

NORTH HERTFORDSHIRE DISTRICT COUNCIL



2 July 2021

Our Ref FARC – 12.07.2021
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To: Members of the Committee: Keith Hoskins (Chair), Clare Billing (Vice-Chair), Sam Collins, Adam Compton, Morgan Derbyshire, Terry Hone and Adem Ruggiero-Cakir

Substitutes: Councillors Juan Cowell, George Davies, Steve Jarvis, Nigel Mason, Kay Tart and Terry Tyler

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON
ROAD, LETCHWORTH GARDEN CITY**

On

MONDAY, 12TH JULY, 2021 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda

Part I

Item		Page
1. APOLOGIES FOR ABSENCE	Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
2. MINUTES - 23 JUNE 2021	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 23 June 2021.	(Pages 5 - 12)
3. NOTIFICATION OF OTHER BUSINESS	Members should notify the Chair 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 Chair will decide whether any item(s) raised will be considered.	
4. CHAIR'S ANNOUNCEMENTS	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 Chair 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.	
5. PUBLIC PARTICIPATION	To receive petitions, comments and questions from the public.	
6. ANTI-FRAUD REPORT 2020/21	REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)	(Pages 13 - 36)
	To review the Councils work to combat fraud in 2020/21 and review the performance of SAFS in meeting its KPIs in 2020/21.	

7. **ANNUAL GOVERNANCE STATEMENT 2020/21** (Pages
REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER 37 - 52)

To review the draft Annual Governance Statement (AGS) including Action Plan for the year 2020/21.

8. **SIAS REVIEW OF THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE 2020-21** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 53 - 66)

To receive the SIAS Review of the effectiveness of the Finance, Audit and Risk Committee 2020-21.

9. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair 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, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH GARDEN CITY
ON WEDNESDAY, 23RD JUNE, 2021 AT 7.30 PM

MINUTES

Present: *Councillor Keith Hoskins MBE (Chair), Councillor Clare Billing (Vice-Chair), Sam Collins, Adam Compton, Morgan Derbyshire, Terry Hone and Nigel Mason (In place of Adem Ruggiero-Cakir)*

In Attendance: *Ian Couper (Service Director - Resources) was present remotely and Matthew Hepburn (Committee, Member and Scrutiny Officer) was present in person.*

Also Present: *Councillor Elizabeth Dennis-Harburg (Leader of the Council) and Councillor Ian Albert (Executive Member for Finance and IT) were present in person. Louis Franklin was present remotely in order to carry out IT duties.*

1 APOLOGIES FOR ABSENCE

Audio Recording – 1 Minute 42 Seconds

Apologies for absence were received from Councillor Adem Ruggiero-Cakir.

Having given due notice, Councillor Nigel Mason advised that he would be substituting for Councillor Adem Ruggiero-Cakir.

2 MINUTES - 8 MARCH 2021

Audio Recording – 1 Minute 52 Seconds

Councillor Keith Hoskins proposed and Councillor Sam Collins seconded and upon being put to the vote it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 8 March 2021 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 2 Minutes 46 Seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio Recording – 2 Minutes 53 Seconds

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded and streamed on YouTube;
- (3) The Chair 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.

5 PUBLIC PARTICIPATION

Audio Recording – 3 Minutes 17 Seconds

There was no public participation.

6 SIAS ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2020-2021

Audio Recording – 3 Minutes 22 Seconds

The SIAS Client Audit Manager presented the report, including appendices, entitled SIAS Annual Assurance Statement and Annual Report 2020-2021 as well as providing a background overview of the Shared Internal Audit Service for the benefit of new Committee Members.

The Service Director – Resources confirmed that no matters threatened SIAS's independence. SIAS was not subject to any inappropriate scope or resource limitations.

The SIAS Client Audit Manager directed Members to the following items in the report:

- The Assurance Opinions (Financial Systems and Non-Financial Systems) were both satisfactory;
- A summary of assurance levels and recommendation priorities were shown in the tables at Paragraph 3.2;
- Five projects were classified as "Not Assessed. These five audits had however contributed to the assurance opinion on non-financial systems as they were important pieces of compliance work carried out during the year relating to the effectiveness of the Finance, Audit and Risk Committee, audits of charitable accounts and two follow-up audits;
- A limited assurance opinion was provided in the Financial Resilience of Suppliers audit. This was due to three high priority recommendations being raised relating to contract monitoring, managing contractors in financial difficulty and contractor failure planning; and
- The table at paragraph 4.1 showed that all Key Performance Indicators were met despite challenges.

It was proposed and seconded and:

RESOLVED:

- (1) That the Annual Assurance Statement and Internal Audit Annual Report be noted;

- (2) That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;
- (3) That the SIAS Audit Charter 2021/22 be noted;
- (4) That management assurance be sought that the scope and resources for internal audit were not subject to inappropriate limitations in 2020/2.

REASON FOR DECISIONS: To update the Committee on the Annual Assurance Statement and Internal Audit Annual Report 2020/21.

7 SIAS PROGRESS REPORT

Audio Recording – 12 Minutes 53 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Progress Report, including:

- As at 4 June 2021, 22% of the 2021/22 Audit Plan days had been delivered;
- The table at paragraph 2.2 detailed the final reports that had been issued since 12 February 2021;
- There were no high priority recommendations made as a result of work undertaken in the audits;
- SIAS had returned a total of 7.5 days to contingency as a result of the time required for 2020/21 Projects Requiring Completion being less than originally anticipated during the setting of the 2021/22 plan;
- The following audits have been added to the Audit Plan since the original plan was approved in March 2021 - LA Track and Trace Grant and Energy Improvement in Park Homes Grant; and
- 66 (25%) Planned Days had been delivered and 2 reports were to draft.

The Chair and Members thanked the Shared Internal Audit Service and Officers for their work.

It was:

RESOLVED:

- (1) That the SIAS Progress Report for the period to 4 June 2021 be noted; and
- (2) That the implementation status of High priority recommendations be noted.

REASON FOR DECISIONS: To update the Committee on the SIAS Progress Report.

8 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2020-21

Audio Recording – 19 Minutes 7 Seconds

The Service Director – Resources presented the report entitled Finance, Audit and Risk Committee Annual Report 2020-21 and drew the Committee's attention to the contents of Appendix A, including:

- The Effectiveness of the Committee and the recommendations made by SIAS;
- The Service Director advised that in relation to training, Committee Members would receive a self-assessment by email which they were asked to complete in order for training to be tailored to the needs of the Committee; and

- The Service Director took Members through the Planned Work for 2021/22 and a summary of the reports that were due to be received by the Committee during the course of the Civic Year;
- The Service Director informed Members that the audit of the accounts would now not take place until November 2021. This meant that the approval of the accounts would take place in either December 2021 or January 2022.

The following Member asked questions:

- Councillor Clare Billing.

In response to questions, the Service Director advised that training would take place either face-to-face or remotely.

Councillor Sam Collins raised that there was an error in Appendix A in that he was listed as being appointed as a FAR Committee Member for the Civic Year 2020/21 and a substitute.

In response to this error, the Service Director advised that the final version would be corrected.

It was:

RESOLVED: That the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A, prior to consideration by Full Council, be noted.

REASON FOR DECISION: The enable the Committee to consider the report before it is presented to Full Council. To provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk Committee.

9 RISK MANAGEMENT UPDATE

Audio Recording – 28 Minutes

The Service Director – Resources presented the report entitled Risk Management Update, including the appendices. The Service Director advised that two risks had been reviewed; these were Cyber risks and the Brexit (EU Transition) Risk.

The Service Director – Resources informed Members that Consultation had been carried out with the Senior Management Team and the Risk Management Group (RMG).

The Service Director advised that that that he would inform Members when the next RMG was taking place.

Directing his attention to Appendix C - Annual Report on Risk Management, the Service Direction provided further information relating to the Insurance Review, Business Continuity Plans and Health and Safety. He also drew Members' attention to the Key Actions for 2021/22 which outlined actions that would ensure the continued development of risk management at the Council.

The following Members asked questions of the Service Director – Resources:

- Councillor Terry Hone;
- Councillor Clare Billing; and
- Councillor Adam Compton.

In response to questions raised, the Service Director – Resources advised:

- The Delivery of the Waste Collection and Street Cleansing Services Contract appeared on the risk matrix as Medium/High owing to the size of the contract and the impact was significant should problems arise. However, the risk needed to be reviewed again as the service was operating well despite the occasional issues;
- There were several risks on the matrix that covered issues such as the impact of evictions and the end of the furlough of scheme on the Council's finances. These risks were: Increased homelessness, Novel Coronavirus and Managing the Council's Finances.
- He would be happy to look at re-wording 'e-tendering system able to transmit to the new government e-procurement system in the event of a no-deal Brexit'.

Having been proposed and seconded, it was put to the vote and:

RESOLVED:

- (1) That the reviews of the Corporate Risks for the quarter be noted; and
- (2) That the Annual report on Risk Management be noted.

RECOMMENDED TO CABINET:

- (1) The reviews of the Corporate Risks for the quarter;
- (2) That there be no change to the Cyber risks (current risk score of 8 and a Target Risk score of 6);
- (3) That the Brexit (EU Transition) Risk be decreased in the current risk score from a 7 to a 5, and a Target risk score of 3; and
- (4) That the Annual report on Risk Management be noted.

That Cabinet recommend to Council:

- (1) That the Annual report on Risk Management be noted.

REASONS 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 Management.

