

# Agenda



**AGENDA for a meeting of the AUDIT COMMITTEE in COMMITTEE ROOM B at County Hall, Hertford on WEDNESDAY, 1 MARCH 2017 at 10.00 AM**

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## **MEMBERS OF THE COMMITTEE (10)** (Quorum 3)

R F Cheswright, G R Churchard, D T F Scudder, T Hunter, D Andrews, J Lloyd, T W Hone, S J Taylor, A D Williams (*Chairman*), W J Wyatt-Lowe (*Vice-Chairman*)

Meetings of the Committee are open to the public (this includes the press) and attendance is welcomed. However, there may be occasions when the public are excluded from the meeting for particular items of business. Any such items are taken at the end of the public part of the meeting and are listed under "Part II ('closed') agenda".

Committee Room B fitted with an audio system to assist those with hearing impairment. Anyone who wishes to use this should contact main (front) reception.

## **PART I (PUBLIC) AGENDA**

### **1. MINUTES**

To confirm the minutes of the meeting held on 3 November 2016.

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### **2. REPORT ON PREPARATION FOR THE 2016/17 ACCOUNTS**

Report of the Assistant Director - Finance

### **3A AUDIT PLAN 2016/17 – HERTFORDSHIRE COUNTY COUNCIL**

Report of Ernst & Young

### **3B AUDIT PLAN 2016/17 – PENSION FUND**

Report of Ernst & Young

### **4. REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2016/17**

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Report of the Assistant Director - Finance

**5. RISK MANAGEMENT ANNUAL REPORT 2016/17**

Report of the Head of Assurance

**6. RISK FOCUS REPORT - CIL**

Report of the Director of Resources

**7. INTERNAL AUDIT PROGRESS REPORT**

Report of the Head of Assurance Services

**8. INTERNAL AUDIT PLAN 2017/18**

Report of the Head of Assurance Services

**9. FUTURE WORK PROGRAMME**

The Committee is invited to agree its future rolling work programme, suggested as follows:-

|  |   |
|--|---|
| Tuesday 27 June 2017 at 10am                   | <ul style="list-style-type: none"><li>• Risk Management Update</li><li>• Risk Focus Report –</li><li>• Annual Governance Statement 2016/17 and Code of Corporate Governance</li><li>• Annual Assurance Statement and Internal Audit Annual Report 2016/17</li><li>• Internal Audit Progress Report Q1</li><li>• End of Year Report on the Treasury Management Service and Prudential Indicators 2016/17</li><li>• Whistle Blowing Annual Report 2016/17</li></ul>   |
| September 2017 at 10 am (date to be confirmed) | <ul style="list-style-type: none"><li>• Audit Results Report 2016/17 – County Council</li><li>• Response To The Audit Results Report – Hertfordshire County Council (Including Fire Fighters’ Pension Fund) Financial Statements</li><li>• Annual Statement Of Accounts – Hertfordshire County Council (Including Fire Fighters’ Pension Fund) Financial Statements</li><li>• Audit Results Report 2016/17 – Pension Fund</li><li>• Response To The Audit Results Report 2016/17 – Pension Fund</li><li>• Risk Management Update</li><li>• Risk Focus Report</li><li>• Internal Audit Progress Report</li><li>• Shared Internal Audit Service Annual Report</li><li>• SAFS/HCC Fraud Report 2016/2017</li></ul> |

|  |   |
|--|---|
| November 2017 at 10am (date to be confirmed) | <ul style="list-style-type: none"> <li>• Annual Audit Letter – HCC 2016/17</li> <li>• Annual Audit Results Report &amp; Preparations for 2017/18 Audit</li> <li>• Mid-Year Report on the Treasury Management Service and Prudential Indicators 2017/18</li> <li>• Risk Management Update</li> <li>• Risk Focus Report</li> <li>• HCC Internal Audit Progress Report</li> <li>• HFRS Statement of Assurance 2016/17</li> <li>• S106 and CIL Update Report</li> </ul> |
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**If you require further information about this agenda please contact Theresa Baker, Democratic Services, on telephone no (01992) 556545 or email [theresa.baker@hertfordshire.gov.uk](mailto:theresa.baker@hertfordshire.gov.uk)**

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[www.hertfordshire.gov.uk](http://www.hertfordshire.gov.uk)



To: All Members of the Audit Committee, Chief Executive, Chief Officers, All officers named for 'actions'

From: Legal, Democratic & Statutory Services  
Ask for: Theresa Baker  
Ext: 26545

**AUDIT COMMITTEE  
30 NOVEMBER 2016**

**ATTENDANCE**

**MEMBERS OF THE PANEL**

D Andrews, F Button (substituted for R F Cheswright), G R Churchard, I M Reay (substituted for T W Hone), T R Hutchings (substituted for T Hunter), J Lloyd, D T F Scudder, S J Taylor, A D Williams (*Chairman*), W J Wyatt-Lowe (*Vice-Chairman*)

Upon consideration of the agenda for the Audit Committee meeting 30 November 2016, as circulated, copy annexed, conclusions were reached and are recorded below:

*Note: No declarations of interest were made by any member of the Committee in relation to the matters considered at this meeting.*

Chairman's Announcements

There were no chairman's announcements

**PART I ('OPEN') BUSINESS**

**1. MINUTES**

1.1 The minutes of the Committee meeting held on 23 September 2016 were confirmed as a correct record and signed by the Chairman.

**2. HERTFORDSHIRE COUNTY COUNCIL ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2016**

[Contact: Neil Harris, Director on behalf of Ernst & Young LLP]

2.1 The Committee considered the Hertfordshire County Council Annual Audit letter 2015-2016 which communicated key issues arising from the work of the external auditors Ernst & Young (EY).

2.2 Neil Harris (NH) of Ernst & Young (EY) gave an unqualified opinion on the financial position of the Council and Pension Fund, also expenditure and income to 31 March 2016. He concluded that the Council had in place proper arrangements to secure value for money in its use of resources and commented on the preparedness of the Council for fast close. The Committee heard that there was nothing to draw out from the annual audit letter

2.3 Issues relating to future developments from the referendum were

**ACTION**

identified as an area for consideration by the Council.  
 Members heard that the updated and renamed Highways Network Asset (HNA) Code used depreciated replacement cost (as opposed to the previously used depreciated historic cost) for the valuation approach for infrastructure assets and did not necessitate the disclosure of comparative information. EY updated the committee that the requirement for this method of valuation had been deferred from 16 April 2016 for 1 year and would coincide with fast closure of accounts. In respect of the 'change in valuation approach' it was noted that the Auditors would need to obtain sufficient assurance over the material accuracy of the single highways network asset of £20 billion approx.

2.4 Following discussion officers clarified that improvements to the highways contract arrangements since the review in 2014, also the Improvement Plan, were reported within the overall assurance report. Members requested that an update report on the Improvement Plan be brought to panel.

C Cook,  
 O Mapley

2.5 On hearing that this was Penny Irwin's last attendance at Audit Committee the chairman commented that her 9 years of input left the County Council in a much better position and wished her well for the future.

2.6 During debate on the 115 assets with a value of 36 million which had been valued in prior years and not reassessed in 2015/16 with the IFRS 13 – Fair Value Measurement, officers clarified that in terms of best use of resources, work was underway on enhancing capital receipts and generating future revenue streams and highlighted that this would take longer than taking properties through for disposal. It was further noted that some of the 115 assets were not surplus but were operational whilst others were land for development. Officers agreed to bring a report to Committee on the number of surplus County Council assets.

O Mapley

2.7 In response to questions officers confirmed that the 2% social care precept in the 2016/17 budget went into Health and Community Services. Members asked for confirmation of the link between the precept and spend on social care.

C Cook  
 O Mapley

**Conclusion:**

2.8 The Committee RESOLVED that that the Annual Audit Letter for the year ended 31 March 2016 be noted.

**3. UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS FOR 2016/17 AUDIT**

[Officers Contact: Owen Mapley, Director or Resources  
 (Tel: 01992 555601)]

- 3.1 The Committee considered a report which provided a response to the Annual Audit Results Report 2015/16 and an update on the audit of the 2016/17 accounting statements.
- 3.2 Members heard that Ernst & Young had issued an unqualified opinion on the 2015/16 accounts and made no specific recommendations.
- 3.3 The actions being undertaken by Finance to prepare for 2016/17 and subsequent audits were detailed in the report. These included a review of accounts closure and audit process; review of critical pathway activities to see where efficiencies could be achieved; continuation of robust procedures for property asset valuations, new accounting arrangements for the Better Care Fund; management override risk and fraud in revenue recognition; officer representation on the Highways Asset Management Finance Information Group working within CIPFA and the Department of Transport on implementation of the Code; also formalisation of the Council's arrangements for value for money sustainable resource deployment in the in the 2017/18 – 2019/20 Integrated Plan.

**Conclusion:**

- 3.4 The Committee RESOLVED to note the contents of the report.

**4. APPOINTMENT OF AUDITORS 2017/18 AND BEYOND**

[Officers Contact: Owen Mapley, Director of Resources  
(Tel: 01992 555601)]

- 4.1 The Committee considered a report which provided details of the options available to the Council on appointing their own external auditors for the audit of the 2018/19 accounts and outlined potential issues for Members to consider.
- 4.2 Officers advised Members that the report title should read **Appointment of Auditors 2018/19 (not 2017/18) and Beyond.**
- 4.3 The Committee heard that current audit contracts, managed by an independent company 'Public Sector Audit Appointments Limited' (PSAA) would end with the completion of the 2017/18 audits for principle local government bodies. Members noted the timetable for establishing Auditor Panels which would specify the Invitation to Tender and run the procurement exercise in 2017 to ensure appointment of an auditor by December 2017.
- 4.4 Members noted the three options for local authorities to appoint auditors:
  - 1. Establish an independent auditor panel: County Council would have complete autonomy over the process, but setting up a panel and procurement exercise costs could be

significant and the Council were unlikely to have sufficient purchasing power to obtain best value;

2. Jointly establish an auditor panel with other authorities: this panel would be significantly smaller than those undertaken by national bodies, thus even shared procurement with all authorities in Hertfordshire was unlikely to achieve sufficient economies of scale;
3. Op-in to an approved sector led body (SLB) (to be approved by Department for Communities and Local Government (DCLG): Use of PSAA Limited would allow local resources to be focused on core business activities and ensure independence of auditors was maximised through separation of the Council from decision-making.

