include:

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held.

The MLRO may undertake other reasonable inquiries to ensure that all available information is taken into account when deciding whether a report to NCA is required. The MLRO may need to discuss his report with the reporting individual.

Once the MLRO has evaluated the disclosure report and any other relevant information, they must determine in a timely manner whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that this is the case; and
- there is a need to seek consent from NCA for a particular transaction to proceed.

Where the MLRO concludes that there are no reasonable grounds to suspect or confirm money laundering, the disclosure report is annotated accordingly. All information known to the Council at the time is recorded and the reasons why the information obtained did not give rise to knowledge or suspicion of money laundering detailed. Consent can then be given for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO will liaise with the Service Director- Legal and Community to decide whether there are reasonable grounds for not reporting the matter to the NCA.

Where the MLRO concludes that actual or suspected money laundering is taking place this will be disclosed as soon as practicable to NCA via the SAR Online system,.

Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until this consent has been received.

The MLRO will act as the link between NCA and the relevant Council officers to ensure that the appropriate action is taken in these circumstances.

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**FINANCE AUDIT AND RISK COMMITTEE**  
**16 September 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: RISK AND OPPORTUNITIES MANAGEMENT UPDATE**

REPORT OF: THE SERVICE DIRECTOR – RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: / PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

- 1.1 To provide the Committee with an update on the Corporate risks and the proposed changes to these risks.

**2. Recommendations**

- 2.1 That the Committee notes the review /changes to the Corporate risks for the quarter, namely
- Brexit risk to retain its current risk score of 9.
  - Managing the Councils Finances to retain its current risk score of 9

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2 This Committee has responsibility to monitor the effective development and operation of risk and opportunities management.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options that are applicable.

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Consultation has been undertaken with the Senior Management Team (SMT) and the Risk Management Group (this includes the Executive Member for Finance and IT as Risk Management Member 'champion') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 At the July meeting the Committee noted the introduction of a new risk, Impact of Anti Social Behaviour on Council Facilities with a risk score of 7, and the review of Workforce Planning Risk resulting in an unchanged risk score of 5. It also reviewed the Annual Risk Report on Risk and Opportunities Management. The report was approved and referred on to Cabinet. The report was subsequently approved by Cabinet
- 7.2 At the same meeting the Committee requested that the Service Director- Resources refer an update to the Climate Change risk to the Risk Management Group. There were different views at the time as to whether the risk should wait to be aligned to the forthcoming climate change strategy.

## **8. RELEVANT CONSIDERATIONS**

### **8.1 Corporate Risks**

- 8.1.1 The Corporate risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana, the Council's performance and risk management software. Table 1 shows the last date that each Corporate risk was reviewed by the risk owner
- 8.1.2 At the Risk Management Group meeting on 8 August, the review of the Brexit risk was discussed. Regular Project Board meetings were now scheduled to identify and deal with any developments. However due to the continuing uncertainties, it was agreed that the risk score should remain as a 9.
- 8.1.3 Managing the Council's Finances was reviewed in July. Due to the continuing uncertainty around future funding, it was agreed that the existing risk score of 9 remained appropriate.



## **8.2 Climate Change Risk**

- 8.2.1 The Climate Change risk had been updated in advance of the meeting and the risk score increased from 1 to 5. As presented, the risk commentary provided a broad view of the implications of climate change, the impact on the Council and the District, and what the Council could do in response. Overall it was felt that due to the wide ranging nature of the risk, the risk commentary became somewhat incoherent. It was therefore concluded that the risk should be reviewed again in response to the forthcoming climate change strategy. This would allow the risk to be aligned to the potential for not achieving the actions contained within the strategy, which would allow a better consideration as to what the risk score should be and whether it is a Corporate or Service risk.

**Table 1: Risk and Opportunities Matrix**

The dates specified relate to the date that officers last reviewed the risk.

Risks that officers have reviewed since the last FARC meeting have been given a direction of travel arrow.