10 REVENUE BUDGET OUTTURN 2020/21

Audio Recording – 39 Minutes 28 Seconds

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2020/21 and directed Members to the Executive Summary at Paragraph 1.1. He advised that the coronavirus pandemic had had a significant impact on the Council's General Fund Balance.

The Service Director – Resources then drew Members' attention to the following items in the report:

- Table 3 - Summary of significant variances on page 101 within the report and explained that some budget areas illustrated an underspend. He also advised that the Strategic Priorities Fund contained funds that had been put aside in order to push forward initiatives to save money;
- There had been an underspend of funds in the Apprenticeship Scheme. In order to catch up, more apprentices would be recruited;
- Table 4 - Efficiency Delivery 2020/21 and advised that it outlined the interest earned on various investments;
- Table 5 - Corporate financial health indicators;
- The amounts in relation to Business Rates would be held in a reserve in order to smooth the impact on the General Fund balance;
- Table 6 - COVID-19 Financial Impact on General Fund showed that the net impact was £1,507;
- It was hoped that funds held in the MHCLG Grants Reserve could be released into the General Fund. However, it was prudent to keep it in there for the time being; and
- Table 10 – Covid-19 Financial Support to Businesses and Individuals highlighted the sheer volume of business grants that have been issued owing to the pandemic.

The following Member asked a question:

- Councillor Terry Hone.

In response to the question raised, the Service Director – Resources advised:

- He would check the variance of the Car Parking Income detailed on Table 3 as the figure did not add up; and
- The Waste and Recycling Net Impact was £524k owing to the various areas of expense such as disposal and the additional processing costs. Furthermore, owing to Covid-19 the garden waste service had been temporarily suspended during the first lock-down.

Councillor Sam Collins commented that it was pleasing to see that Table 6 clarified the Income Guarantee amount and that it showed a 25% shortfall as support from Government covered 75% of relevant losses.

It was proposed and seconded and upon being put to the vote, it was:

RECOMMENDED TO CABINET:

- (1) That the report entitled Revenue Budget Outturn 2020/21 be noted;
- (2) That a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million, be approved;
- (3) That the changes to the 2021/22 General Fund budget be approved, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

Cabinet recommends to Council:

- (1) That the net transfer to earmarked reserves, as identified in table 8, of £11.464million, be approved.

REASONS FOR DECISIONS:

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

11 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2020/21

Audio Recording – 57 Minutes 25 Seconds

The Service Director – Resources presented the report entitled Investment Strategy (Capital And Treasury) End of Year Review 2020/21.

The Service Director – Resources drew Members' attention to the following items in the report:

- Table 1- Current Capital Estimates;
- Table 2 which listed the schemes in the 2020/21 Capital Programme that would commence or continue in 2021/22;
- The Disabled Facilities Grants funding came from amounts set aside from previous underspends against the grant. The level of overspend appeared to be a contravention of financial regulations. However, the level of overspend should be viewed in the context of the overall funding available and the fact that funding is received directly by Herts Home Improvement Agency (HCC) on NHDC's behalf;
- Capital schemes that have been completed during 2020/21 as detailed at paragraph 8.7;
- Table 4 - Funding the Capital Programme detailed how the Council would fund the 2020/21 capital programme. Most funding would come from capital receipts and s106 receipts;
- The Council generated £0.184M of interest during 2020/21; and
- To try and limit the reduction of investment income from short fixed term investments in 2021/22, the Council will seek to invest in Property Funds and Multi Asset Income Funds.

The following Member asked questions:

- Councillor Terry Hone.

In response, the Service Director – Resources advised that

- There was nothing in the capital programme that needed writing off;
- Overseas investment was allowed. However, there had not been any owing to the lack of opportunity and availability;
- In terms of PWLB, £405,000 remained outstanding.

It was proposed and seconded and upon being put to the vote, it was:

RECOMMENDED TO CABINET:

- (1) That the expenditure of £1.883million in 2020/21 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of £0.001million, be noted;

- (2) That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £0.522million (£0.527million re-profiled from 2020/21 and £0.005million from 2021/22 re-profiled into 2020/21), be approved;
- (3) That the position of the availability of capital resources, as detailed in table 4 paragraph 8.8 and the requirement to keep the capital programme under review for affordability, be noted;
- (4) That the application of £1.224million of capital receipts towards the 2020/21 capital programme and the drawdown of £0.417million from set aside receipts, paragraph 8.8 refers, be approved;
- (5) That the position of Treasury Management activity as at the end of March 2021, be noted;

Cabinet recommends to Council:

- (1) That the report entitled Investment Strategy (Capital and Treasury) End Of Year Review 2020/21, be noted;
- (2) That the actual 2020/21 prudential and treasury indicators be approved; and
- (3) That the annual Treasury Report for 2020/21, be noted.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

12 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 1 Hour 9 Seconds 37 Seconds

It was agreed that the CIPFA Financial Management Code be provided at a future meeting of the Finance, Audit and Risk Committee.

It was also agreed that towards the end of the year, a report on what the coronavirus pandemic had cost the Council, would be provided to the Committee.

The meeting closed at 8.42 pm

Chair



North Hertfordshire District Council

Anti-Fraud Report 2020/21

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2020/21
- Review the performance of SAFS in meeting its KPIs in 2020/21

Contents

- 1 Introduction and Background**
- 2 Delivery of the 2020/21 Anti-Fraud Plan**
- 3 SAFS Performance and KPIs**
- 4 Transparency Code- Fraud Data**
- 5 Further Reading- Reports and data**

Appendices

- A. Anti-Fraud Plan 2020/21

1 Introduction and Background

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud as laid out in the Council's Anti-Fraud Action plan for 2020/21. The Committee are asked to note this work.

A number of recent reports about fraud in the public sector have been provided to officers and are used by SAFS to ensure that the Council is kept aware of its fraud risks finding ways to mitigate or manage these wherever possible. Details of these reports and other recommended reading for Committee members can be found at **Section 5** of this report.

Background

According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2billion each year, with some more recent reports indicating levels considerably above this.

The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

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

North Hertfordshire District Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution working with services and staff at all levels.

2. Anti-fraud activity 2020/21 & Delivery of the 2020/21 Anti-Fraud Plan

The Plan

- 2.1 This committee reviewed and commented on the Council's Anti-Fraud Plan for 2020/21 at its meeting in March 2020. A copy of the Plan can be found at **Appendix A**.
- 2.2 The plan was proposed by SAFS and agreed and approved by senior Council officers. Delivery of the plan is very much a partnership between officers across the Council with key roles, and SAFS providing expertise and operational support where required. The Plan was developed at the time of the emerging Covid pandemic in March 2020 and, although some 'delivery methods' and activity was reviewed, a decision was made to keep the plan much as it was, focused on raising awareness and the prevention of fraud.
- 2.3 We are very pleased to report that all actions proposed for the 2020/21 Anti-Fraud Plan commenced in year with the vast majority being completed in-year. Where actions were in-complete they have been carried forward into the current years (2021/22) plan, details of which was shared with this Committee in March 2021.

Staffing

- 2.3 In 2020/21 the SAFS Team was composed of 18 accredited and fully trained counter fraud staff based at the county council offices in Stevenage.
- 2.4 Each SAFS partner receives dedicated support by the allocation of officers to work primarily with that Council whilst allowing all officers to work with different partners from time to time. Providing the service in this manner allows SAFS officers to develop good working relationships with council staff whilst providing resilience and flexibility across the partnership as a whole.
- 2.5 In 2019/20 SAFS deployed one member of staff to work for the Council. This officer was supported by SAFS management, SAFS intelligence team including a Data-Analyst and an Accredited Financial Investigator. In all this provided at least 1.5 FTE staff to support the Council with all anti-fraud /bribery/ corruption/ money laundering matters. SAFS officers have access to Council offices, officers and systems to conduct their work

Fraud Awareness and Reported Fraud

- 2.6 A key objective for the Council is to develop the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to

report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption.

- 2.7 The fraud prevention policies can be found here [Fraud Prevention Policy | North Hertfordshire District Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/fraud-prevention-policy), including those on anti-bribery and anti-money laundering.
- 2.8 The Council's website includes pages on how fraud affects the Council [Report Fraud | North Hertfordshire District Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/report-fraud). The website has links for the public to report fraud and to the SAFS webpage. The SAFS webpage in turn provides further information on fraud, the latest news stories as well as options for the public to report fraud.
- 2.9 Working with the Councils HR team SAFS have further developed its anti-fraud and corruption e-training package and completion of this training is mandatory requirement for all staff including new starters
- 2.10 During 2020/21 SAFS received 101 allegations of fraud (referrals) affecting Council services.