4.5 When officers suggested that option 3 was the most attractive as it gave continued value for money through a national procurement exercise, a Member supported this on the basis that it did not make sense to spend more money.

**Conclusion:**

4.6 The Committee RESOLVED to note the contents of the report and provided a view on which option should be taken forward for appointing an external auditor for the audit of the 2018/19 accounts and beyond.

**5. MID-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2016/17**

[Officer Contact: Patrick Towey, Head of Specialist Accounting  
(Tel: 01992 555148)]

5.1 The Committee considered a mid-year report which summarised Treasury Management Service performance against the prudential indicators specified in the Integrated Plan, part E approved by the County Council on 23 February 2016 and confirmed compliance with the prudential and treasury management indicators set out in the Integrated Plan.

5.2 Members noted that the breach of Treasury Management Strategy on 30 April 2016 was the result of a failure of the authority's bank, Barclays', online banking platform. Barclays had accepted responsibility for this breach, and offered compensation for interest lost on balances which it was not possible to transfer out for investment. The Council was implementing a separate on-line contingency payment system, and has also tested the manual backup process should Barclays system fail again.

- 5.3 The Committee heard that political and economic changes stemming from the EU membership referendum had caused a reduction in the value of Sterling and the Bank of England base rate, also instability in equity markets and government bonds (gilt yields) and a reduction in short term investment returns. Officers reported that growth was also rising more slowly and that Arlingclose (the council's Treasury Advisor) forecast interest rates continuing 'lower, for longer'.
- 5.4 Officers highlighted that the Treasury Management Strategy (TMS) set in 2016/17 had been amended to include Peer to Peer lending and that yield on investments was secondary to security and liquidity of funds. Members were referred to Table 3 for the value of maturities and investments and heard that despite downgrading of the UK's Sovereign credit rating to AA, there was no impact on the Council's investment portfolio as all investments met the criteria set out in the Council's TMS and the advice of Arlingclose. Officers reported that the 0.33% rate of return for the investment portfolio in the 2<sup>nd</sup> quarter (excluding pooled fund investments) was down from the 0.70% achieved in the first quarter but exceed the LIBID bench mark of 0.20%. Although there had been capital value variations in pooled funds, emphasis was placed on their long-term nature and ability to offset fluctuations.
- 5.5 With respect to the two remaining deposits with Icelandic banks Members heard that as of 30 September 2016 repayments for the investments in Heritable totalled 98.0p in the £ and no further distributions to creditors were forecast by the administrators. Recovery from Kaupthing, Singer & Friedlander stood at 83.75p in the £ with an additional repayment of 0.50p in the pound expected in October 2016; the auditor estimated the total return would be 85.5-86.5p in the £.
- 5.6 Members noted that long term borrowing outstanding at 30 September 2016 totalled £258.8m. In relation to this Barclays had waived its future options to vary the rate on the £106.1m of LOBO loans to the Council and consequently £88.1m of LOBO loans had been reclassified as Fixed rate commercial loans. The Council had also accepted Barclay's offer, after negotiations, to convert the 18m Range LOBO to a fixed rate instrument resulting in a change of interest rate from 4.7% to 4.625% with no penalty and equating to a reduction in interest payable of £13,500 per annum.
- 5.7 The Committee were referred to Appendix A for the detail of the Prudential Indicators 2016/17 as at 30 September 2016.
- 5.8 Officers clarified that the County Council had been unaffected by the Bank Assurance issues reported by the press as it did not have any investments with RBS and Barclays treasury rating was unchanged.



**Conclusion:**

5.9 The Committee RESOLVED that the Treasury Management mid-year report be noted.

**6. RISK MANAGEMENT UPDATE REPORT**

[Officer Contact: Fiona Timms, Risk & Insurance Manager  
(Tel: 01438 843565)]

6.1 The Committee considered a report on the County Council's Risk Management activity over the last quarter. It included summaries of Corporate risk movements, new risks, the 35 Corporate Risks and the full Corporate Risk Register.

6.2 Members heard that there were 13 severe (red) risks and that the two most significant changes were ENV0030 and a new risk PROP0021.

6.3 In terms of ENV0030: "In the event of a failure in road inspection and / or fault reporting procedures, there is a risk that the condition of our roads falls below expected standards, which results in injury to citizens and/ or successful claims against the County Council", officers reported that the Deputy Director of Environment had determined that this risk could now be reduced from significant (amber 16) to material (yellow 8). This resulted from the service's partnership with Ringway to ensure that work was carried out robustly and so achieved the target frame for defect repair, also audit inspections which showed no significant issues. In response to questions officers clarified that the Ringway contract had a number of years to run and that the audit inspections had been carried out on a limited sample of the work undertaken by Ringway.

6.4 The Committee heard that the new risk PROP0021 "In the event that the review of how the Hertfordshire County Council disposes of its surplus land and property assets determines that the County Council should develop these sites and assets itself or through joint venture arrangements, there is a risk that such a change to the disposal policy may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan" was rated as significant (amber 12) and related to the time it would take to achieve a return.

6.5 Risk R02 "Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)", Risk reference PROP0022 was identified as the risk to be reviewed by Committee at its next meeting on 1 March 2017. In relation to this a member commented on the inconsistent application of CIL in the Districts.

A Bucksey  
F Timms

**Conclusion:**

6.6 The Committee RESOLVED that

**CHAIRMAN'S  
INITIALS**

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1. The Risk Management Update be noted;
2. Risk R02 “*Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)*”, risk reference PROP0022 be reviewed at its next meeting on 1 March 2017.

## 7. RISK FOCUS REPORT – TREE HEALTH

[Officer Contact: Tony Bradford, Head of Countryside Management Service (Tel: 01992 556028)]

- 7.1 The Committee considered a report on Corporate Risk ENV0142 relating to Tree Health with the potential to impact on the future of trees and woodlands in Hertfordshire which had an overall risk score of 40 (severe). It was noted that world trade in plants and plant material, also climate change, which provided more hospitable conditions for the survival of pathogens, were contributory factors to an increased threat to trees in the UK from a wide range of plant pathogens and other pest species.
- 7.2 In terms of potential impact officers reported that there were approximately 150,000 trees on the public highway of which 142,000 were in urban areas and had been surveyed. Members noted that the Council was interested in any trees within falling distance of the highway or the 3,000km of Rights of Way (ROW) as well as those on other county council owned land, with the aim of ensuring that public safety was managed as far as practical and reasonable, that no obstructions to the highway resulted and potential damage to property was avoided.
- 7.3 Based on the Forestry Commission’s interactive map of confirmed infection sites and also the projected movement of pathogens, *Chalara* (Ash Dieback), Oak Processionary Moth (OPM) and Oriental Chestnut Gall Wasp (OCGW) were reported as the key corporate risks on the basis of the significant number of trees growing on County Council owned land for which it had management responsibility. Damage to the trees by various pathogens could leave them weakened and more susceptible to other diseases leading to an increased risk of decay and premature death. In light of this the County Council’s approach to tree management had been refined and Members were referred to Appendix 1 for the assessment and rating of this risk and the controls in place to minimise or avoid its occurrence.
- 7.4 Officers reported that there was no way to treat / cure *Chalara* (Ash Dieback) which was well established in the county and spreading. Unless an infected tree posed a safety hazard proactive felling was not necessary especially as leaving trees in the environment might help with identifying resistant stock. The youngest trees would likely be the first to show signs of infection and quickly deteriorate compared with older more mature and established trees. Smaller

trees though potentially posed less of a safety hazard. Members heard that research projects to establish trees resistant to *Chalara* were being funded by Defra etc. with the hope of a seed source for replacement planting. Members noted the costs of dealing with a dangerous tree were dependant on size and location but could be in the region of £1,600 before any additional costs such as traffic management were factored in. It was anticipated that over the next 10-20 years tree diseases would have a significant impact on the Hertfordshire landscape.

- 7.5 Members heard that Oriental Chestnut Gall Wasp (OCGW) had been identified in highway verge trees in St Albans which led to a Statutory Plant Health Notice and the removal of 9 associated Chestnut trees at a cost £52,000.
- 7.6 The Committee noted that there were no recorded instances of Oak Processionary Moth on County Council land to date, but cases had been reported and dealt with in Hertfordshire and it was expected to spread. This disease was highlighted as a public health issue as the hairs of the moth's caterpillars contained a toxin which caused skin rashes and less commonly sore throat, breathing difficulty and eye problems.
- 7.7 In relation to Members questions officers clarified that:
- surveys of trees on the Council's' land were undertaken in Hertsmere first as it was the most heavily wooded area and would be rolled out to all other areas;
  - District and Borough Councils, who usually had their own arboriculturalists, sat on the Hertfordshire County Council Tree Health Network;
  - the County Council encouraged land owners / householders to deal with affected trees on their land which could cause danger to the public on nearby ROW's or highways; if action was not taken the County Council could undertake the work and recharge costs to the landowner;
  - the Property department had updated schools via the Schools Grid on their responsibilities regarding trees on school property;
  - when replacing trees, stock should be UK sourced and consideration given to species that were resilient to climate change e.g. more drought resistant species;  
a public facing web based information hub on tree health issues had been developed to aid public engagement and awareness raising ; further consideration on how to disseminate information was on-going.

**Conclusion:**

- 7.8 The Committee RESOLVED that the report be noted and commented on the information in the report.