Likelihood	3 High	4	7 • Impact of Anti-Social Behaviour on Council Facilities (13.03.19) • Income Generation (14.03.19) • Sustainable Development (24.04.19)	9 • Brexit (30.07.19) ↔ • Local Plan (24.04.19) • Managing the Council's Finances (26.07.19) ↔ • Waste Management, Recycling and Street Cleansing (01.08.19) ↔
	2 Medium	2	5 • Increased Homelessness (08.07.19) ↔ • Workforce Planning (05.04.19)	8 • Cyber Risks (25.03.19)
	1 Low	1	3 • North Hertfordshire Museum and Hitchin Town Hall Project (29.07.19) ↔	6
		1 Low	2 Medium	3 High
		Impact		

## **9. LEGAL IMPLICATIONS**

- 9.1 The Committee's Terms of Reference include monitoring the effective development and operation of risk management and corporate governance, agreeing actions (where appropriate) and making recommendations to Cabinet. This report gives the Committee the opportunity to review and comment on the high level risks and how they are proposed to be managed.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report.

## **11. RISK IMPLICATIONS**

- 11.1 The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Council's Corporate risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Corporate Risks are being managed.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct human resource implications relating to this report, but it should be noted that there is a separate Corporate risk relating to Workforce Planning.

## **15. APPENDICES**

### **15.1**

Appendix A – Reviewed Risk – Brexit

Appendix B – Reviewed Risk – Managing the Councils Finances

Appendix C – The Authority's response to Climate Change

## **16. CONTACT OFFICERS**

16.1 Rachel Cooper, Controls, Risk & Performance Manager  
[rachel.cooper@north-herts.gov.uk](mailto:rachel.cooper@north-herts.gov.uk); ext. 4606

Ian Couper, Service Director – Resources  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk), ext. 4243

## **17. BACKGROUND PAPERS**

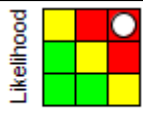
17.1 The risks held on Pentana, the Councils Performance and Risk Management IT system.

# Brexit

Generated on: 05 August 2019



<b>Risk Code</b>	CR64	<b>Risk Title</b>	Brexit
<b>Risk Owner</b>	Jeanette Thompson	<b>Updated By</b>	Jeanette Thompson
<b>Year Identified</b>	2018	<b>Corporate Priority</b>	Responsive and Efficient
<b>Risk Description</b>	<p>Because of the uncertainty regarding the UK withdrawal from the European Union (which now has a new deadline of 31 October 2019) and the various associated scenarios (leaving with a deal, leaving with no deal or potentially not leaving at all), the Council could face the following risks:</p> <p><u>Service Specific</u></p> <ul style="list-style-type: none"> <li>- Environmental and Food - insufficient staffing to cover Environmental and Food inspection issues/training pre-Brexit (potential new duties to deal with soft/internal borders for import and export).</li> </ul> <p><u>General</u></p> <ul style="list-style-type: none"> <li>- There is a change in the demand for services, e.g. due to lower living standards.</li> <li>- The price of essential equipment/goods required to deliver services increases and/or the items become more difficult to obtain.</li> <li>- There is a reduction in income and funding due to a decline in the demand for new housing.</li> <li>- The Council or contractors lose employees from EU27 countries.</li> <li>- Contractors fail to maintain the required level of service provision, e.g. due to the reduced availability of labour and/or equipment.</li> <li>- There is a reduction in income and an increase in bad debts due to a downturn in the economy.</li> <li>- Access to current EU funding programmes is lost.</li> <li>- Returns from investments reduce, although this could also mean a reduction in the rates for borrow to invest opportunities.</li> <li>- The electoral roll/elections issues (inaccuracies).</li> <li>- Workload increases to prepare for and deal with any issues, although this also provides an opportunity to identify areas of good practice and improve partnership working.</li> <li>- The price received for recyclable materials or the ability to dispose of the materials is reduced.</li> <li>- Incidents of civil disorder occur.</li> <li>- Returning citizen service demand (health, wellbeing and other services).</li> <li>- UK legislation transfer to UK law and risk that constitution/delegations and authorisations not viable.</li> <li>- Potential data protection issues with retention and transfer of data as third country post Brexit.</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Potential investment opportunities, e.g. linked to lower interest rates or property prices</li> <li>- Preparations identify areas of good practice and improve partnership working</li> <li>- The Council becomes generally more resilient, not just in relation to Brexit</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Quality of service provision deteriorates</li> <li>- Projects fail to be delivered</li> <li>- Failure to respond effectively to an increased demand for services, which negatively affects residents</li> <li>- Damage to reputation</li> <li>- Increased pressure on staff</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Senior Policy Officer developed an Impact Log at the time to chart potential impacts of Brexit to North Hertfordshire.</li> <li>- Impact Log reported to SMT in December 2018.</li> <li>- Preparedness document reported to SMT in March 2019 (pre-first proposed leave date) and updated in June 2019.</li> <li>- Hertfordshire Local Resilience Forum implemented a Strategic Co-ordinating Group for Brexit.</li> <li>- Food Safety lead officers attending Food Resilience Forum and training regionally.</li> <li>- Ministry of Housing, Communities and Local Government (MHCLG) put in place intelligence gathering arrangements to collate the regional impact and preparations for Brexit.</li> </ul>		