Table 1. Types of fraud being reported (*in year*):

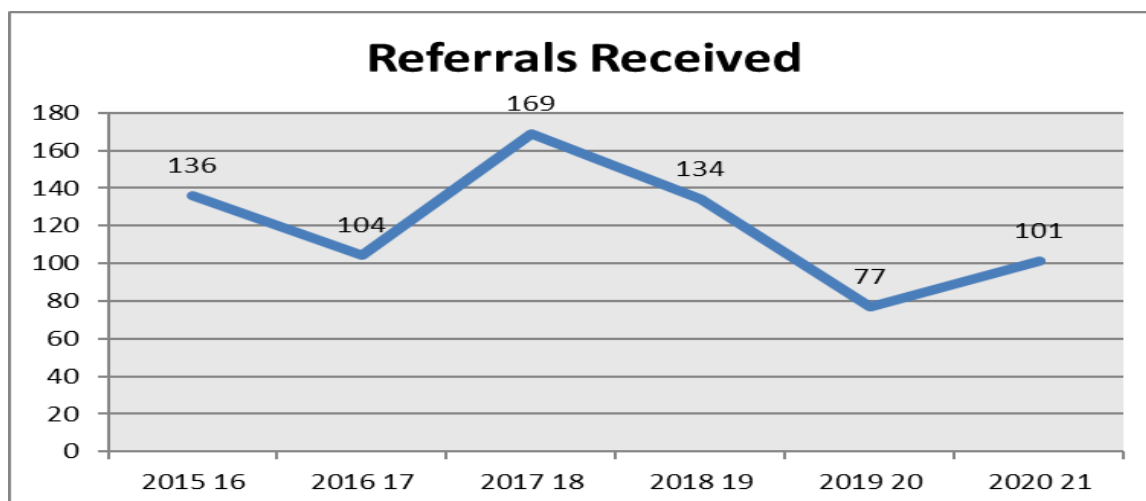
Council Tax Discount/ Housing Benefit	Housing	NNDR/ Grants	Other	Total
68	18	5	10	101

Table 2. Who is reporting Fraud

Fraud Reported by Staff	Reports from Public	Data- Matching/ Proactive Investigations	Other 'Agency'	Total
27	77	2	0	101

- 2.10 The volume of reported fraud in 2020/21 increased on the previous year but still shows a decline in reporting, particularly by staff, since 2017/18. SAFS regularly review this data to see if there are any trends or concerns for reporting rates, this is shared with officers and used to develop awareness/publicity campaigns locally.

Table 3. Historic Fraud Referrals (NHDC)



- 2.11 In the first half of 2020 fraud referrals from members of the public had dropped considerably, almost certainly as a result of the pandemic and national lockdowns. Working with the Councils communication and IT teams, along with other SAFS Partners, two separate fraud awareness/ publicity campaigns were launched in 2020. The first, delivered in August, *#Fraudsters-aren't-on-Furlough* encouraged the public to report fraud against the Council where it was suspected.

The second, launched as part of the *International Fraud Awareness Week* in November 2020, thanked the public for their support in previous campaigns and provided feedback on successes from these campaigns whilst reminding everyone to be vigilant about their own on-line safety. Both campaigns used social media for delivery.

Case study 1:

Social Media Campaign- August 2020- 'Fraudsters Aren't on Furlough'



7 Day campaign

Residents reached: 353,411 (Herts wide)

Link clicks (to SAFS homepage): 741- normally we have around 100 hits a week,

Referrals: 50 in a week - normally we receive between 20 and 25

Cost £500

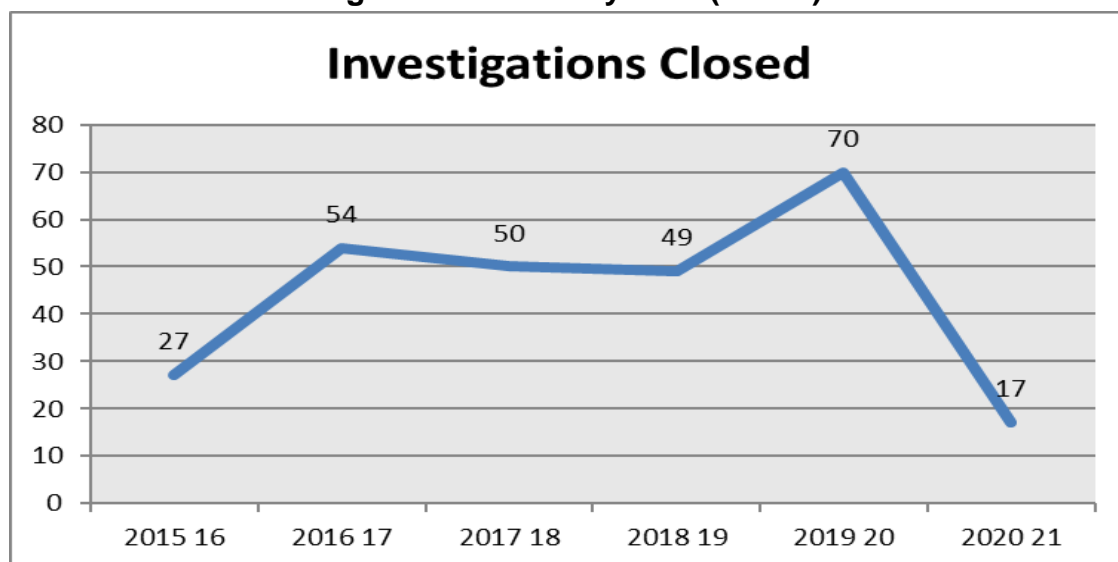
- 2.12 In 2020/21 SAFS issued fraud alerts on 31 occasions. These alerts covered areas such as the vulnerability to cybercrime for home working staff, new and emerging scams and spams, impersonation or CEO frauds and the increased threat of fraud caused by the Councils own and the Governments response to the Covid pandemic.

SAFS receives daily/weekly updates on new threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), National Intelligence Service (NATIS) City of London Police & National Fraud Intelligence Bureau (NFIB-national lead on fraud and cyber-crime for policing and part of Action Fraud), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police (OWL, Neighbourhood Watch, BEACON-Hub) and Hertfordshire Trading Standards.

Investigation and Prevention Activity

- 2.13 At the time of writing many cases raised for investigation are still subject to investigation. However, of 17 cases investigated and closed in the year 11 identified fraud losses totalling £57,500. In a further 15 cases, of alleged low value fraud, compliance action, advice or warning letters were issued rather than full investigations. At year end 37 cases remained under investigation with an estimated fraud loss of £329,000.

Table 4. Fraud Investigations Closed by Year (NHDC)



- 2.14 SAFS ability to conduct investigations in 2020/21 was severely hampered by the decision to work wholly from home in response to the Government lockdowns from March 2020. Although the service was in an excellent position to work from home, as the IT infrastructure and working practices were already in place, the impact on our work resulted from the restrictions when working with others.

- The DWP Fraud and Error Service, who we work with on many cases, redeployed all counter fraud staff to frontline delivery of Universal Credit.
- We were hampered in accessing the data held by our Partner Councils where we did not have remote access to systems- we have now improved our remote access to many Council systems.
- Council staff were focused on the local responses to the Covid pandemic and we saw 'business as usual' fraud reporting decline.
- We were unable to interview witnesses or the subjects of investigations initially due to the lock-down restrictions.
- In addition to this the courts dealing with civil and criminal matters were closed for all but the most serious matters.

2.15 During the pandemic we felt that SAFS role around prevention should be the priority for the service and, imposition of sanctions suspended as they could be counterproductive. We made a decision that we would deal with as most low-level fraud by closing cases and sending advisory or compliance letters to customers. Dealing with serious fraud or that needing immediate attention would be prioritised and where cases that met this threshold but could not be dealt with quickly should be 'overloaded' for review post lockdown.

2.16 SAFS provided support with all of the Grants schemes administered by Council officers, as well as undertaking data-cleansing exercises proving pre and post payment assurance.

SAFS also provided guidance to the NNDR Team on the services provided by NAFN, CIFAS and the Cabinet Office. SAFS conducted several investigations where fraudulent applications for grants appeared to have been made and worked closely with Council officers to resolve these.

Case Study 2:

In 2020 the Councils revenue team became suspicious about an application received for a grant from the owner of a business as part of the Governments scheme to support businesses during lockdowns.

Suspensions were further raised when the details provided for the grant application matched those being used as part of an organised attack on the national scheme.

SAFS were able to freeze assets held in an identified mule bank account, which several other Councils had also paid grants into, and are currently applying for orders to recover this money for the Council.

SAFS are also working with the National Intelligence Service (NATIS), the Police and NAFN to bring to justice a number of individuals identified as part of a joint operation.

2.17 SAFS provided enhanced and more frequent alerts about mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/ NFIB, Police and NAFN were provided much frequently. We are still providing alerts to all SAFS Partners of new and emerging fraud threats and, where these are being identified or reported by SAFS Partners, sharing this intelligence with Action Fraud, Trading Standards, NCSC and CIFAS.

- 2.18 SAFS worked with NAFN and the Department for Business Energy & Industrial Strategy (BEIS) sharing data and intelligence about national scam emails to local councils attempting to obtain data about local businesses in the hospitality and pharmacy sectors so that fraudulent grant applications can be submitted.
- 2.19 SAFS Partners were contacted by local residents who had received phishing emails/telephone calls/ letters purporting to be from local councils or Government offering grants/refunds - these are aimed at obtaining bank account details many closely mimicking genuine Government/NHS/HMRC correspondence.
- 2.20 A Large part of the normal investigation work for SAFS involves housing benefit or council tax discounts and SAFS usually works very closely with officers from the Council and the Department for Work and Pensions to ensure that all these cases are jointly worked in accordance with a national framework. In 2020/21 as mentioned already we encountered significant delays when working with the DWP as their staff were redeployed as part of the Governments wider response to the pandemic

Case study 3:

A resident of Letchworth had been in receipt of Housing Benefit and Council Tax Support since July 2013 based on the claimant being out of work or in low paid work. The matter was referred to the DWP and SAFS following the discovery of undeclared income.

From the beginning of the benefit claim, 7 separate employers were found for the claimant, only 2 of whom had been declared to the Council.

The claimant had previously received a formal caution for failure to declare employment to the Council.

Following an interview with the claimant, it was agreed that an administrative penalty would be appropriate in this case, due to previous caution for similar matters.

Overpayments were created for HB and CTR totalling £2430 and the claimant accepted an administrative penalty as an alternative to prosecution.