## **8. HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT**

[Officer Contact: Margaret Mulkerrin, Audit Manager  
Tel:01438 845504]]

- 8.1 The Committee considered a progress report from the Shared Internal Audit Service (SIAS) as at 5 November 2016 which detailed progress made in delivering the County Council Audit Plan for 2016/17; proposed amendments to the approved 2016/17 Audit Plan; 'Limited Assurance' audits issued since 23 September 2016; implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions, medium priority recommendations and an update on performance management information.
- 8.2 Officers confirmed that 49% of the Council's Internal Audit Plan days had been delivered and referred Members to Appendix A for the status of each deliverable.
- 8.3 Members noted that since the update report had been written, two further reports had been finalised and issued and the two outstanding responses in respect of the implementation status of the associated medium priority recommendations had also been received.
- 8.4 The Committee heard that to ensure all six audits in relation to the Council's Key Financial Systems were delivered in time for the early closure of accounts Terms of Reference had already been produced and agreed and fieldwork was underway for four of the audits.
- 8.5 In terms of Schools Audit Activity Members' attention was drawn to Theme 2 (Safe Recruitment) where further site visits of a random sample of schools were on hold pending review, to ensure that the language used could not be misinterpreted by Ofsted.
- 8.6 Under Proposed Audit Plan Amendments officers highlighted that two audits had evolved from SIAS's closer working with Shared Anti-Fraud Services (SAFs) i.e. Cash Security–Corporate Appointeeships and HCS Contract Retention and Management.
- 8.7 The Committee heard that that one Limited Assurance opinion had been provided in respect of Fuel Card (HES). The audit gave assurance on the adequacy of the internal control environment and not on the actual use of fuel cards. Following identification of fuel card misuse within the Service at the start of the audit, the matter was referred to the SAFS and a disciplinary investigation was underway.

8.8 In response to a Member's question, officers commented that where applicable, the operation of the Highway's Contractor as per the requirements of the contract was considered in the scope of an audit as appropriate.

8.9 With respect to Appendix B and the 'Recommendation' in relation to 'CLA Financial Administration' and future educational needs, officers agreed to check whether financial assets in the child's name were protected from sequestration.

M Mulkerrin  
T Barnett

### **Conclusion**

- 8.10 The Committee RESOLVED to:
- Note the Internal Audit Progress Report
  - Agreed the changes to the audit plan
  - Agreed to the removal of high priority actions now complete.

## **9. HERTFORDSHIRE FIRE AND RESCUE AUTHORITY STATEMENT OF ASSURANCE 2015/16**

[Officer Contact:

Darryl Keen, Deputy Chief Fire Officer (Tel: 01992 507503);

John Johnstone, Senior Business Support Manager

(Tel: 01992 507537)]

- 9.1 The Committee considered the draft Statement of Assurance for Hertfordshire Fire and Rescue Authority (HFRA) to provide assurances on financial, governance, operational matters for 1 April 2015–31 March 2016, also to demonstrate due regard to the published Integrated Risk Management Plan (IRMP).
- 9.2 Officers reported that in accordance with Government guidance, the statement of assurance was written in a style which made it accessible to communities, Government, local authorities and other partners to make a valid assessment of the HFRA's 'performance and contained links to other pertinent documents.
- 9.3 Members noted that HFRS carried out its duties as part of the County Council in respect of ensuring that public money was properly accounted for and used economically, effectively and efficiently and that it adhered to the Council's financial procedures. In line with this it was covered by the external auditor's conclusion on the financial statements that the accounts presented provided a true and fair view of the financial position and a true record of expenditure and income for the financial year 2015/16.
- 9.4 Officers confirmed that no significant areas of non-compliance had been noted by the County Council's Internal Audit department.
- 9.5 Members were pleased to note that the most recent CIPFA fire and rescue statistics for 2014/15 showed HFRS as one of the lowest

cost English FRSs with a budgeted expenditure of £32.73 per head.

- 9.6 In operational terms officers reported that HFRS now used various data sources including Mosaic and Exeter Health data to securely access GP Registration data to identify the 65' year olds and over, which with local intelligence, fire activity data and partner referrals enabled HFRS to produce a community risk profile to target resources and activities.
- 9.7 As an example of fulfilling the statutory duty for FRA's to provide fire safety education and advice officers highlighted Crucial Crew, a multi-agency community safety scheme delivered to 6,500 year 6 pupils each year. Members were pleased to note that the update of Crucial Crew in 2015/16 in a more immersive and interactive style had been well received and work was on going to make it more accessible to special needs groups and pupils with English as a second language. Officers clarified that staff who engaged with young people had undergone appropriate screening and checks.
- 9.8 Partnership working between HFRS's and Trading Standards in preventing the sale of unsafe mobile phone chargers which could lead to house fires was also noted.
- 9.9 The Committee heard that as part of its ongoing work to ensure continued national resilience, HFRS had reviewed and updated its Incident Command policies and was investigating the viability of introducing the Hydra system into Hertfordshire.
- 9.10 To Members questions officers confirmed that they would:
1. Liaise with Trading Standards and investigate whether there was a compensation scheme through which HFRS might seek recompense for the financial outlay involved in the event of being called out to fires caused by faulty mobile phones;
  2. Raise such compensations schemes (as per 9.10.1) as a general principle with the Local Government Authority;
  3. Find out whether fire sprinklers formed part of the fire safety requirements for any new schools being built and if not to seek to make them a recommendation for each school.

D Keen,  
J Johnstone

D Keen,  
J Johnstone  
D Keen,  
J Johnstone

### **Conclusion:**

- 9.11 The Committee RESOLVED to approve the draft Statement of Assurance 2015/16.

## **10. FUTURE WORK PROGRAMME**

- 10.1 The Committee noted the future work programme below (new items added at this meeting in **bold**)

|   |   |  |
|---|---|--|
| <p>Wednesday 1<br/>March 2017 at<br/>10am</p> | <ul style="list-style-type: none"> <li>• Preparation for 2016/17 Accounts</li> <li>• Audit Plan 2016/17 – County Council</li> <li>• Audit Plan 2016/17 – Pension Fund</li> <li>• Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters' Pension Fund) And Hertfordshire Pension Fund Accounts 2016/17</li> <li>• Risk Management Annual Report 2016/17</li> <li>• Risk Focus Report: <b>Risk R02</b></li> <li>• Internal Audit Progress Report Q4</li> <li>• Internal Audit Plan 2017/18</li> </ul> |  |
| <p>Tuesday 27 June<br/>2017 at 10am</p>       | <ul style="list-style-type: none"> <li>• Risk Management Update</li> <li>• Risk Focus Report –</li> <li>• Annual Governance Statement 2016/17 and Code of Corporate Governance</li> <li>• Annual Assurance Statement and Internal Audit Annual Report 2016/17</li> <li>• Internal Audit Progress Report Q1</li> <li>• End of Year Report on the Treasury Management Service and Prudential Indicators 2016/17</li> <li>• Whistle Blowing Annual Report 2016/17</li> </ul>   |  |

**11. ANY OTHER BUSINESS**

11.1 There was no other business.

**KATHRYN PETTITT  
CHIEF LEGAL OFFICER**

**CHAIRMAN** \_\_\_\_\_

**CHAIRMAN'S  
INITIALS**

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**REPORT ON PREPARATION FOR THE 2016/17 ACCOUNTS**

Report of the Assistant Director - Finance

Author: Claire Cook, Assistant Director Finance (Tel: 01992 555737)

**1. Purpose of the Report**

- 1.1 To update the Committee on actions taken in preparation for the 2016/17 Statement of Accounts.

**2. Summary**

- 2.1 Ernst Young LLP (EY) issued an unqualified opinion on the 2015/16 accounts, and made no specific recommendations. As reported in November, a number of actions are under way to ensure the 2016/17 accounts and audit achieve the same high standards, and to address new requirements. This report provides an update of progress against these actions.

**3. Recommendations**

- 3.1 The Committee is invited to note and comment upon this report.

**4. Actions to prepare for 2016/17 and subsequent audits**

- 3.1 Finance has continued to build on the outcomes of the review of the 2015/16 accounts closure and audit process, as it develops its plans for the 2016/17 close.
- 3.2 From 2017/18, there is a statutory requirement to produce the draft accounts by 31 May and final audited accounts by 31 July. A detailed project plan and timetable has been prepared for 2016/17 closure, to provide a 'dry run' and to build on and embed the new approaches introduced in the 2015/16 accounts closedown. This plan has identified critical path activities, to see where efficiencies can be achieved. A number of tasks have been brought forward, for example earlier delivery of asset revaluations and actuary estimates.
- 3.3 Finance is also continuing to work with EY on ways of streamlining and bringing forward the audit process. These include early testing of April – December 2016 transactions, and the agreement of accounting policies and changes to the format of accounts before the main audit.
- 3.4 Officers have attended joint CIPFA / EY training covering changes that impact the 2016/17 accounts. These include a new presentation of the Comprehensive Income and Expenditure Statement, and supporting notes, introduced as part of CIPFA's "Telling the Story" review to give a clearer view of authorities' spend and funding, better aligned to management reporting. In house training is being delivered to the



wider Finance team, and guidance materials for budget managers have been reviewed and communicated.

### 3.5 Accounting Policies

Officers have also reviewed the Accounting Policies to ensure these remain compliant with relevant accounting standards, and that accounting practice in preparing the accounts is aligned with policies. There are no changes in accounting standards or other statutory requirements that impact the Council's 2016/17 accounts, and no changes to accounting policies are proposed.

## **4 Financial Implications**

4.1 There are no additional financial implications.

Agenda Item No: 3A

# Hertfordshire County Council

Year ending 31 March 2017

Audit Plan

1<sup>st</sup> March 2017

Ernst & Young LLP



Building a better working world Agenda Pack 18 of 160

Audit Committee  
Hertfordshire County Council  
County Hall  
Pegs Lane  
Hertford  
SG13 8DQ

1 March 2017

Dear Committee Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 1<sup>st</sup> March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Neil Harris  
*For and behalf of Ernst & Young LLP*  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

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

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

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

## 1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Hertfordshire County Council, its Group and the fire-fighters' pension fund give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

## 2. Financial statement risks

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

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

| Significant risks (including fraud risks)   | Our audit approach  |
|---|---|
| <b>Risk of fraud in revenue recognition</b>   |   |
| <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>▶ Review and test revenue and expenditure recognition policies.</li> <li>▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.</li> <li>▶ Develop a testing strategy to test material revenue and expenditure streams.</li> <li>▶ Review and test revenue cut-off at the period end date.</li> <li>▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul> |
| <b>Risk of management override</b>  |   |
| <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>   | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>▶ Reviewing accounting estimates for evidence of management bias.</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul>   |
| <b>Other financial statement risks</b>  |   |
| <b>Property Asset Valuation</b>   |   |
| <p>Valuation of property assets is a significant accounting estimate that has a material impact on the financial statements.</p>  | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Assessing and placing reliance on property valuation specialists commissioned by the Council and the auditor.</li> <li>▶ Assessing and using an independent valuer's market report to assess and challenge the assumptions and judgements used by the Council's external valuer in valuing the Council's property.</li> <li>▶ Testing the accounting entries made for revaluations.</li> </ul>  |
| <b>Pension Liability</b>  |   |
| <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p>                | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary to the PSAA, PwC.</li> <li>▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.</li> <li>▶ Assessing the reasonableness of the estimations and judgements used.</li> </ul>   |

**Group Accounts**

The Council set up two companies in September 2013:

- ▶ Hertfordshire Catering Ltd, which is wholly-owned subsidiary.
- ▶ Herts for Learning, of which 20% is owned by the Council and the remainder by schools.