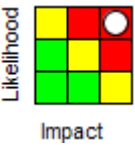
	<ul style="list-style-type: none"> <li>- MHCLG announced additional funding for local government to prepare for Brexit (£35K to NHDC).</li> <li>- e-tendering system able to transmit to the new government e-procurement system in the event of a no-deal Brexit.</li> <li>- Risk entry presented to the Finance, Audit and Risk Committee on 21 March 2019 (following a review by the Risk Management Group and SMT) and the committee recommended to Cabinet that the risk be introduced as a Corporate Risk with a risk score of "9", due to the current level of uncertainty.</li> <li>- Service Director Legal co-ordinating from March 2019.</li> <li>- Officer Project group established April 2019.</li> <li>- EU elections Project Board established and elections undertaken in May 2019.</li> <li>- Brexit 'Project Board' first meeting 29 July 2019 with Leader as Member.</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Careline stockpiling some essential equipment.</li> <li>- Working with strategically important contractors to understand the risks they will potentially face and to ensure plans are being taken to mitigate those risks if possible.</li> <li>- Contribute to countywide preparations for managing potential emergency incidents associated with Brexit, e.g. food resilience.</li> <li>- Senior Policy Officer monitoring the latest Brexit developments and providing regular updates to SMT.</li> <li>- Senior Policy Officer and SMT managing the risks and associated preparations via the: <ul style="list-style-type: none"> <li>-- Brexit Impact Log</li> <li>-- Local Authority Preparedness for EU Exit Tracker.</li> </ul> </li> <li>- Service Director Legal and Community working with LLG and MHCLG on process mapping for governance/secondary legislation process mapping. Constitution/delegation and warrant checks being undertaken. Relevant managers to check policies for compliance and enforcement post Brexit issues.</li> <li>- Drafting contract clause to cover data transfer – use of change of law provision to impose.</li> <li>- Exceptions and tension monitoring reports being sent and received.</li> <li>- Project Board consideration of issues.</li> <li>- Start Elections Board preparation for snap election/further referendum considerations (September 2019).</li> </ul>		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Overall Risk Score</b>	9	<b>Current Risk Matrix</b>	
<b>Date Reviewed</b>	30-Jul-2019	<b>Next Review Date</b>	06-Sep-2019
<b>Latest Note</b>	<p>05-Aug-2019 Service Director Legal and Community update (July 2019): Project Board established and first meeting with Leader as Executive Member on the Board (on 29 July 2019). Was a discussion on risk rating as to whether this was appropriate given the level of risk at this time. Decision to continue with this current rating and to continue monitoring issue. Current issues with Food/import/Environmental staffing/tension monitoring and effects on overall financial certainty (and potential for Elections issues/snap and further referendum). Continued uncertainty as to whether there will be a deal or no deal and impacts on a number of fronts include operational issues for the Council and financial ones nationally. To have another virtual Project Board meeting in August and then September. Update Senior Management Team and Senior Management Group as go along with staff briefing updates/awareness in September and October.</p>		