- 2.21 The Council made good use of the Council Tax Review Framework in 2020/21 conducting a review of properties registered as long term empty (LTE). In all 210 additional properties were reported in occupation, and a further 81 were identified by staff in the Revenue Team, raising more than £529,000 in potential new homes bonus.
- 2.22 The Councils housing teams are also very vigilant in preventing and reporting fraud where they suspect it. This normally relates to applicants concealing their true circumstances either to circumvent the housing register or simply to access social housing as a potential asset.

Case study 4:

Two cases were referred to SAFS by from the Housing Team in 2020 after concerns were raised over details provided in the applications.

The first concerned a lady who claimed to be living with her mother in sheltered accommodation in Letchworth. The applicant claimed to have been sleeping on a sofa for several years and declared no other property ownership.

Checks carried out by SAFS revealed a property owned by the applicant in London.

The second case concerned an application made, by a resident of Baldock, for housing. The original application was made in 2017, but more recent checks suggested the applicant had moved to London.

Further checks carried out with the council tax and benefits teams and The City of London Council confirmed the applicant had moved to London in November 2018. After this date the applicant had continued to claim that they remained living in Baldock and provided evidence to support this even though this was not true.

Both of the above applicants have been removed from the Housing Waiting List and will be unable to reapply for 5 years.

- 2.23 The Council fully complied with the statutory requirement of the National Fraud Initiative (NFI) 2020, with all data-sets being uploaded by the deadlines in October, and some later ones (relating to the business grants data) in February 2021. SAFS and Council officers are now working through the output from that exercise received in March 2021. **Table 3** breaks down this work, and outcomes reported, so far.

Table 3. NFI Activity

Total Matches received 2020/21	High Priority Matches	Matches Reviewed at 24.5.2021	Matches High Priority OS at 24.5.2021	Total loss detected
1,034	450	19	431*	£0

**The focus at present is on high priority matches- a further 989 low value/priority cases will be considered later.*

3 SAFS KPI Performance 2020/21

3.1 As part of the Councils Anti-Fraud Plan for 2020/21 a number of KPIs were agreed with SAFS to measure its performance and the return on investment from this shared service. The targets and performance against these are shown below.

KPI	Measure	Target 2020/21	Performance in Year
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Reports to SAFS Board in June, September, December 2020 and March 2021. NHDC s.151 sits on the SAFS Board. Reports and meetings with s.151 quarterly.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to FAR Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	A. 1.5 FTE working on NHDC cases and projects in 2020/21 B. Reports to FAR Comm in July 2020, November 2020 and March 2021. C. SAFS has close working with relationship with R&B and regular liaison is taking place. SAFS Part NHDC Corporate Governance Group.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B. both met within 2 days.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	A. SAFS has access to both and NHDC staff can and do access NAFN B. SAFS Mgt are members of the CF Centre. C. See A above. D. Training sessions were provided to council officers often via virtual or on-line delivery.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, reported.	A. This is happening daily as referrals received B. 61% of cases closed had a positive outcome - (with the caveat that the out-turn of cases was much less than in previous years). C. This is happening as cases are investigated/closed and is used to produce reports to SAFS Board, SAFS Partner Senior Management and FAR Committee throughout the year.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	A. A fraud-hub approach is being taken where data/knowledge/experience/expertise is shared across SAFS Partners. NHDC is signed up the FraudHub participation in 2021/22. B. SAFS supported the Councils full compliance with NFI 2020/21 C. This includes the Herts Fraud-Hub as well as specific one-off data-matching/analytics such as those used to verify COVID Grant Applications.

4. Transparency Code- Fraud Data

4.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.

4.2 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for *North Hertfordshire District Council* for 2020/21 is in **Bold**:

- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries.

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

1.5 FTE

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

1 .5 FTE

- Total amount spent by the authority on the investigation and prosecution of fraud.

£81,600

- Total number of fraud cases investigated.

17 cases investigated and closed in year, a further 15 cases of irregularity investigated, and 37 cases still live at year end.

4.3 In addition, the Code recommends that local authorities publish the following (*for North Hertfordshire District Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

See 7 above

- Total number of occasions on which a) fraud and b) irregularity was identified.

11 Cases identified fraud.

- Total monetary value of a) the fraud and b) the irregularity that was detected.

£57,500 of fraud loss identified in year (a further £529,000 in potential revenue was identified through a review of council tax discounts/exemptions)

5. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- *Fighting Fraud and Corruption Locally a Strategy for the 2020's. (CIPFA/CIFAS/LGA)*
- *Tackling Fraud in the Public Sector. (CIPFA 2020)*
- *Guide to Understanding the Total Impact of Fraud (International Public Sector Fraud Forum 2020)*
- *Fraud in Emergency Management and Recovery (International Public Sector Fraud Forum 2020)*
- *COVID-19 Counter Fraud Measures Toolkit. (Cabinet Office 2020)*
- *Local Authority Covid-19 Business Support Grants Fact Sheet (Government Counter Fraud Function 2020)*
- *UK Annual Fraud Indicator 2017.*
- *Fraud and Corruption Tracker 2020. (CIPFA)*
- *United Kingdom Anti-Corruption Strategy 2017-2022. (HMG 2017)*
- *Code of Practice – Managing the Risk of Fraud and Corruption. (CIPFA 2014)*

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**North Hertfordshire District Council
Anti-Fraud Plan 2020/21**

in partnership with

The Shared Anti-Fraud Service



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Introduction

This plan supports the Council's Fraud Prevention Policy by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Policy states:

The Council will promote an environment where everyone feels able to report any concerns that they have

The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces.

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.

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

National Context.

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

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

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

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

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

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

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

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

SAFS Resources 2020/2021

Anti-Fraud Arrangements

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

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the North Hertfordshire District Council the Service Director- Resources is the Board representative.

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

Budget

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

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

North Hertfordshire District Council fees will increase from £81,600+ VAT (2019/20) to £83,232+ VAT (2020/21).

Staffing

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

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

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

SAFS - Standards of Service.

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

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

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

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

SAFS

KPIs 2020/ 2021

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

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**FINANCE, AUDIT & RISK COMMITTEE
12 JULY 2021**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2020/21

REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

- 1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement 2020/21(AGS) including Action Plan for the year 2021/22.

2. RECOMMENDATIONS

- 2.1 That the Committee is recommended to review and comment on the draft AGS Action Plan in order for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval after the External Audit has been completed.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 No prior consultation has taken place, although a copy of the draft AGS has been sent to the Shared Internal Audit Service (SIAS), Ernst & Young (External Auditors) and the Shared Anti-Fraud Service. Received comments have been included in the draft statement. Reference has also been made to relevant papers presented at the June meeting before being finalised after the Council's External Audit has been completed.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹.
- 7.3 The draft AGS has been prepared following an in-depth review/ input and scoring of arrangements by the Leadership against the Framework 2016 Principles (in accordance with the guidance²). The Leadership has reviewed and provided details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
 - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
 - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
 - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
 - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.
- 7.5 Members will note at this stage, that a key element of the review of effectiveness, detailed in the draft AGS, includes the Head of Internal Audit's Annual report/ Opinion on arrangements. This report was presented to the June meeting and has been incorporated into the AGS.

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

² As above (*ibid*)

- 7.6 Members are reminded that the AGS must be approved before the Statement of Accounts and it must be published alongside them. The Council will include the 2020/21 AGS with the Statement of Accounts (as it has in previous years).

8. RELEVANT CONSIDERATIONS

- 8.1 The Leadership AGS self-assessment, external organisation and Committee's review of the draft AGS (in preparation for finalising 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 reinforced.
- 8.2 The draft AGS for 2020/21 is attached as Appendix A for review and comment. The Leadership AGS self-assessment will be available on the Corporate Governance webpage after all comments have been received as per paragraph 5.2 as detailed under background documents.
- 8.3 Updates on the AGS Action Plan will be reported to this Committee twice a year at the September and March meetings.
- 8.4 Overwhelmingly following on from the process as outlined at 7.3, Leadership concluded that the assurance level as assessed against the 2016 Principles were Substantial. Actions were included to address any perceived weaknesses, and these have been detailed in the draft AGS Action Plan (final page to Appendix A). The detailed (114 pages) self-assessment document has not been appended. It will, however, following comments from SIAS and advice from CIPFA be loaded on the Council's Corporate Governance internet pages.

9. LEGAL IMPLICATIONS

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Amendment Regulations 2021) the 2020/21 AGS should be approved by this Committee by 30 September, alongside the approval of the Statement of Accounts. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay. The Council's External Auditors will consider the AGS when conducting their audit so it is good practice to approve the AGS at the same time as the Statement of Accounts, even if it is ready before the Statement of Accounts have been audited and are ready for approval. Other legal implications are set out under section 7 above.
- 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."* This review of the draft AGS therefore falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. By presenting the draft AGS to this Committee before the audit of the accounts is concluded, the Committee has time to raise any points that may need to be addressed. The Council has been notified by Ernst and Young that the audit of the Council's Statement of Accounts will not commence until at least November. This is due to resourcing issues at Ernst and Young, relating both to Covid-19 and general Public Sector audit issues. In accordance with paragraph 9.1 above the Council will publish a notice (when required) to state and explain the delay. The Statement of Accounts and AGS will be approved by this Committee as soon as possible after the Audit has been completed. Other than this there are no 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 improvement actions put in place, therefore reducing the risk to the Council.

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.
- 12.1 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 Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy and Community Engagement Manager. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy and Community Engagement Manager/ Trainee Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes them on the internet.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff.