The Council continues to assess these interests as quantitatively and qualitatively material to the group and therefore the Council will continue to consolidate the companies into the Council's group and therefore the Council will continue to consolidate the companies into the Council's group accounts as required by the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

There is a risk that the group financial statements do not meet the requirements as defined by the Code.

We will review and test whether the Council has:

- ▶ Identified all potential group entities against accounting standards IFRS10 and 11.
- ▶ Adopted and correctly applied accounting policies that comply with the requirements of the Code.
- ▶ Consolidated the companies' accounts appropriately into the group accounts.
- ▶ Made all appropriate disclosures in accordance with adopted accounting policies and requirements of the Code.

We are responsible for the direction, supervision and performance of the group audit. We will therefore instruct the auditor of the companies as part of our audit procedures.

Further details on the work we will carry out in respect of the group accounts audit is set out in Appendix C.

**Children's Services PFI Scheme**

The Council entered into a PFI scheme in June 2007 for the design, finance and maintenance of seven new children's homes, a family assessment centre, a disability resource centre, a children's centre and the refurbishment of five family support centres, through a private sector operator, with a facility for 25 years.

The outstanding liabilities to be paid to the contractors for capital expenditure as at 31 March 2016 were £16,185million.

It is a number of years since this PFI scheme was reviewed in detail by audit and therefore we believe additional work needs to be carried out to ensure the values and accounting disclosures associated with this PFI scheme remain accurate and in line with the original contract arrangements.

We will use an EY specialist to review the PFI contract and calculations to ensure the scheme continues to be accounted for correctly and in line with the Code requirements.

**CIPFA Code Changes**

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

**Highways Network Assets deferral to 2017/18**

CIPFA have issued an update to the 2016/17 Accounting Code. The removal of all references to the valuation and accounting requirements for the Highways Network Asset due to the deferral of its implementation announced in December 2016.

Our Approach will focus on:

- ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code
- ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

We will continue to consider the preparedness of the Council during 2016/17 and review any disclosures associated with this in the 2016/17 financial statements.

## 2.1 Responsibilities in respect of fraud and error

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

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

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

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified risks.



### 3. Value for money risks

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. For 2016-17 this is based on the overall evaluation criterion:

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

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

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

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

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

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

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

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant risk which we view as relevant to our value for money conclusion. We will revisit the assessment throughout the audit process.

| Significant value for money risks   | Our audit approach  |
|---|---|
| <b>Financial Resilience - Sustainability and Transformation Plan</b>  |   |
| <p>The impact of continuing reductions in funding from central government is particularly challenging for the Council. With restrictions on annual Council Tax increases, the Council’s medium-term financial strategy identifies the need to identify and deliver significant savings from 2017/18 and future years.</p>   | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Developing an understanding of how the Council identifies and quality assures its savings plans .</li> <li>▶ Reviewing the detail of key schemes for 2016/17 and 2017/18.</li> <li>▶ Assessing the linkage between the capital programme and revenue budgeting.</li> </ul>  |
| <p>Sustainability and Transformation Plans (STPs) give local NHS organisations and councils the opportunity to work together to improve the way health and social care is designed and delivered.</p> <p>The Hertfordshire and west Essex publication ‘A Healthier Future’ brings together the challenges and opportunities that face NHS and care services in Hertfordshire and west Essex, as they work together to</p> | <ul style="list-style-type: none"> <li>▶ The arrangements at the Council, working with its STP partners, during 2016/17 for:                             <ul style="list-style-type: none"> <li>▶ Defining the governance arrangements to support STP delivery.</li> <li>▶ Engaging in the STP process.</li> <li>▶ Working with the STP partners to progress the STP from high level planning to a more detailed</li> </ul> </li> </ul> |

improve health and wellbeing within the funds available.

In Hertfordshire and west Essex £3.1bn a year is spent on health and social care. The position is increasingly stretched with a potential funding gap of £550million a year by 2021 unless services can act together.

While the Council has a history of being well managed and aware of issues impacting the County area as a whole, we consider there is a significant risk in relation to the Council's ability to deal with the challenging health and social care environment and deliver the savings required.

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delivery model.

- ▶ Demonstrating how the STP will contribute to the financial sustainability of the Council in the context of the health economy.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

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

- ▶ Financial statements.
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

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

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.
- ▶ Give a separate opinion on the part of the Council's financial statements that relates to the accounts of the pension fund.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

### 4.2 Audit process overview

Our audit approach is to assess the Council's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely upon the work of Internal Audit as much as possible whilst complying with the requirements of auditing standards. We have discussed our plans with Internal Audit, establishing which financial systems they are reviewing this year and have built this into our work plan.

#### Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Cash processing
- ▶ Payroll

Other material items of account will be tested substantively.

### Early Substantive Testing

We will undertake focussed testing for nine months of data (April to December 2016) around the income and expenditure in the following areas:

- ▶ Social Care income and expenditure
- ▶ Hertfordshire Business Services income and expenditure
- ▶ Waste Management expenditure

This work is expected to be completed at the beginning of March 2017.

We are working with the Council to identify other areas we could review early. The balance sheet will be tested at year end.

We are currently working with the Council to gain greater assurance over the IT controls and processes particularly around the SAP system. We have engaged EY's IT risk assurance specialists to assess the control environment with a plan to place greater reliance on the system and its operation. We will update the Council in due course about the outcomes from this work.

### Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries, in particular payroll and journal entries. We have collected the journal entry data at Month 9 to support our early testing and will do so again at year end. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests.
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

### Internal audit

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

### Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are

| Area               | Specialists   |
|--------------------|---|
| Pensions           | Hymans Robertson (the Council's Actuary)<br>PWC review of the work of local government actuaries (including Hymans Robertson), commissioned by the NAO<br>EY pensions team review of the PWC report         |
| Property Valuation | Lambert Smith Hampton (the Council's property valuers)<br>Gerald Eve report on property market conditions (independent valuers) commissioned by the NAO<br>EY property team review of the Gerald Eve report |

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|                           |   |
|---------------------------|---|
| Property Componentisation | Head of Building Management                   |
| Loan Fair Values          | Arlingclose (the Council's treasury advisors) |

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In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

### **4.3 Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### **Procedures required by standards**

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

#### **Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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

## **4.4 Materiality**

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

We have determined that overall materiality for the financial statements of the Council is £17.1 million based on 1% of Gross Expenditure. We will communicate uncorrected audit misstatements greater than £855,000 to you.

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

## **4.5 How materiality is applied to the component locations**

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. Based on the planning materiality of £17.1 million, we expect a component materiality of £1.5 million.

## **4.6 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the Council is £142,067.

## **4.7 Your audit team**

The engagement team is led by Neil Harris, who has significant experience of local government external audit. Neil Harris is supported by Natalie Clark who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

## **4.8 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

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

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

| <b>Audit phase</b>                     | <b>Timetable</b>                    | <b>Audit Committee timetable</b> | <b>Deliverables</b>  |
|--|-------------------------------------|----------------------------------|--|
| High level planning                    | <b>January 2017</b>                 |                                  |  |
| Risk assessment and setting of scopes  | <b>January 2017 – February 2017</b> | March 2017                       | Audit Plan   |
| Testing routine processes and controls | <b>February – March 2017</b>        | June 2017                        | Progress Report (We will report by exception if there are any significant matters arising at this stage of our audit).   |
| Early Substantive Testing              |                                     |                                  |  |
| Year-end audit                         | <b>June – August 2017</b>           |                                  |  |
| Completion of audit                    | <b>September 2017</b>               | September 2017                   | Report to those charged with governance via the Audit Results Report<br>Audit report (including our opinion on the financial statements; and, overall value for money conclusion).<br>Audit completion certificate<br>Reporting to the NAO on the Whole of Government Accounts return. |
| Conclusion of reporting                | <b>October 2017</b>                 | November 2017                    | Annual Audit Letter  |

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

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

| Required communications  |   |
|--|---|
| Planning stage   | Final stage   |
| <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us.</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review.</li> <li>▶ The overall assessment of threats and safeguards.</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul> | <ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto.</li> <li>▶ Written confirmation that we are independent.</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy.</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul> |

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

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

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council. At the time of writing, there are no long outstanding fees.



We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

We carried out non-audit work on the certification of the Council's 2015-16 teacher's pensions return as a reporting accountant in February 2017. The fee charged was £13,000. Therefore the ratio of non-audit fees to audit fees for 2015-16 was approximately 1:14. No additional safeguards were required. Certification arrangements have not yet been made for the 2016-17 return.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

#### ***Self-review threats***

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

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

#### ***Management threats***

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

There are no management threats at the date of this report.

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

#### ***Overall Assessment***

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

### **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

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

## Appendix A Fees

A breakdown of our agreed fee is shown below.

|                                     | Planned Fee<br>2016/17<br>£ | Scale fee<br>2016/17<br>£ | Outturn fee<br>2015/16<br>£ | Explanation   |
|-------------------------------------|-----------------------------|---------------------------|-----------------------------|---|
| Opinion Audit and VFM<br>Conclusion | 142,067                     | 142,067                   | 142,067                     |   |
| <b>Total Audit Fee – Code work</b>  | <b>142,067</b>              | <b>142,067</b>            | <b>142,067</b>              |   |
| Non-audit work                      | 13,000                      | N/A                       | 13,000                      | 2016/17 fee relates to the work completed on the 2015/16 return as the work is completed in the financial year following preparation of the return (2015/16 relates to 2014/15 completed return). |

*All fees exclude VAT.*

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

## Appendix B UK required communications with those charged with governance

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

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

| Required communication   | Reference   |
|--|---|
| <p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> </ul>  |
| <p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>  | <ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>  |
| <p><b>Significant deficiencies in internal controls identified during the audit</b></p>  | <ul style="list-style-type: none"> <li>▶ Audit Results Report</li> </ul>  |
| <p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul> |
| <p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul> | <ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Audit Results Report</li> </ul>  |

## Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ **Full scope:** locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ **Specific scope:** locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.
- ▶ **Limited Scope:** limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.
- ▶ **Other procedures:** For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Our audit approach is risk-based, and we have assessed the risks presented by the two component companies within the Hertfordshire County Council group. Both Hertfordshire Catering Limited and Herts for Learning Limited have been assessed as limited scope components, with our work being based on a desk top review consisting of enquiries of management and analytical review as appropriate.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. Our involvement can be summarised as follows:

- ▶ For both component companies we expect to review the final audited financial statements and the auditor's report on the results of their audit when performing our tests of consolidation and analytical review of the amounts feeding into the group statements.