# Managing the Council's Finances

Generated on: 31 July 2019



<b>Risk Code</b>	CR08	<b>Risk Title</b>	Managing the Council's Finances
<b>Risk Owner</b>	Ian Couper	<b>Updated By</b>	Ian Couper
<b>Year Identified</b>	2003	<b>Corporate Priority</b>	Responsive and Efficient
<b>Risk Description</b>	<p>As a result of:</p> <ul style="list-style-type: none"> <li>- Uncertainty of income from business rates</li> <li>- Loss of Revenue Support Grant (including negative RSG)</li> <li>- Loss of or reduction in New Homes Bonus</li> <li>- Reduction in investment income</li> <li>- Proposed efficiencies taking longer to deliver than estimated</li> <li>- Proposed efficiencies not achieving estimated results</li> <li>- Failing to take opportunities to generate or increase income</li> <li>- Transfer of further functions to Local Government without adequate funding</li> <li>- Impact of 75% Business Rates Retention and revised fair funding formula in 2020/21 (or later)</li> <li>- Continued inflationary and demographic pressures across Local Government, accompanied by a level of total funding that is reducing</li> </ul> <p>Risks are:</p> <ul style="list-style-type: none"> <li>- Failure to meet the statutory requirement to set a balanced budget each year</li> <li>- Decline in staff morale and service resilience</li> <li>- Inability to provide adequate service levels in times of increasing demand due to impacts of benefit reforms</li> <li>- Inadequate funding to meet priorities for the district</li> <li>- Failure to manage expectation of the public</li> <li>- Failure to meet customers' demands and needs</li> <li>- Failure to manage the public's reaction to the potential loss of discretionary services</li> <li>- Failure to have sufficient financial management skills in service managers (reduction in back office support staff leads to greater financial management responsibilities being put on budget holders)</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- The Council's medium term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic objectives</li> <li>- The Council manages performance against budgets and makes best use of its asset base</li> <li>- Increased powers (e.g. trading) arising from the Local Government Act 2013</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Cuts in services impact on the achievement of the Council's vision</li> <li>- Failure to bring budget base to manageable/affordable level and achieve efficiency target</li> <li>- Significant under or over spends on revenue budgets</li> <li>- Deferment of planned projects leads to inability to deliver the Corporate Plan</li> <li>- Failure to satisfy external assessment of value for money</li> <li>- Increase in complaints from the public about service levels</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Annual review of financial strategy</li> <li>- Use of capital funds for schemes that reduce future revenue liabilities and/or increase income generation opportunities to be prioritised</li> <li>- MTFs reflects objectives to explore commercial income opportunities, generate income from assets, working with others (e.g. joint provision, joint procurement), review of statutory and discretionary service delivery and reviewing the capital programme</li> <li>- Consideration of longer-term service transformation</li> <li>- Budget review process</li> <li>- Assessing the links to Council/ Corporate priorities</li> <li>- Previously carried out benchmarking and detailed assessment of all service areas, with feedback to Challenge Board</li> <li>- Revenue budget efficiencies target achieved each year so far whilst maintaining reserve levels</li> </ul>		

	<ul style="list-style-type: none"> <li>- Inclusion of financial management responsibilities in job descriptions and person specifications for budget holders</li> <li>- Council Tax increases to maximise this as a source of income (including £5 increase/2.99% increases as allowed)</li> <li>- NHDC joined Business Rates pools and pilots as they have given the opportunity for beneficial position when they have been available</li> <li>- Raising awareness of financial constraints (with Officers and Members) and the shared responsibility in achieving a balanced budget</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Timely and accurate performance monitoring</li> <li>- Quarterly reporting to Cabinet on expenditure and income, including increased focus on higher risk areas and on key income (land charges, planning fees and car parking)</li> <li>- Land and property sales are being progressed, subject to Cabinet approval, with external support from property agents</li> <li>- Continue with subscription to LG Futures financial briefings</li> <li>- Exploration of collaborative procurement options and shared service delivery</li> <li>- Build on previous work with regard to income generation and cost reduction activities</li> <li>- Management will continue to ensure that service managers are engaged in the budgetary control process via management team meetings, briefings on the Council's financial position and day-to-day management</li> <li>- Regular financial updates ensure that issues are highlighted and resolved in a timely manner, that forecasts are based on information "from the bottom up" and therefore the overall financial resilience of the Council can be ascertained</li> <li>- Potential use of the Capital Receipts direction identified and kept under review</li> <li>- Continue to identify opportunities for savings and income generation, including areas where there would be an impact on services</li> <li>- Carrying out a review of statutory services and the level of service that the Council is required to provide (partially undertaken), to be aligned to budget consultation</li> <li>- Continual review of the capital programme in terms of what can be delivered and when</li> <li>- When the ongoing quantum of available funding (in the medium term) is known, to carry out a public budget consultation to assess spend priority areas for discretionary areas and to highlight the level of spend on discretionary services</li> </ul>		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Overall Risk Score</b>	9	<b>Current Risk Matrix</b>	
<b>Date Reviewed</b>	26-Jul-2019	<b>Next Review Date</b>	31-Jan-2020
<b>Latest Note</b>	<p>26-Jul-2019 Ongoing significant uncertainty over the funding that the Council can expect to receive for 2020/21 onwards. The launch of a new fair funding formula and 75% business rates retention, seems to be contingent on a multi-year spending review. This is unlikely to be taken through Parliament until Brexit has been resolved. It is therefore increasingly likely that there will be a 1 year spending review and a delay to the implementation of the new funding systems. This would mean a further delay to having a medium term view on funding and therefore an ability to plan budgets alongside this. Furthermore it would mean that funding in 2020/21 would be based to some degree on 2019/20 funding allocations, although it is unclear how negative RSG would be reflected in this.</p>		