16. APPENDICES

- 16.1 Appendix A –Draft AGS for 2020/21

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 The Leadership AGS self-assessment will be placed on the Corporate Governance Page following the process in 8.4: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The draft AGS also contains links to relevant documents.

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NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

Introduction

North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

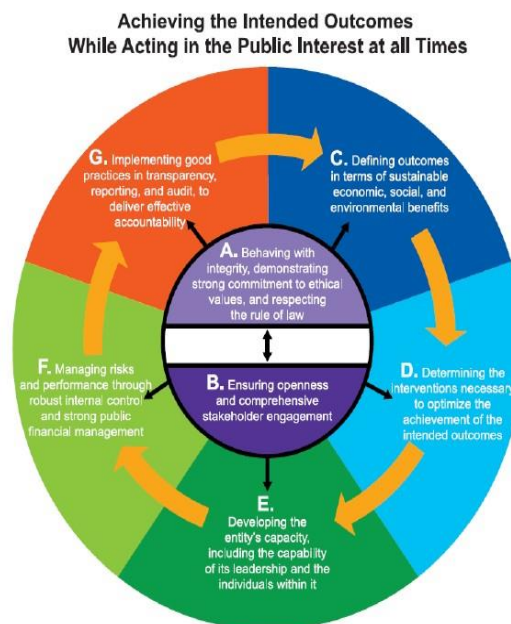
NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required¹ to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance in Local Government:

The Governance Framework comprises of systems, processes, culture and values, by which the authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



www.cipfa.org/services/networks/better-governance-forum

Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Strong Leader model that provides leadership, develops and sets policy.
- ❖ A decision-making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by the Leadership Team and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ Following the approval of the redundancy of the Chief Executive in February 2020, a strategic officer Leadership team has been established. This includes the Head of Paid Service (Managing Director) and Directors (which again includes all statutory officers).

How NHDC complies with the 2016 Governance Framework

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2020 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance

Set out below is a summary of **some of the central ways** that NHDC complies with the 2016 Framework Principles. The detailed arrangements, and examples are described / links provided in the Leadership AGS self-assessment document on the Corporate Governance page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>.

¹ Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015.

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Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

What NHDC has or does:

Operates Codes of Conduct for Members and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training usually takes place following an election however the election in 2020 was postponed due to COVID-19 as was the associated training. The next round of training is due to take place following the election in 2021. This was noted in the Standards Committee meeting in October 2020.

❖ Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person Panel, Employment Committee and Full Council).

❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed 12 Councillors and 2 non-voting co-opted Parish Councillors. The 3 IPs are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provides an annual report to Full Council in July. This is designed to promote shared values with Members, employees, the community and partners.

❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees and decision-making practices are outlined. The Council's Constitution is reviewed annually, but has been in effect much more frequently during 2020-21 due to the pandemic.

❖ The Council's Fraud Prevention Policy, which includes the Anti-Money Laundering, Anti-Bribery, Anti-Fraud and Tax Evasion. In addition, the Whistleblowing Policy, have been reviewed and are available on the internet.² Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti-Bribery Policy.

❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.

❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Chief Executive (now Managing Director) and Chief Finance Officer (CFO) the MO has a statutory duty/ powers to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. The MO/ or Legal advisor attends Full Council, Cabinet and regulatory Committees – such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed and reports

directly to the Head of Paid Service. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.

❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012 and equality and environmental requirement); part 1 reports are published and available for inspection as per the statutory requirements. Committee Member & V Scrutiny Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and despatch agendas and reports in advance of the meetings and take and despatch minutes and decision sheets after the meetings. Delegated decisions are retained by them and are available on-line.

❖ Further Planning training was provided to members via the Planning Advisory Service (PAS). An independent organisation who advise central and local government on planning issues to provide members with the relevant skills and knowledge.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

What NHDC has or does:

❖ The Council's vision and relevant documents are made available on the Council's website with Service Plans/Action Plans that show how the Objectives will be delivered in practical terms [[Council Plan page](#)].

❖ Open Data is published on the NHDC website, and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data Sets on

²<https://www.north-herts.gov.uk/home/council-data-and-performance/policies/fraud-prevention-policy>

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NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].

❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities [[Annual Monitoring Report 2019-2020](#)].

❖ NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region Air Quality Annual Status Report [[Air Quality Annual Status report 2020](#)].

❖ There is a Committee administration process in places so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings, are available online and through the Modern.gov system [[Council meetings page](#)].

❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements³ apply. Report authors consider such matters with the designated Constitutional “Proper Officer”. Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website [[Public Registers and Delegated Decisions](#)] and Planning applications/ decisions [[View Planning Applications](#)]. Delegated

Executive and Non-Executive decisions⁴ are on the Council's website [[Delegated Decisions](#)].

❖ The Constitution also sets out what information is available to the public and how to engage with the Council [[Constitution](#)].

❖ The Council has a 5 year Consultation Strategy for 2016-2020 [[Consultation Strategy 2016-2020](#)] that sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation. A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement – Adopted July 2020](#)]. The SCI was adopted following a public [consultation](#) which took place in early 2020.

❖ The Council conducts a District Wide Survey every two years [[2019 District Wide Survey - Key Findings Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council's Citizens Panel, which is used for consultation.

❖ The Council also has an internal Staff Consultation Forum, a Joint Staff Consultative Committee (JSCC) and a Staff Consultation Policy [[Staff Consultation Policy](#)].

❖ The Council convened a Shaping Our Future Group, which is designed to bring together staff and Councillors to input into the future direction of the organisation with regards to succession planning, automation, commercialisation, and diversity.

❖ The Inclusion Group feeds into the Shaping our Future group on matters of equality, diversity, and inclusion. Its purpose is to understand the experiences

of staff mainly in relation to protected characteristics as defined under the Equality Act 2010, and to drive forward the diversity/inclusion agenda.

❖ The Council's Customer Care Standards aims to put people first [[Customer Care Standards](#)]. The Communications Strategy and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on-line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges. It has assisted with the renewals of the 3 Business Improvement Districts (Hitchin, Letchworth and Royston) which will be in place for another 3 years.

❖ The Council is also a member of the Hertfordshire Growth Board (alongside the other 10 districts and borough councils and Local Enterprise Partnership. The [Growth Board](#) is the vehicle in which the county is working together to manage future growth and support economic recovery.

❖ In response to the COVID-19 pandemic, North Hertfordshire District actively supported the most impacted/vulnerable by the outbreak of the virus. When the country went into full scale lockdown on the 24th March, the council quickly set out its support by signposting residents and businesses to the Council's and central Government's package of guidance and

³ Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

⁴ Made under The Openness of Local Government Bodies Regulations 2014/2095

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support measures including grant funding awards. The Council's website established multiple pages with information and links and these have also been heavily publicised on various social media platforms.

❖ Since the first Covid-19 lockdown, meetings have been held virtually via Zoom, streamed live to YouTube, and remain on the Council's YouTube channel afterwards and has increased accessibility to members of the public

❖ Throughout the pandemic, Councillor Surgeries, Town Talks, Area Committees and Environment Panel meetings have also been held virtually via Zoom to ensure continued openness and engagement with residents. Monitoring reports of viewing figures of council meetings have tracked the wider engagement.

[https://srvmodgov01.north-herts.gov.uk/documents/s15625/Virtual%20and%20Physical%20Meeting%20Attendance%20by%20member%20of%20the%20public%202019%20to%202021.p](https://srvmodgov01.north-herts.gov.uk/documents/s15625/Virtual%20and%20Physical%20Meeting%20Attendance%20by%20member%20of%20the%20public%202019%20to%202021.pdf)

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

What NHDC has or does:

❖ The Council has a Council Objectives and Plan approval / review process and its vision is based on partnership aspirations. The Objectives provide the foundations for the Service planning process. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council's vision of equality and diversity [\[Corporate Equality page\]](#). These issues are monitored through the report / decision making process and [Annual Cumulative Equality Impact Assessment 2020/21](#)

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What NHDC has or does:

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officer). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an 'options' appraisal called "Alternative options considered" and risk analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council's agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk Management Framework - Strategy](#). These are recorded on the Risk Register and monitored through the Council's [Pentana performance/risk management system](#). Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet.

❖ The Council's Financial Regulations [\[Constitution PART B Section 19 Financial Regulations\]](#) are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5 year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan/

business planning process. Budget workshops are provided to Political groups prior to budget setting/ budget approval and this helps to optimise achievements.

❖ From 2019, the Investment Strategy replaced the Capital Programme and Treasury Strategy, and was considered by Finance, Audit, and Risk on 20th January 2020 and approved by Full Council on 28th January 2020.

❖ The Council's Procurement Strategy 2021-22 puts in place the aspirations for the district as they relate to the Council Plan, including taking a focus on achieving community benefits through emphasis of the Go Local policy and a widening of the scope of this to incorporate Community Wealth Building.

❖ That Council have been alerted to a forecast impact of Covid-19 in comparison to available reserves and confirmed that these reserves will be used to fund the impact.

❖ In 2020, the council awarded grants to food banks and food provision services, and to groups providing support for residents suffering from loneliness or mental health issues. This was done as part of the COVID-19 Community Support Fund with the aim to ensure the continued operation of vital services and organisations through and beyond the pandemic.