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Agenda Item No: 3B

# Hertfordshire Pension Fund

Year ending 31 March 2017

Audit Plan

March 2017

Ernst & Young LLP



Building a better working world Agenda Pack 39 of 160

Audit Committee  
Hertfordshire County Council  
County Hall  
Pegs Lane  
Hertford  
SG13 8DQ

16 February 2017

Dear Committee Members

## **Audit Plan**

We are pleased to attach our Audit Plan in respect of the Hertfordshire pension Fund, which sets out how we intend to carry out our responsibilities as auditor for the year ending 31 March 2017. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with the Audit Committee 1 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Richard Page  
Executive Director  
*For and on behalf of Ernst & Young LLP*



## Contents

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

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

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

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

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

# 1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Hertfordshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017; and
- ▶ our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements Hertfordshire County Council.

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

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

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

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

We will provide an update to the Audit Committee and Pensions Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

## 2. Financial statement risks

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

| Significant risks (including fraud risks)   | Our audit approach   |
|---|--|
| <p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions.</li> </ul> |

### 2.1 Responsibilities in respect of fraud and error

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

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

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

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified risks.

### 3. Our audit process and strategy

#### 3.1 Objective and scope of our audit

Under the Code of Audit Practice (the 'Code') our principal objectives are to review, and report on, the Pension Fund's financial statements to:

- ▶ form an opinion on the financial statements under International Standards on Auditing (UK and Ireland); and
- ▶ form an opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Hertfordshire County Council.

#### 3.2 Audit process overview

Our audit involves:

- ▶ identifying and understanding the key processes and internal controls;
- ▶ where relevant reviewing the work of your internal auditors;
- ▶ reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund liability to pay future pensions, to establish if reliance can be placed on their work; and
- ▶ substantive tests of detail of transactions and amounts.

##### Processes

Our initial assessment of the key processes across the Pension Fund has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Benefits payable
- ▶ Contributions receivable

Investments and cash balances will be tested substantively at the year end. Investments are managed by contracted fund managers and overseen by the appointed custodian. We will also review the findings of independent ISAE 3402 assurance reports, for the custodian and fund managers, and assess if there are any issues reported that might impact on our testing strategy.

We will also undertake work in accordance with our IAS19 protocol to provide requested information to the auditors of relevant admitted bodies.

##### Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

### Internal audit

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

### Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are;

| Area                 | Specialists  |
|----------------------|--|
| Investment Valuation | The Pension Fund's Custodian (Bank of New York Mellon)<br>Investment Fund Managers   |
| Pensions liability   | Hymans Robertson (the Pension Fund's Actuary)<br>PwC review of the work of local government actuaries (including Hymans Robertson), commissioned by the NAO<br>EY pensions team review of the PwC report |

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements

## 3.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks outlined in Section 2, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

### **Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.

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

## **3.4 Materiality**

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

We have determined that overall preliminary materiality for the financial statements of the Pension Fund is £35.8 million based on 1% of net assets. We will communicate uncorrected audit misstatements greater than £1.8 million to you.

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

## **3.5 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

The indicative fee scale for the audit of Hertfordshire Pension Fund is £27,991.

## **3.6 Your audit team**

The engagement team is led by Richard Page, who has significant experience of pension audits. Richard is supported by Natalie Clark who is responsible for the day-to-day direction of audit work and is the key point of contact for your finance and pension teams.

Neil Harris is the Executive Director leading our overall engagement with Hertfordshire County Council and our relationship with both the Audit Committee and the Pensions Committee.

## **3.7 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit. The timetable includes the deliverables we have agreed to provide to the Pension Fund through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

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

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

| Audit phase                            | Timetable                           | Audit Committee timetable | Deliverables  |
|--|-------------------------------------|---------------------------|---|
| Risk assessment and setting of scopes  | <b>December 2016 – January 2017</b> | <b>March 2017</b>         | Audit Plan  |
| Testing routine processes and controls | <b>January – March 2017</b>         | <b>June 2017</b>          | Progress Report (We will report by exception if there are any significant matters arising at this stage of our audit).  |
| Year-end audit                         | <b>June – August 2017</b>           |                           |   |
| Completion of audit                    | <b>August 2017</b>                  | <b>September 2017</b>     | Report to those charged with governance via the Audit Results Report<br><br>Audit report , including our opinion on the financial statements<br><br>Audit report on our opinion on the consistency of the financial statements within the Pension Fund annual report with the published financial statements. |

## 4. Independence

### 4.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

| Required communications  |   |
|--|---|
| Planning stage   | Final stage   |
| <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul> | <ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul> |

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

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

### 4.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### **Self-interest threats**

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Pension Fund.

We are the appointed auditors for Hertfordshire County Council; we have no other business relationship with the Pension Fund or Council. At the time of writing, there are no long outstanding fees.



We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Pension Fund has approved and that are in compliance with the PSAA Terms of Appointment.

At the time of writing, there are no planned non-audit fees.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Pension Fund. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

***Self-review threats***

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

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

***Management threats***

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

There are no management threats at the date of this report.

***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

***Overall Assessment***

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

### **4.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

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

## Appendix A Fees

A breakdown of our agreed fee is shown below.

|                                    | Planned Fee<br>2016/17<br>£ | Scale fee<br>2016/17<br>£ | Outturn fee<br>2015/16<br>£ | Explanation |
|------------------------------------|-----------------------------|---------------------------|-----------------------------|-------------|
| <b>Total Audit Fee – Code work</b> | <b>27,991</b>               | <b>27,991</b>             | <b>27,991</b>               |             |
| Non-audit work                     | -                           | -                         | -                           |             |

*All fees exclude VAT.*

We base the agreed fee presented above on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ the operating effectiveness of the internal controls for the key processes outlined in section 3.2 above;
- ▶ appropriate quality of documentation is provided by the Pension Fund; and
- ▶ the Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. We will discuss and agree any variation with the Pension Fund officers in advance.

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

## Appendix B UK required communications with those charged with governance

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

| Required communication  | Reference            |
|---|----------------------|
| <b>Planning and audit approach</b>  |                      |
| Communication of the planned scope and timing of the audit including any limitations.   | Audit Plan           |
| <b>Significant findings from the audit</b>  |                      |
| <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul> | Audit Results Report |
| <b>Misstatements</b>  |                      |
| <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>   | Audit Results Report |
| <b>Fraud</b>  |                      |
| <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>   | Audit Results Report |
| <b>Related parties</b>  |                      |
| Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>   | Audit Results Report |
| <b>External confirmations</b>   |                      |
| <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>  | Audit Results Report |
| <b>Consideration of laws and regulations</b>  |                      |
| <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>   | Audit Results Report |

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

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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**REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2016/17**

Report of the Assistant Director - Finance

Authors: Lindsey McLeod, Head of Accountancy Services  
(Tel: 01992 556431)  
Patrick Towey, Head of Specialist Accounting  
(Tel: 01992 555148)

Executive Member: Chris Hayward, Resources and Performance

**1. Purpose of the Report**

- 1.1 To respond to Ernst Young's (EY)'s requirements for assurances on the management and oversight of both the General and Pension Fund accounts.

**2. Summary**

- 2.1 In accordance with International Accounting Standards our external auditors are required on an annual basis to update their understanding of the management and processes for both the General and Pension Fund Accounts. The authority's response is required to be signed by the Chairman of the Audit Committee. The purpose of this letter is to provide assurances over the management and oversight of processes relating to the accounts.

**3. Conclusion**

- 3.1 The draft letters of representation attached at Appendix A and B set out the position in relation to management and oversight of the General and Pensions Fund accounts.

**4. Recommendation**

- 4.1 That the letters of representation to EY are approved for signature by the Chair of the Committee.

# Appendix A

## Resources Director of Resources

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**Contact:** Owen Mapley

**Private & Confidential**

**Date:** 1st March 2017

Dear Ms Clark

### **Hertfordshire County Council Audit of Accounts 2016/17 – Understanding how the Audit Committee gains assurance from management**

Thank you for your letter dated 19<sup>th</sup> January 2017 sent to me as Chairman of the Audit Committee, concerning your current work on the Council's accounts for 2016/17.

In response to your request, I can provide you with the following assurances.

- 1 **Oversight of management's processes in relation to:**
  - 1.1 **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error**

This risk is considered by the Audit Committee as part of its annual scrutiny of the accounts. Internal Audit audits and reports to the Committee on its work, assessing the controls designed to ensure the accuracy and propriety of the financial statements. As a result of this work during 2016/17, I anticipate that the Head of Assurance will report to the Committee that he does not consider that there is a significant risk of material misstatement in the financial statements due to fraud.

- 1.2 **Identifying and responding to risks of fraud and reporting fraud concerns**

The Director of Resources takes reasonable steps for the prevention and detection of fraud.

In addition, Internal Audit reports to the Audit Committee on its annual planning process, in which they undertake a risk assessment of the Council's systems and

arrangements, including an evaluation of the risk of fraud or other irregularity. The overall assessment of assurance including internal controls and segregation of duties is provided by the Head of Assurance.

The Council's Anti-Fraud and Corruption Strategy has been endorsed by the Audit Committee; the Strategy sets out how the Council responds to suspected or detected fraud or corruption, and includes the requirement on all Council employees and members that such suspicions be reported promptly to the Head of Assurance or the Shared Anti-Fraud Service for investigation. The Council's Whistleblowing procedure, also endorsed by the Audit Committee, sets out how this reporting can be done in confidence, and is issued to all employees and members.