# The Authority's response to Climate Change

Generated on: 02 August 2019



<b>Risk Code</b>	RR494	<b>Risk Title</b>	The Authority's response to Climate Change
<b>Risk Owner</b>	Jeanette Thompson	<b>Updated By</b>	Reuben Ayavoo
<b>Year Identified</b>	2008	<b>Corporate Priority</b>	Prosper and Protect
<b>Risk Description</b>	<p>If the Council fails to plan and respond to the potential negative impacts of Climate Change, there is a risk that:</p> <ul style="list-style-type: none"> <li>- The Council fails to control and reduce its carbon emissions, e.g. through utilising sustainable energy sources and alternative working practices</li> <li>- The Council fails to lead by example and influence the wider reduction of carbon emissions through relevant policies and partnership working</li> <li>- Council services are not able to adapt or respond to changes linked to Climate Change</li> </ul> <p>This could lead to:</p> <ul style="list-style-type: none"> <li>- The Council not achieving its target of zero carbon emissions by 2030</li> <li>- Damage to the Council's reputation</li> <li>- Services becoming less resilient</li> <li>- Services being ineffective in responding to adverse weather conditions/events</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Reducing the Council's negative impact on the environment</li> <li>- Improving the sustainability of energy and water sources or the use of renewable sources of energy production</li> <li>- Reducing the use and associated costs of non-renewable energy sources</li> <li>- Providing leadership, sharing good practice and increasing partnership working with individuals/residents and other organisations wishing to reduce their impact on the environment e.g. increased recycling rates and waste minimisation</li> <li>- Plan for increased use of park and open spaces (or other resources) with the advent of potentially warmer winters and hotter/drier summers</li> <li>- Promotion of energy efficiency measures/schemes to reduce district residential carbon emissions</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- The Council does not limit the negative impacts of climate breakdown</li> <li>- Unplanned additional costs for providing services, e.g. providing more advice to the public and responding to emergency events</li> <li>- Council services are unable to respond to relevant demands, with a negative impact on local residents</li> <li>- Inability to deliver the Council's objectives</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Signed the Nottingham Declaration on Climate Change</li> <li>- Following motions agreed at Full Council on 18 July 2018: <ul style="list-style-type: none"> <li>-- Plastic Free Letchworth</li> <li>-- Single Use Plastics</li> </ul> </li> <li>- Full Council on 21 May 2019 agreed motion declaring a Climate Emergency</li> <li>- Full Council on 11 July 2019 agreed motion relating to Ultra Low Emission Vehicles (including electric vehicles and plug in hybrids (PHEVs))</li> </ul>		

<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- NHDC participates in Climate Change related activities across the county wherever and whenever it can</li> <li>- Climate Change implications are considered for changes to service provision and for projects</li> <li>- Data on CO2 emissions from our own estate collected</li> <li>- Data on CO2 emissions from the local authority area is collected on an annual basis and reported on Pentana</li> <li>- Representation at a technical workshop relating to the proposed London Luton Airport expansion</li> <li>- Consideration/implementation of actions/initiatives relating to the motions agreed at Full Council on 18 July 2018</li> <li>- Setting up a Cabinet Panel on the Environment</li> <li>- Drafting new Climate Change Strategy, with contributions from the new Cabinet Panel</li> <li>- Strategy to be reported to Overview &amp; Scrutiny, Cabinet and Council in autumn/winter 2019</li> </ul>		
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	2
<b>Overall Risk Score</b>	5	<b>Current Risk Matrix</b>	
<b>Date Reviewed</b>	02-Aug-2019	<b>Next Review Date</b>	29-Nov-2019
<b>Latest Note</b>	02-Aug-2019 Risk reviewed and updated by Reuben Ayavoo on 2 August 2019. Changes to the risk entry reflect recent Council motions, the formation of a Cabinet Panel on the Environment and the development of a new Climate Change Strategy. This is becoming a more high profile issue and it is a priority area for the new administration. The risk score has been increased from 1 - Low/Low to 5 - Medium/Medium.		