<http://srvmodgov01.north-herts.gov.uk/documents/s11410/Covid-19%20Financial%20Impacts.pdf>

❖ The Council also provided the following support during the pandemic to the community:

- Supporting the Food provision network and signposting families who need emergency help with food to local organisations in their area
- Distributing of food vouchers

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- Providing Activity packs to families during the school holidays
- Supplying local charities and support groups with sanitary products to tackle period poverty
- Working with Survivors Against Domestic Abuse (SADA) to provide welfare packs to individuals and families who flee domestic abuse
- Supporting the Letchworth Best Before Café to purchase a basic kitchen for their new premises
- Working with the Hitchin Food Rescue Hub to stock up their non-perishable larder essentials
- In addition to these projects, we have also provided £42,150 from the Coronavirus support grants between June 2020 and now to help alleviate child poverty.
- The council also received for distribution Central Government Grants to which the council developed policy criteria to support the access to payments; the Local Restrictions Support Grant (LRSG) to support businesses during lockdown and the Closed Business Lockdown Package (CBLP). The Council are in the process of developing an eligibility criteria policy for a local Restart Programme.
- The Council secured central government funding from the Next Steps Accommodation Programme (NSAP) to assist local authorities provide ongoing accommodation and support for rough sleepers housed during the current pandemic.

- The Council also received Homelessness Prevention Grant funding. The funding is ringfenced for use in managing homelessness pressures and supporting those who are at risk of homelessness and rough sleeping.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

What NHDC has or does:

- ❖ The Council recognises the importance of employees, planning recruitment and development. The People Strategy incorporates the Workforce Development Plan [[People Strategy 2015-2020; Workforce profile](#)] and was developed with the Corporate Objectives (Priorities as was), Corporate Projects and workforce demands anticipated. A vacancy management process provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management qualifications and has Investors in People accreditation.
- ❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.
- ❖ Service area employees attend / are part of groups – such as Legal PLP and Herts First where good practice can be shared.
- ❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control, and has been a Lead

authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter, during the pandemic (currently dormant).

❖ The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing director/ Leader Briefings. Political Liaison Board (PLB) meetings are held and opposition Member/ shadow Member briefings provided by the Chief Executive/ Service Directors and other senior officers.

❖ Weekly Leadership meetings are held where Policy, Projects, Performance and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.

❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service directors convene monthly briefings with relevant Executive Members

❖ Following the recently published Gender Pay Gap report, NHDC officers will take actions to implement the recommendations of the report.

❖ Following an [LGA Corporate Peer Challenge assessment](#), an Action Plan has been developed to ensure the benefits of the CPS process are realised through thorough Organisational Development.

❖ The Council has a Transformation Project which seeks to improve our services to residents through the use of Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.

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❖ The Shaping Our Future Programme contributes towards the development of the organisation, by considering how the Council can change and adapt in order to continue to achieve its priorities. It includes (but is not limited to) staff and leadership development; work on equality, diversity and inclusion; moving towards a more commercial culture; digital transformation.

❖ Staff Learning and Development sessions have also been instituted on the morning of every first Friday of each month. These are a mixture of themed and non-themed sessions to enable them to be used by teams or individuals to focus on an area of development most useful for them.

❖ In response to the COVID-19 crisis, the government has recently brought in new arrangements for meetings to be held remotely. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into force on 4 April 2020 and apply to local authority and police and crime panel meetings that are required to be held, or held before 7 May 2021. It was reported at the March Overview and Scrutiny meeting the increase of wider engagement on virtual platforms - [Virtual and Physical Committee Meeting attendance by members of the public 2019 - 2021](#)

❖ In response to Covid-19, the council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. They meet regularly to respond to changing and current circumstances.

Principle F: Managing risks and performance through robust internal control and strong public financial management

What NHDC has or does:

❖ The Council has extensive mechanisms in place to manage risk and performance, for example, through the Risk Management Team/Group/Member Champion and the [Risk Management Policy Statement](#), [Risk Management Framework – Strategy](#), the [Risk Management Framework - Policy](#) and operational guide. The Pentana system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant 'ownership'. These are reported to Leadership, FAR (risk) and O&S (performance) Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Risk Management Strategy is reviewed regularly and most recently was revised and approved by Cabinet in December 2020.

❖ [SIAS' reviews of Risk Management and Financial systems during 2019/20](#) provided overall Satisfactory assurance. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance. This will be updated in June 2021 for the year 2020/21.

❖ The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. COVID-19 remains one of the Council's top risks and currently has the highest risk score of 9 (assessed as high for both impact and likelihood). Actions taken to manage this risk have included: Closure of services in line with national restrictions, local outbreak and response plans,

creation of a Project Board to manage the recovery process, including opportunities to build back better, ongoing support to staff, the majority of are continuing to work from home, ensuring services continue to be successfully delivered, offering sites for vaccination programme and continuing wave monitoring and response. This has most recently been reviewed in the [Risk Management Update](#) in March 2021.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

What NHDC has or does:

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's website. It contains information about the Council's services and events. The Autumn Outlook–Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each year outlining the work undertaken in the previous civic year. On an annual basis SIAS is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). [Annual Assurance Statement and Annual Report 2020-21 presented in June 2021](#). An external review is required at least once every five years and this was last carried out in January 2016. The next external assessment was due in November 2020. However, this was deferred and will now take place in June 2021 as a result of the impact of COVID-19.

❖ The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing,

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the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.

2020-21 Annual Assurance Statement and Internal Audit Annual Report

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom 2020/2021 and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/ Audit completion certificate and Annual Audit Letter).

Review of Effectiveness

❖ The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

❖ One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken. From 1 April 2021, SIAS have adopted the CIPFA assurance definitions (previously SIAS have used their own definitions). During 20/20/21 SIAS reported on 26 areas of which 8 received a Good assurance, 8 received a satisfactory assurance and 1 received limited assurance, 5 not assessed and 4 not finalised.

The limited assurance opinion related to the Financial Resilience of supplier audit. Three high priority recommendations were made and implemented. All key financial/ risk systems/ contract management were also reviewed and a satisfactory assurance opinion overall on financial systems was concluded. Recommendations are detailed in the June 2021 SIAS Annual Assurance Statement. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Some of the recommendations have been implemented and outstanding ones will be taken forward and monitored through the 2021/22 reports to FAR Committee. SIAS also reviewed the effectiveness of the FAR Committee. Their conclusions for 2019/20 were that overall the FAR committee was compliant with guidance issued by CIPFA as noted at the FAR [Annual Report](#).

❖ The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Following the national impact of Covid-19, Ernst & Young added all new Covid related risks for all councils. The last Annual Audit Letter presented to the FAR Committee in January 2021 was generally very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources. This did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion. [NHDC Annual Audit Letter 2019-20]. The most recent External Audit Update report issued in June 2020 [External Audit plan for year ending 31/3/20] indicated the addition of new risks – all Covid-19 related and in line with other local authorities. The Audit Letter issued in December 2020 proposed to issue an unqualified opinion on its value for money conclusion.

❖ SIAS confirmed a good compliance level for corporate governance for the systems in place for 2018/19. Additionally, SIAS audits on Key financial systems: all provided a good level of assurance.

Assurance from self-assessment

❖ The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director was responsible for producing their own assurance statements and an improvement action plan to rectify any identified governance weaknesses, as part of the Service Planning process. This process was reviewed with an overall Leadership assurance statement provided [see⁵].

❖ Leadership Team is chaired by the Managing Director respectively, includes the MO, CFO and key senior managers. It followed the CIPFA/ SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/ sub-principles guidance examples. This was undertaken during March-June and Leadership is satisfied that appropriate and overall Substantial 2016 Framework governance arrangements are in place. However, any improvement actions have been identified for 2019-20 in the Action Plan. The detailed AGS self-assessment is available on the Corporate Governance page⁶.

Assurance from Risk Management

❖ The top risks for the Council, as reported to the FAR Committee in March 2021 ([Risk Management Update report March 2021](#)), are: Brexit - EU Transition, Covid-19 - Leisure Management Contracts, Local Plan, Managing the Council's Finances, Novel Coronavirus - Covid-19, Cyber Risks, Delivery of the Waste Collection and Street Cleansing Services Contract, Sustainable Development - Neighbouring

⁵ <https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-objectives>

⁶ <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>

NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

Authorities, Impact of Anti-Social Behaviour on Council Facilities, Income Generation, Increased Homelessness and Sustainable Development - National and Regional Planning Issues and External Factors Affecting the Future Provision of Waste Services. It is worth noting that the Brexit - EU Transition risk score has subsequently been reduced to 5 (medium in terms of impact and likelihood).

❖ **Brexit** has been a top risk since March 2019, with the risk score reflecting the continued high level of uncertainty. The Council continues to analyse and assess the potential implications and to take proportionate actions based on the likelihood and potential impact. This was recently downgraded.

❖ **Leisure Management contracts** - The facilities, operated by Stevenage Leisure Ltd (SLL) under a contract with NHDC, were heavily impacted by coronavirus (COVID-19) since the start of the pandemic. The council agreed a revised package of financial support to ensure the continued delivery of Council owned leisure facilities in the district to support the health and wellbeing of our residents.

❖ Delivery of the **Local Plan** has been and remains a top risk. The Planning Inspector published the Main Modifications arising from the Local Plan examination process in November 2018. These were reported to Cabinet in December 2018, when approval was granted for consultation on the proposals. The Council concluded consultation on the Main Modifications in April 2019. Following the consultation on the Main modifications in January 2020, the Inspector arranged for further hearing sessions for March 2020. Further progress has taken place to seek approval to conduct a consultation upon the Inspector's proposed Further Main Modifications to the Plan and documentation produced under delegated authority. It was resolved that officers be authorised to conduct a consultation on the proposed Further Main Modifications and relevant supporting documents

❖ **Managing the Council's Finances** is an ongoing top risk which is reported through the FAR Committee and Cabinet process. The MTFs, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

❖ A new top risk relating to **Delivery of the Waste Collection and Street Cleansing Services Contract** was first introduced in 2019/20, which replaced the previously reported Waste Management, Recycling and Street Cleansing risk. The new risk focuses on the operational effectiveness of the contractor and the potential high-profile impacts on residents, businesses and the Council's reputation. The reduced overall risk score of 8 reflects improvements in service provision and the positive direction of travel of performance since the new contract commenced.