The Council's website, [www.Hertfordshire.gov.uk](http://www.Hertfordshire.gov.uk), provides confidential means for members of the public to report suspected fraud direct to the Hertfordshire Anti-Fraud Service, through an on-line portal, by telephone or email.

The Shared Anti-Fraud Service which began operation in April 2015 is resourced to undertake investigations into suspected fraud, and has undertaken a number of these in 2016/17. The service maintains a record of all fraud referrals and actions taken in response. Anti-fraud work also includes participation in the National Fraud Initiative and the investigation of potential data matches which may indicate fraud.

In addition to the increased professional expertise around fraud that the Service brings, its new initiatives will further strengthen the anti-fraud arrangements in place, for example in creating a data-sharing hub which has helped to generate fraud investigation targets by comparing sets of information and looking for anomalies. The service also provides alerts on fraud from agencies such as National Anti-Fraud Network, Action Fraud and City of London Police.

### **1.3 Communication to employees on business practice and ethics**

The Council's Code of Conduct, available on the Council's intranet, sets out clearly the standards expected of its employees including the high standards required in respect working with public funds and complying with Anti-Bribery laws. The Code of Conduct is referenced in all employment related policies.

### **1.4 Encouraging employees to report their concerns about fraud**

The Council's Whistleblowing policy is set out on the Council's intranet. All concerns notified have been investigated. During the year a poster campaign took place to highlight the routes available for reporting concerns.

### **1.5 Communication to those charged with governance on processes for identifying and responding to fraud**



The Head of Assurance presents the annual Internal Audit Plan to the Audit Committee, and provides the Committee with the opportunity to scrutinise those elements of the Plan aimed at identifying and responding to the risks of fraud within the Council. The Committee has also been made aware of the Anti-Fraud and Corruption Strategy and the Anti-Bribery policy. The Committee also receive regular update reports on the work of the Shared Anti-Fraud Service.

In his Annual Report, the Head of Assurance provides an account to the Committee of work done in respect of counter-fraud activities and whether there is any undue organisational or management pressure to meet financial or operating targets.

## **2 Risk of fraud and breaches of internal control**

The Audit Committee receives quarterly reports from the Head of Assurance on the progress of the Internal Audit planned work including, if applicable, any breaches in control. In his Internal Audit Annual Report, the Head of Assurance provides an account to the Committee of work done to test for breaches of internal control, and reports on management responses to these.

In addition, Internal Audit reports to the Audit Committee on its annual planning process in which internal audit undertake a risk assessment of the Council's systems and arrangements, including an evaluation of the risk of fraud or other irregularity.

## **3 Awareness of actual, suspected or alleged fraud or breaches in internal control**

The Head of Assurance via the Shared Anti-Fraud Service maintains a fraud register, which provides for the recording of the nature and extent of each suspected fraud, the way in which each case is resolved, and any wider corrective measures. The upload of the National Fraud Initiative data for 2016/17 has been completed and work to investigate the resulting data matches will commence from February 2017.

## **4 Awareness of any organisational or management pressure to meet financial or operating targets**

The Audit Committee is not aware of any inappropriate organisational or management pressure being applied or incentives offered to meet financial or operating targets

## **5 Compliance with relevant laws and regulations**

The County Council approves the Council's Constitution and any changes to it (most recently July 2016), in which the functions of Monitoring Officer are set out. The Audit Committee members are members of the County Council. It is the role of the Monitoring Officer to ensure that decisions are lawful and fair and, after

consultation with the Head of Paid Service and Director of Resources, to report to the Council (or Executive) if any proposals or decision would give rise to unlawfulness or maladministration.

Formal reports from Monitoring Officers to Council Meeting, at Hertfordshire County Council as elsewhere, are extremely rare. The Monitoring Officer discharges her responsibility by ensuring that Members, including the Audit Committee, are advised as soon as possible about potential unlawfulness or maladministration. There have been no significant issues of non-compliance in 2016/17 reported to the Audit Committee.

**6 Awareness of any actual or potential litigation or claims that would affect the financial statements**

The Director of Resources is required, as part of the ongoing performance management and monitoring arrangements, to consider any material risk or issues which could impact on the financial statements and recommend that the authority makes appropriate provisions against such risks. This would include any potential litigation or claims. There are no actual or potential litigation or claims that would affect the financial statements for Hertfordshire County Council.

**7 Financial Statements are prepared on a going concern basis**

The Governance arrangements of the authority include specific requirements for the financial management arrangements to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (2010). The ongoing review of internal control by the Audit Committee includes arrangements in place for the financial management of the authority. This includes scrutiny of the robustness of estimates and the adequacy of reserves, as part of the annual budget cycle, together with ongoing monitoring and control of the budget and action necessary to address any variances.

I trust that this answers your queries in this area but if you require any further information, please do not hesitate to contact me.

Yours sincerely

**Andrew Williams**  
Chairman, Hertfordshire County Council Audit Committee

# Appendix B

## Resources Director of Resources

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**Contact:** Owen Mapley

**Private & Confidential**

**Date:** 1st March 2017

Dear Ms Clark

### **Audit of the Hertfordshire Local Government Pension Fund Financial Statements for the year ended 31 March 2017 – Understanding how the Audit Committee gains assurance from management**

Thank you for your letter dated 31<sup>st</sup> January 2017 sent to me as Chairman of the Audit Committee, concerning your current work on the Council's accounts for 2016/17.

In response to your request, I can provide you with the following assurances.

- 1 **Oversight of management's processes in relation to:**
  - 1.1 **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error**

This risk is considered by the Audit Committee as part of its annual scrutiny of the Pension Fund accounts. Internal Audit audits and reports to the Committee on its work, assessing the controls designed to ensure the accuracy and propriety of the financial statements. As a result of this work during 2016/17, I anticipate that the Head of Assurance will report to the Committee that he does not consider that there is a significant risk of material misstatement in the financial statements due to fraud.

- 1.2 **Identifying and responding to risks of fraud and reporting fraud concerns**

The Director of Resources takes reasonable steps for the prevention and detection of fraud. The Pension Fund's assets are held in custody by an independent custodian; and investment managers appointed by the Pension Committee manage

these assets on behalf of the fund. Reasonable controls have been certified by an appropriate auditor.

In addition, Internal Audit reports to the Audit Committee on its annual planning process, in which they undertake a risk assessment of the Council's systems and arrangements, including an evaluation of the risk of fraud or other irregularity. Administration of the Pension Fund is operated through the Council's core financial systems, and Internal Audit's reviews of each of these are aimed in part at testing for fraud, and evaluating the effectiveness of controls aimed at minimising such activity. At the stage of individual audit planning the risk of fraud/irregularity occurring is always considered and appropriate controls testing included within the test schedule. The overall assessment of assurance including internal controls and segregation of duties is provided by the Head of Assurance.

The Council's Anti-Fraud and Corruption Strategy has been endorsed by the Audit Committee; the Strategy sets out how the Council responds to suspected or detected fraud or corruption, and includes the requirement on all Council employees and members that such suspicions be reported promptly to the Head of Assurance or the Shared Anti-Fraud Service for investigation. The Council's Whistleblowing procedure, also endorsed by the Audit Committee, sets out how this reporting can be done in confidence, and is issued to all employees and members.

The Council's website, [www.Hertfordshire.gov.uk](http://www.Hertfordshire.gov.uk), provides confidential means for members of the public to report suspected fraud direct to the Hertfordshire Anti-Fraud Service, through an on-line portal, by telephone or email.

The Shared Anti-Fraud Service which began operation in April 2015 is resourced to undertake investigations into suspected fraud, and has undertaken a number of these in 2016/17. The service maintains a record of all fraud referrals and actions taken in response. Anti-fraud work covering the Pension Fund includes participation in the National Fraud Initiative and the investigation of potential data matches which may indicate overpayments or, occasionally, fraud.

In addition to the increased professional expertise around fraud that the Service brings, its new initiatives will further strengthen the anti-fraud arrangements in place, for example in creating a data-sharing hub which has helped to generate fraud investigation targets by comparing sets of information and looking for anomalies. The service also provides alerts on fraud from agencies such as National Anti-Fraud Network, Action Fraud and City of London Police.

### **1.3 Communication to employees on business practice and ethics**

The Pension Fund has published a Communication Policy Statement which explains how it communicates with employers and representatives of employers, scheme members and prospective scheme members. This will be set out within the Pension Fund's 2016/17 Annual Statement of Accounts, and may be found separately at the following website

<http://www.yourpension.org.uk/Hertfordshire/Fund-information/Policy-statements.aspx>

The Council's Code of Conduct, available on the Council's intranet, sets out clearly the standards expected of its employees including the high standards required in respect of working with public funds and complying with Anti-Bribery laws. The Code of Conduct is referenced in all employment related policies.

#### **1.4 Encouraging employees to report their concerns about fraud**

The Council's Whistleblowing policy is set out on the Council's intranet. All concerns notified have been investigated. During the year a poster campaign took place to highlight the routes available for reporting concerns.

#### **1.5 Communication to those charged with governance on processes for identifying and responding to fraud**

The Head of Assurance presents the annual Internal Audit Plan to the Audit Committee, and provides the Committee with the opportunity to scrutinise those elements of the Plan aimed at identifying and responding to the risks of fraud within the Council, including those within the Pension Fund. The Committee has also been made aware of the Anti-Fraud and Corruption Strategy and the Anti-Bribery policy. The Committee also receive regular update reports on the work of the Shared Anti-Fraud Service.

In his Annual Report, the Head of Assurance provides an account to the Committee of work done in respect of counter-fraud activities and whether there is any undue organisational or management pressure to meet financial or operating targets.

### **2 Risk of fraud and breaches of internal control**

The Audit Committee receives quarterly reports from the Head of Assurance on the progress of the Internal Audit planned work including, if applicable, any breaches in control. In his Internal Audit Annual Report, the Head of Assurance provides an account to the Committee of work done to test for breaches of internal control, and reports on management responses to these.

In addition, Internal Audit reports to the Audit Committee on its annual planning process in which internal audit undertake a risk assessment of the Council's systems and arrangements, including an evaluation of the risk of fraud or other irregularity.