Assurance from Complaints outcomes

Local Government Ombudsman (LGO):

❖ The Council reports complaints to Leadership and O&S. The summary for the period 2019/20 (April to September) indicated that NHDC received 764 complaints. 80% of complaints received in 2019/2020 were related to services delivered by key contractors. This was presented at the July 2020 Overview and Scrutiny meeting. 10 complaints were made to the LGO during 2019/20, of which 4 were upheld (3 upheld: maladministration and injustice and 1 upheld: maladministration and no injustice).

Standards complaints involving Councillors

❖ During the 2020/21, there were twenty-six formal complaints made to the Monitoring Officer, all of which were relating to district councillors and two in regard to Town/Parish councillors. These complaints are reported to the Standards Committee by the Service Director for Legal and Community on a regular basis.

Information Commissioner's office (ICO)

❖ The Review time limit supplements the statutory one for handling requests (20 working days) and during 2020/21 the Council only failed to handle 1.03% of the 677 FOIs/EIRs requests within that period. There were 7 reviews, 1 of which was successful, and the information released, 3 which were partially successful, and 3 which were unsuccessful.

❖ There were 0 ICO cases. In respect to requests for information under the Data Protection Act - 165 Data Protection cases (including 22 Subject Access Requests) were received in the period 2020/21, of which 98.8% were successfully answered within the 40-calendar day deadline. There was 1 complaint lodged at the ICO. It was found in our favour.

Conclusion

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2020/21 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan below to address/enhance its governance arrangements. Implementation will be monitored through the Finance Audit and Risk Committee.

Cllr Elizabeth Dennis-Harburg Leader of the Council
Anthony Roche Managing Director

NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

Action Plan 2021/2022

1. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module (Learning & Development)
2. Revised Grant Policy to be reviewed after a complete cycle of area committee meeting to assess awards across the voluntary sector (Policy and Community Engagement Manager)
3. Implement recommendations of Gender Pay Gap Report action plan for 2020/21 (HR Manager and Learning and Development)
4. On-going implementation of Local Government Association (LGA) Peer Challenges recommendations; development of action plan; links to Organisational Development with reference to demonstration of NHDC compliance with relevant 2016 Framework Principles. [Leadership Management Team; HR Manager].
5. Recovery Project Board – ongoing action to oversee and monitor delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans during the Covid-19 pandemic. (Leadership Management Team)

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**FINANCE, AUDIT AND RISK COMMITTEE
12 JULY 2021**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: SIAS REVIEW OF THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE 2020-21

REPORT OF THE SERVICE DIRECTOR: RESOURCES

EXECUTIVE MEMBER: Non-Executive function

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

Each year, the Council's Internal Auditor (provided through the Shared Internal Audit Service-SIAS) carry out a review of the effectiveness of the Finance, Audit and Risk Committee. This is in line with best practise. The review (attached at Appendix A) concludes that the Committee is compliant and effective. The review raises some matters for the Council and the Committee to consider.

2. RECOMMENDATIONS

- 2.1. That the Committee note and comment on the SIAS Review of the Effectiveness of the Finance, Audit and Risk Committee 2020-21

3. REASONS FOR RECOMMENDATIONS

- 3.1. To allow the Committee to consider the conclusions reached by the review and comment on the recommendations made.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None, it is considered appropriate that the Committee are able to note and comment on the SIAS Review.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

None

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The 2021/22 SIAS Audit Plan includes carrying out a review of the effectiveness of the Finance, Audit and Risk Committee. This review is carried out each year in line with best practice (as per paragraphs 1.1 and 1.2 of Appendix A).

8. RELEVANT CONSIDERATIONS

- 8.1. The SIAS Review is attached as Appendix A. Section 2 provides details of the review that has been carried out. Section 3 confirms that “the FAR Committee is compliant with the CIPFA best practice guidance and is therefore an effective scrutiny body for financial, audit, risk and internal control functions”.
- 8.2. Section 4 details areas where the Committee could improve further. The recommendation about an Independent Member (paragraph 4.3) is being taken forward. Whilst it is best practice to have an Independent Member there are legal issues that need to be resolved in relation to having an Independent Member on a Committee that regulates finance (e.g. approval of the Statement of Accounts and Annual Governance Statement).

9. LEGAL IMPLICATIONS

- 9.1. Whilst not specifically referenced in the Committees Terms of Reference (Constitution paragraph 10.1.5) the Committee do have responsibility for “the oversight and approval of Financial, Audit and Risk Management matters”. The effectiveness of the Committee is in itself an important factor in the oversight of these matters.
- 9.2. The Council's Finance, Audit and Risk Committee is defined by the Local Government Act 2000 and its purpose is to give assurance to elected members and the public about the governance, financial reporting and performance of the Council. The appointment of independent members on the committee will assist and promote good governance and scrutiny of the committee

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

- 11.1. An effective Finance, Audit and Risk Committee means that appropriate oversight is taking place and therefore risk is being effectively 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. . There are no known equalities implications arising from this report

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct HR implications arising from this report.

16. APPENDICES

- 16.1 Appendix A: SIAS Review of the effectiveness of the Finance, Audit and Risk Committee

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
- 17.2 Nurainatta Katevu, Legal Regulatory Team Manager and Deputy Monitoring Officer Nurainatta.katevu@north-herts.gov.uk; ext 4364
- 17.3 Reuben Ayavoo, Policy and Community Engagement Manager reuben.ayavoo@north-herts.gov.uk; ext 4212

18. BACKGROUND PAPERS

- 18.1 None

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Final Internal Audit Report

North Herts District Council Review of the Effectiveness of the Finance, Audit and Risk Committee 2020/21

July 2021

Issued to:	Members of the Finance, Audit and Risk Committee
Copied to:	Ian Couper – Service Director (Resources) Jeanette Thompson – Service Director (Legal and Community) Anthony Roche – Managing Director Tim Everitt – Performance and Risk Officer
Report Status:	Final
Reference:	N102/21/001
Overall Assurance:	Not Assessed

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1. EXECUTIVE SUMMARY

- 1.1 The audit committee is a key element of the governance framework of local authorities. CIPFA describe the purpose of an audit committee as ‘to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.’ CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2018
- 1.2 The Public Sector Internal Audit Standards (PSIAS) also state that the ‘Head of Internal Audit should participate in the committee’s review of its own remit and effectiveness.’ For the 2020/21 review, this function has been delegated to SIAS, who provide internal audit services to North Herts District Council (‘The Council’).
- 1.3 This review provides Members with the opportunity to reflect on the effectiveness of the Finance, Audit and Risk Committee (‘the Committee’) during the 2020/21 civic year. It also provides assurance to Members of the FAR Committee and the Council on the effectiveness of risk management and internal control arrangements (Internal Audit) and the approval of the annual accounts (External Audit).

2. 2020/21 REVIEW AREAS

- 2.1 The effectiveness of the Committee in discharging its Governance responsibilities are outlined below:

Governance	
Meetings	<p>The Committee terms of reference states "There shall be six regular meetings of the Committee in each year". This term has been met with the Committee meeting six times in the 2020/21 civic year. The dates of meetings held include; 15/06/20, 20/07/20, 07/09/20, 03/12/20, 18/01/21 and 09/03/21.</p> <p>As a result of the Covid-19 pandemic all meetings were held virtually during the year.</p>
Attendance	<p>The Committee Terms of Reference states "The Quorum for a meeting of the Finance, Audit and Risk Committee shall be three (3) voting members of that Committee". The following Committee meetings satisfied this requirement at the onset of the meeting; 15/06/20, 20/07/20, 07/09/20, 03/12/20, 18/01/21 and 09/03/21.</p> <p>As meetings were held virtually due to the Covid-19 pandemic, connection difficulties to the remote meeting could cause meetings to be inquorate. This occurred on one occasion during the Committee meeting held on 03/12/20 and the meeting was adjourned until connection was restored and the quoracy requirement was met.</p> <p>The CIPFA guidance outlines "regular attendance of key senior management figures is important – both to maintain the credibility of the committee and to ensure that members are adequately</p>

	<p>supported by appropriate professionals". The Committee has demonstrated this as meetings have been attended by the Senior Officers throughout the year. This includes the Service Director - Resources, Policy and Community Engagement Manager, Committee Member and Scrutiny Officer, Democratic Services Manager, Client Audit Manager – Shared Internal Audit Service (SIAS), Head of the Shared Anti-Fraud Service (SAFS), Assistant Counter Fraud Manager- SAFS, Associate Partner - Ernst and Young, Audit Manager - Ernst and Young.</p> <p>Member attendance was as follows throughout the civic year:</p> <ul style="list-style-type: none"> • One Member attended all six meetings • Three Members attended five meetings • One Member attended four meetings • One Member attended three meetings • One Member attended two meetings <p>On one occasion a substitute Member attended the Committee for an absent Member. High levels of member attendance are important to ensure the continued effectiveness.</p>
Composition	<p>The Committee Terms of Reference states "No more than seven members shall be appointed to the Finance, Audit and Risk Committee. The Chair shall be appointed at the annual meeting of the Council". This term has been met with seven members being appointed to the Committee for the civic year, at the Council meeting held on 04/06/20. At the same Council meeting the Chair of the Committee (Councillor Kate Aspinwall) and Vice-Chair (Councillor Sam North) were appointed. Six substitute Councillors to the Committee were also appointed, with one substitute attending the Committee meeting on 08/03/21.</p> <p>Two Members held the post of Deputy Executive Member of the Cabinet whilst being members of the FAR Committee, this includes the Vice-Chair of the FAR Committee. Three Members were on the Overview and Scrutiny Committee. The Chair of the FAR Committee is the Vice Chair of the Overview and Scrutiny Committee. No Independent Members were appointed to the FAR Committee in 2020/21.</p> <p>The proportion of seats to political parties complies with local authority rules as specified in the Local Government and Housing Act 1989.</p>
Terms of Reference	<p>The Terms of Reference (ToR) of the Finance, Audit and Risk Committee is set out within section ten of the Councils Constitution. Through review and confirmation from a key officer at the Council,</p>