### **3 Awareness of actual, suspected or alleged fraud or breaches in internal control**

The Head of Assurance via the Shared Anti-Fraud Service maintains a fraud register, which provides for the recording of the nature and extent of each suspected fraud, the way in which each case is resolved, and any wider corrective

measures. The upload of the National Fraud Initiative data for 2016/17 has been completed and work to investigate the resulting data matches will commence from February 2017.

The Pension Committee receives quarterly reports from the Chief Financial Officer on the performance of the Pension Fund, against both the investment and administration strategies. These reports also include, if applicable, any breaches in control.

**4 Awareness of any organisational or management pressure to meet financial or operating targets**

The Audit Committee is not aware of any inappropriate organisational or management pressure being applied or incentives offered to meet financial or operating targets.

**5 Compliance with relevant laws and regulations**

The County Council approves the Council's Constitution and any changes to it (most recently July 2016), in which the functions of Monitoring Officer are set out. The Audit Committee members are members of the County Council. It is the role of the Monitoring Officer to ensure that decisions are lawful and fair and, after consultation with the Head of Paid Service and Director of Resources, to report to the Council (or Executive) if any proposals or decision would give rise to unlawfulness or maladministration.

Formal reports from Monitoring Officers to Council Meeting, at Hertfordshire County Council as elsewhere, are extremely rare. The Monitoring Officer discharges her responsibility by ensuring that Members, including the Audit Committee, are advised as soon as possible about potential unlawfulness or maladministration. There have been no significant issues of non-compliance in 2016/17 reported to the Audit Committee.

**6 Awareness of any actual or potential litigation or claims that would affect the financial statements**

The Director of Resources is required, as part of the ongoing performance management and monitoring arrangements, to consider any material risk or issues which could impact on the financial statements and recommend that the authority makes appropriate provisions against such risks. This would include any potential litigation or claims. There are no actual or potential litigation or claims that would affect the financial statements for Hertfordshire County Council.

**7 Financial Statements are prepared on a going concern basis**

The Governance arrangements of the authority include specific requirements for the financial management arrangements to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (2010). The

ongoing review of internal control by the Audit Committee includes arrangements in place for the financial management of the authority, which includes management of the Pension Accounts. This includes assessing risks and liabilities and ensuring that these are reflected in the Pension Accounts.

I trust that this answers your queries in this area but if you require any further information, please do not hesitate to contact me.

Yours sincerely

**Andrew Williams**

Chairman, Hertfordshire County Council Audit Committee

**HERTFORDSHIRE COUNTY COUNCIL**  
**AUDIT COMMITTEE**  
**WEDNESDAY, 1 MARCH 2017 10.00 AM**

**RISK MANAGEMENT ANNUAL REPORT 2016/17**

Report of the Head of Assurance

|  |
|--|
| <p><b><u>Agenda item</u></b><br/><b><u>no:</u></b></p> <p><b>5</b></p> |
|--|

Author: Fiona Timms, Risk and Insurance Manager (Tel: 01438 843565)

**Purpose of Report**

- 1.1. This report is an annual item to outline the key Risk Management activity undertaken since the last annual report presented in March 2016 and as requested by the Audit Committee.

**Summary**

- 1.2. The following items are included in this report:

- The current Corporate Risk Register position
- Details of key risk movements over the last quarter
- A summary of key corporate risk movements over the last year
- Audit findings on Risk Management

- 1.3. Corporate risk appendices accompany this report:

- A risk movement report at Appendix A details the risks with changes in the last quarter
- A risk status report at Appendix B summarises the latest risk scores and risk scores at each of the last 3 Audit Committee meetings.
- The organisational risk matrix is included in Annex A to this report.

**Recommendations**

- i. That the changes in the Corporate Risks since the last report to the Committee are noted
- ii. That the Risk Management Annual report be noted.
- iii. That the Committee identifies a risk (or risks) to be reviewed at its next meeting in June 2017.



## Corporate Risk Register

- 1.4. The latest review of the corporate risk register took place during January 2017 and significant changes were subsequently reported to the Strategic Management Board (SMB) on 6 February 2017 and will be similarly reported to the Resources and Performance Cabinet Panel on 9 March 2017.

The table below shows the risk movements broken down by risk classification. The movements shown are a continuation from the previous Risk Management Annual Report dated March 2016.

|                       | 2015/16<br>Quarter 4 | 2016/17<br>Quarter 4* |
|-----------------------|----------------------|-----------------------|
| <b>Red</b>            | 10                   | 12 (+2)               |
| <b>Amber</b>          | 24                   | 22 (-2)               |
| <b>Yellow</b>         | 1                    | 1                     |
| <b>Green</b>          |                      |                       |
| <b>Total</b>          | <b>35</b>            | <b>35</b>             |
| <b>Difference +/-</b> |                      | <b>0</b>              |

\* The final quarter (highlighted in grey) is the current quarter and details movements to date. No change in absolute numbers may hide movement in and out. These will be outlined in the following sections.

As shown, there are still 35 Risks on the Corporate Risk Register. However, the variations and changes to risk categories are indications of the continued active management and scrutiny of risks and controls. These movements also include newly identified risks which is a further indication of the continued activity around identifying future areas of risk and uncertainty.

### 1.5. Heat-map of Corporate Risk Register at 23 January 2017.

This provides an overview and summary of the risk landscape for the organisation currently and an opportunity for Audit Committee to consider risks across the Authority. This also shows key changes from the position reported to the November 2016 Audit Committee.

|             |                |            |                              |                              |                                  |                               |
|-------------|----------------|------------|------------------------------|------------------------------|----------------------------------|-------------------------------|
| Probability | Almost Certain |            | E01 ↓                        |                              |                                  |                               |
|             | Likely         |            | R08                          | HC01<br>HC04<br>HC05         | R01<br>R02<br>E02<br>R12 ↑       | HC02 ↑                        |
|             | Possible       |            | R13<br>R15<br>R16<br>R18 new | CS02<br>CP02<br>CP03<br>HC06 | R05<br>R07<br>R17 new<br>R19 esc | CP01<br>HC07                  |
|             | Unlikely       |            |                              | CP06<br>E04<br>R09           | R11<br>S02*                      | CS01<br>HC03                  |
|             | Rare           |            |                              | E03                          |                                  | CP04<br>CP05<br>PH01<br>R03 ↓ |
|             |                | Negligible | Low                          | Medium                       | High                             | Very High                     |
| Impact      |                |            |                              |                              |                                  |                               |











Note - \* S02 (formerly R10) has been de-escalated to a Service level risk

Each corporate risk has been allocated a simple risk number prefixed by appropriate letters to denote the Department owning the risk.

- R = Resources
- CP = Community Protection
- CS = Children's Services
- PH = Public Health
- HC = Health and Community Services
- E = Environment

## 1.6. Corporate Risk Register – brief risk descriptions

The following are brief descriptions for the risks in the heat-map (matrix) together with dates when risk focus reports were considered, or are to be considered:

| No. and Score   | Brief Risk Description  | Risk Owner  | Risk Ref   | Date of Risk Focus Report |
|---|---|---|------------|---------------------------|
| 64<br>HC02<br> ↑ | NHS commissioning   | Iain MacBeath<br>Director of Health and Community Services                      | HCS0012    | 23/09/2016                |
| HC07<br>         | Failure of care providers   | Frances Heathcote<br>Assistant Director Health and Community Commissioning      | HCSOPD0006 | 29/09/2011<br>28/03/2013  |
| CP01<br>         | Unplanned incidents   | Ian Parkhouse<br>Assistant Chief Fire Officer - Response and Resilience         | HFRS0007   | 22/11/2012<br>23/03/2016  |
| CS01<br>       | A child or young person could die                                 | Jenny Coles<br>Director of Children's Services                                  | CSF0055    | 30/06/2011<br>27/03/2014  |
| E02<br>        | Residual Waste Treatment Programme                                | Simon Aries<br>Assistant Director - Transport, Waste & Environmental Management | ENV0104    |                           |
| HC01<br>       | Attraction of care-workers - Care Act 2014 non-compliance         | Iain MacBeath<br>Director of Health and Community Services                      | HCS0010    | 23/09/2016                |
| HC03<br>       | Inadequate care leads to death or abuse of client                 | Frances Heathcote<br>Assistant Director Health and Community Commissioning      | HCSCP0001  | 29/09/2011                |
| HC04<br>       | DOLS - Deprivation of Liberty Safeguards                          | Sue Darker<br>Operations Director, Learning Disabilities and Mental Health      | HCSMH0002  | 16/09/2014                |
| HC05<br>       | Discharging patients from hospital - bed blocking                 | Iain MacBeath<br>Director of Health and Community Services                      | HCSOPD0001 | 23/09/2016                |
| R01<br>        | Failure to retain, attract and recruit the right people and right | Sally Hopper<br>Assistant Director, Human Resources                             | HR0021     | 21/11/2013                |

| No. and Score                        | Brief Risk Description  | Risk Owner  | Risk Ref  | Date of Risk Focus Report |
|--------------------------------------|---|---|-----------|---------------------------|
|                                      | skills  |   |           |                           |
| R02<br>32                            | Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)  | Angela Bucksey<br>Assistant Director - Property                         | PROP0022  | 20/11/2014<br>01/03/2017  |
| R12<br>32 ↑                          | Cyber-attack on HCC's ICT   | Dave Mansfield<br>Head of Technology                                    | TEC0004   |                           |
| R19<br>24<br>(escalated)             | Misuse of social media  | Andrew Hadfield<br>Interim Head of Communications                       | COMS0002  |                           |
| CP02<br>24                           | Radicalisation - Prevent  | Darryl Keen<br>Deputy Chief Fire Officer                                | CP0004    |                           |
| CP03<br>24                           | Extreme Weather   | Ian Parkhouse<br>Assistant Chief Fire Officer - Response and Resilience | CPRES0009 |                           |
| CS02<br>24                           | School's expansion programme costs  | Simon Newland<br>Assistant Director (Education Provision & Access)      | CSF0070   | 25/11/2015                |
| R17<br>24<br><br>(new combined risk) | Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves. | Claire Cook<br>Assistant Director Finance                               | CSHF0016  |                           |
| R04<br>24<br><br>(withdrawn)         | Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves. | Claire Cook<br>Assistant Director Finance                               | CSHF0015  |                           |