	<p>it was established the ToR has not been reviewed in the 2020/21 civic year.</p> <p>Our review of the ToR against the guidance outlined in 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police' 2018 edition, demonstrated that some core functions were not reflected in the Councils ToR. Examples include to oversee the internal audit functions independence and objectivity and "support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies".</p>
Access and Agenda	<p>At the first civic meeting of the 2020/21 year (15/06/20) the Committee has reviewed its work and achievements for the 12-month period to March 2020. The Chair, Vice-Chair and membership of the Committee have been appointed at the annual meeting of the Council held on 04/06/20.</p> <p>The Committee minutes records recommendations made to Cabinet, showing it has appropriate access to this Committee as needed.</p>

2.2 The effectiveness of the Committee in discharging its core functions is outlined below:

Core Functions	
Internal Audit	<p>Internal Audit provision for the Council is provided by the Shared Internal Audit Service (SIAS). The Committee has received updates and key reports four times during the civic year.</p> <p>On 15/06/20 the Committee received assurance from SIAS within the '2019/20 Annual Assurance Statement and Internal Audit Annual Report' that the Internal Audit Function is 'generally conforming' to the PSIAS. This is the highest rating and means that SIAS has a charter, policies and processes assessed as conforming to the PSIAS Standards and are consequently effective. The report also outlines two areas of intentional non-conformance with the Standards, although these arrangements are considered to be effective given the nature of SIAS.</p> <p>The Committee has received updates from SIAS in four of its six meetings during the civic year. The reporting arrangements enabled the Committee to review progress of the agreed audit plan, performance against performance indicators, new high priority recommendations raised from audit engagements and implementation status of existing high priority recommendations. This would have enabled the Committee to gain assurance that progress against the audit plan would be enough to allow the Head of Internal Audit to provide an annual assurance opinion and transparency that high priority recommendations were being implemented within agreed timescales.</p>

	<p>The proposed Internal Audit Plan for 2021/22 was presented at the Committee meeting on 08/03/21 and subsequently reviewed and approved at this meeting. The information to the Committee outlines the extensive nature of the planning exercise completed by SIAS to produce the proposed plan.</p>
External Audit	<p>The Councils External Auditors are Ernst & Young (EY). Representatives of the External Auditors are present at meetings as required along with accompanying reports. Such reports presented to the Committee in the civic year includes; the audit plan, draft and final audit finding reports and the annual audit letter.</p> <p>One of the key duties undertaken by EY is to provide an audit opinion on the Councils Statement of Accounts. The Draft Annual Statement of Accounts for 2019/20 were approved by the Committee on 07/09/20, with the approval of the Final Annual Statement of Accounts being delegated to the Chair of the Committee, subject to the Final Audit Results report not requiring any substantial change. This process was necessary as the Statement of Accounts needed to be approved by 30/11/20 with the next scheduled Committee meeting being after this date (03/12/20).</p> <p>The Draft and Final Audit Reports from EY provide confirmation of their objectivity and independence. The audit plan for 2020/21 has also outlined the communication requirements for facts and matters which "bear upon our integrity, objectivity and independence" and provided confirmation "safeguards that have been adopted appropriately mitigate the principal threats identified". The plan also "confirm that EY is independent" and "the audit engagement team have not compromised their objectivity and independence".</p>
Risk Management	<p>The Committee receives and reviewed quarterly updates on Corporate Risks including in July, September, December and March during the 2020/21 civic year. The reports the Committee received on 03/12/20 also presented the Risk Management Framework (RMF) Internal Audit, including the Committee resolving the amendments to the RMF in line with the management actions agreed as part of the audit.</p> <p>The Committee received an 'Annual Report on Risk Management' for April 2019- March 2020. This outlined the following at the Council:</p> <ul style="list-style-type: none"> • Key Changes to the Corporate Risks • Archived and Re-Classified Corporate Risks • New Corporate Risks • Corporate Risks with Changed Risk Scores • Review/changes to the Risk Management Framework at NHDC • Risk Awareness and Appetite

	The minutes of the Committee show that quarterly updates on risk management are supported by appropriate discussions, challenge/oversight prior to recommendations for approval by Cabinet. This includes discussions and challenges on movements to risk scores through the civic year.
Annual Governance Statement	<p>The Committee was provided with an opportunity to review and comment on the Annual Governance Statement for 2019/20 in the meeting held on 20/07/20, prior to this being brought back to the Committee for approval on 07/09/20. The AGS for 2019/20 was approved by the Committee on 07/09/20.</p> <p>The Committee reviewed progress of the AGS Action plan in 2020/21 at two meetings including on 03/12/20 and 08/03/21. The 2021 Local Code of Corporate Governance was reviewed and approved by the Committee on 08/03/21.</p>
Anti-Fraud Arrangements	The Councils anti-fraud provision is completed by the Shared Anti-Fraud Service (SAFS). The Committee has received updates three times during the civic year. Information monitored/reviewed by the Committee in the civic year includes, progress of actions and KPIs for the service as agreed by the Committee, levels of fraud and counter fraud activity. The 2021/22 anti-fraud action plan and service KPIs were reviewed and approved by the Committee on 08/03/21.

2.3 Non-core functions of the Committee (as defined by the CIPFA guidance) have not been included in this review. An example of this is Treasury Management.

3. OVERALL AUDIT OPINION

3.1 This review has shown that the FAR Committee is compliant with the CIPFA best practice guidance and is therefore an effective scrutiny body for financial, audit, risk and internal control functions.

4. LOOKING AHEAD

4.1 The role of the Audit Committee is increasingly poignant because of significant external pressures being faced by the Council in the coming year.

4.2 In light of these pressures, we advise that the actions set out below at paragraphs 4.3 to 4.9 are completed to ensure ongoing compliance with CIPFA best practice guidance and to maximise the effectiveness of the FAR Committee:

Independent member (non-political appointment)

4.3 As part of the 2020/21 review of FAR Committee we advised that an independent member sit on the Committee. This could bring additional knowledge and expertise, whilst also maintaining continuity of Committee membership which may be affected by the electoral cycle. Our understanding is that the Council is examining the

constitutional arrangements and amendments required prior to implementing this suggestion through an appointment on the FAR Committee. This has been included in this report to retain focus on this.

Committee Business

- 4.4 The FAR Committee could have a forward work plan at the beginning of the civic year. This could support the Committee by including proposed agenda relevant to the Committee thereby focusing the discussions/oversight of the Committee and preventing overlap of remit with other Council committees such as Overview and Scrutiny. This action has been included and follows on from the June 2021 FAR meeting where an outline was included as part of the FAR Annual report, to remind Members of their role in developing knowledge, challenging and examining the Council's approach to financial control, risk management, governance and internal control matters.

Learning and Development

- 4.5 It is understood that Members are usually requested to complete a skills assessment matrix in the civic year. However, this did not take place in 2020/21 due to the challenges posed by the Covid-19 pandemic and working remotely. It is also understood that in previous years, the completion of skills assessments by some Members have not taken place in a timely manner to allow the Council to identify potential areas of development and create and deliver a training programme. In order to improve the effectiveness of the FAR Committee, the Chair should encourage that all Members complete and return the skills assessment in a timely manner, with the Council analysing the results to create a focused training programme for the Committee. We understand that a training matrix has been issued to all FAR Committee Members at the start of 2021/22.
- 4.6 It may also be beneficial for the first meeting of the civic year to outline the roles and responsibilities of the Committee Members. This could form a useful introduction to the Committee, particularly for newly elected Members to the Committee.

Terms of Reference

- 4.7 The FAR Committee Terms of Reference (ToR) was reviewed against the guidance outlined in 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police' 2018 edition and was found to not include some core functions or duties within its terms of reference. We have identified the following areas of the CIPFA guidance that are not specifically or explicitly stated in the Council's ToR and the Council may wish to consider during the next review:
- a) Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process;
 - b) Report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities. We have been made aware that an impending proposed change to the Constitution will require that the FAR Annual Report is referred on to Full Council. This referral

already happens in practice.

4.8 In addition, through our review we have identified two areas of partial conformance to the CIPFA guidance and these areas could be strengthened following a review of the ToR. These areas are as follows:

- a) Outlining the oversight of independence and objectivity of the internal audit function;
- b) Monitoring arrangements of management action in response to the issues raised by external audit.

Other Areas of compliance with CIPFA best practice

4.9 The 'CIPFA Position Statement: Audit Committees in Local Authorities and Police' 2018 edition also recommends that Members of the Audit Committee should be able to meet privately and separately with the external auditor and with the head of internal audit. The Council may want to consider whether and how it could enable this.

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