| No. and Score            | Brief Risk Description   | Risk Owner   | Risk Ref  | Date of Risk Focus Report |
|--------------------------|--|--|-----------|---------------------------|
| R06<br>24<br>(withdrawn) | Reduction in government and external funding   | Claire Cook<br>Assistant Director<br>Finance   | CSHF0005  |                           |
| HC06<br>24               | Better Care Fund - BCF   | Jamie Sutterby<br>Assistant Director,<br>Health Integration<br>(E&NH)                    | HCS0011   |                           |
| R07<br>24                | Failure to train employees to required standards                                     | Sally Hopper<br>Assistant Director,<br>Human Resources                                   | HR0018    |                           |
| R05<br>24                | Insufficient skills in commissioning / contract management and competencies          | Stuart Bannerman<br>Campbell<br>Assistant Director -<br>Improvement and<br>Technology    | IMP0002   |                           |
| E01<br>20<br>↓           | Tree Health  | Simon Aries<br>Assistant Director -<br>Transport, Waste<br>& Environmental<br>Management | ENV0142   | 30/11/2016                |
| R08<br>16                | The Council experiences significant fraud  | Terry Barnett<br>Head of Assurance   | AUDIT0001 | 20/06/2012                |
| CP04<br>16               | Failure of Local Resilience Forum - LRF - inadequate inter agency plans              | Ian Parkhouse<br>Assistant Chief<br>Fire Officer -<br>Response and<br>Resilience         | CPRES0001 | 24/11/2011<br>23/09/2015  |
| CP05<br>16               | HCC business continuity plans - BCP  | Ian Parkhouse<br>Assistant Chief<br>Fire Officer -<br>Response and<br>Resilience         | CPRES0002 | 24/11/2011<br>23/09/2015  |
| R03<br>16<br>↓           | HCC's pension fund level may not improve sufficiently to cover accrued pension costs | Claire Cook<br>Assistant Director<br>Finance   | CSHF0002  |                           |
| E04<br>16                | Road maintenance investment  | Rob Smith<br>Deputy Director<br>Environment  | ENV0033   |                           |
| CP06<br>16               | HFRS meeting national training requirements  | Chris Bigland<br>Fire and Rescue<br>Assistant Chief<br>Officer - Service<br>Support      | HFRS0004  |                           |

| No. and Score            | Brief Risk Description   | Risk Owner  | Risk Ref | Date of Risk Focus Report |
|--------------------------|--|---|----------|---------------------------|
| R09<br>16                | Failure to comply with Safe Staffing legislation   | Sally Hopper<br>Assistant Director,<br>Human Resources                                | HR0022   |                           |
| S02<br>16<br>deescalated | Industrial action (previously R10)   | Sally Hopper<br>Assistant Director,<br>Human Resources                                | HR0017   |                           |
| PH01<br>16               | Health Protection emergency  | Joel Bonnet<br>Deputy Director of<br>Public Health                                    | PHD0014  | 21/06/2016                |
| R11<br>16                | The sale of assets may not provide the level of capital receipts to meet the target  | Angela Bucksey<br>Assistant Director -<br>Property                                    | PROP0020 |                           |
| R18<br>12<br>(new)       | Risk of not offsetting the Apprenticeship Levy   | Sally Hopper<br>Assistant Director,<br>Human Resources                                | HR0023   |                           |
| R13<br>12                | Loss/inappropriate acquisition/disclosure of sensitive personal or commercial data   | Stuart Bannerman<br>Campbell<br>Assistant Director -<br>Improvement and<br>Technology | IMP0001  |                           |
| R15<br>12                | Land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place | Angela Bucksey<br>Assistant Director -<br>Property                                    | PROP0018 |                           |
| R16<br>12                | Potential Venture Partner arrangements   | Angela Bucksey<br>Assistant Director -<br>Property                                    | PROP0021 |                           |
| E03<br>8                 | Condition of our roads   | Rob Smith<br>Deputy Director<br>Environment   | ENV0030  | 20/09/2013                |

## Full Corporate Risk Register – Movement report

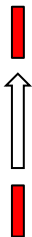
1.7. The full register is embedded here.



Corporate Risk  
Register - Movement

### Changes in the Corporate Risk Register since the report to November 2016 Audit Committee

1.8. HC02 (Ref. HCS0012 , Appendix A, Page 1) – “Due to national NHS commissioning changes from May 2015 there may be structural changes to NHS commissioning, leading to financial uncertainty for jointly commissioned projects including the Better Care Fund within Hertfordshire County Council.”



HVCCG have stated their intention to withdraw £8.5 million in funding from April 2017. HCC are now considering legal actions. As a result the risk owner has increased the risk score from red 32 to red 64 (severe).

1.9. R12 (Ref. TEC0004, Appendix A, Page 2) – “In the event of failing to maintain and ensure the use of our security systems, technical protocols and change management processes, there is a risk of a cyber-attack (virus, penetration or malicious internal action) on HCC’s ICT environments causing significant service disruption and possible data loss.”



Although mitigations were again successful against a number of attacks over the Christmas period, as the intensity, complexity and number of attacks continue to increase we are going to have to be continually on top of this and updating / improving / modernising our response. As a result the likelihood has been increased to ‘likely’. The current score has therefore increased from amber 16 (significant) to red 32 (severe).

1.10. R19 (Ref. COMS0002, Appendix A, Page 4) – “As a result of the increased number of HCC staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication.”

As a result of the increasing numbers of social media users and the increasing volume of messages via social media this risk has been re-assessed. The Communications Team has recently completed a mini-review of existing documentation / guidance and is updating these through the cross council web management group. Further work will also be done to increase awareness of the risks and benefits of social media activity across the council, including another channel to engage customers and residents. The risk has been escalated to the Corporate Risk Register. The current risk score is amber 24 (significant).

- 1.11. R17 (Ref. CSHF0016, Appendix A, Page 5) – “In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.” The current risk score is amber 24 (significant).

This is the replacement risk for the two risks referred to in section 6.5 below. Relevant mitigations from both previous risks are included, appropriately updated.

- 1.12. R06 (Ref. CSHF0005) and R04 (Ref. CSHF0015) – CSHF0005 – “In the event of a reduction in government and external funding there is a risk of a funding gap which may result in the need to identify measures to further reduce service spend leading to deterioration or interruption of front line service delivery.” CSHF0015 – “There is a risk that the Authority does not develop sufficient timely proposals to deal with the ongoing reductions in funding/resources which may lead to unplanned reduction of services or the need to draw on reserves.”

A single risk has been developed to replace these two risks which have now been withdrawn.

- 1.13. E01 (Ref. ENV0142, Appendix A, Page 7) – “Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity.”



This risk was reviewed by the Audit Committee in November 2016 and an update paper presented to Environment, Planning & Transport Panel in December 2016. The risk to Hertfordshire’s trees from Chalara and other tree health issues is likely to be long-term. With controls progressing well and more known about the spread of the disease it is felt that the Impact of the risk in any one year can be reduced to (4) Medium. The Likelihood of the tree health issues having an impact in the County remains (5) High. As such the current score has been reduced from red 40 (severe) to amber 20 (significant).

- 1.14. R03 (Ref. CSHF0002, Appendix A, Page 10) – “There is a risk that HCC’s pension fund level may not improve sufficiently to cover accrued pension costs because of economic conditions, poor investment or ineffective governance.”



The latest position shows the funding level to be around 87% as at 30 September 2016. The risk and controls have been reviewed in the context of the triennial re-evaluation of the fund. Given the improved funding position the



risk likelihood has been reduced to 'rare'. The current score has therefore reduced from red 32 (severe) to amber 16 (significant).

- 1.15. S02 (Ref. HR0017, Appendix A, Page 11) – “In the event of industrial action there is a risk that services cannot be delivered effectively, which could result in harm to residents.”

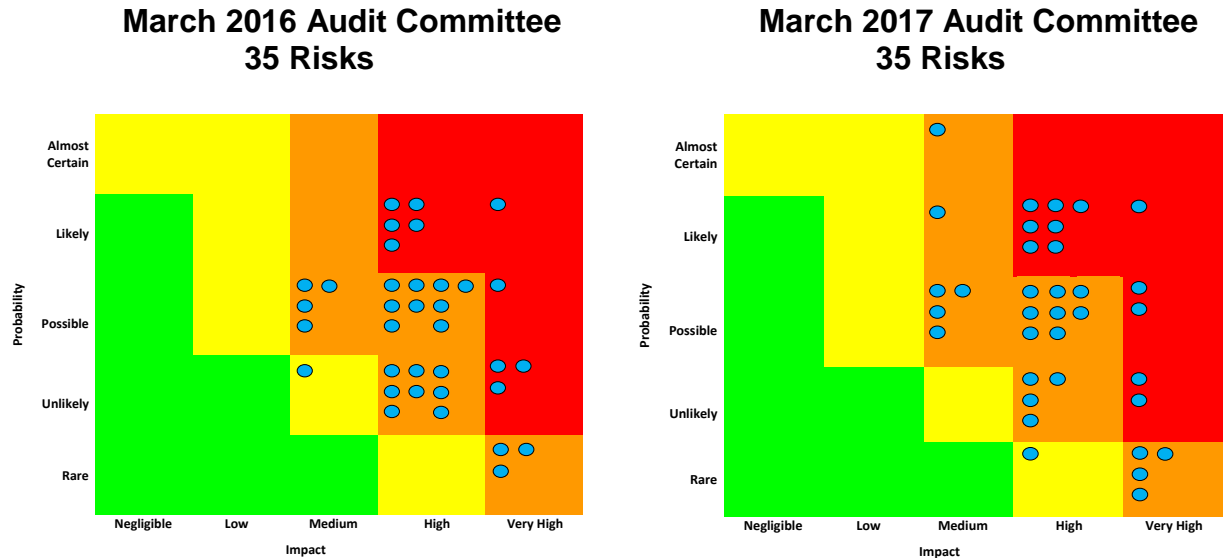
Following discussion at Resources Board in October 2016, the risk owner has determined the risk can be de-escalated to Service level. There are no known disputes and we have recently engaged in initial positive discussions with the unions on the review of the collective agreement due April 2017.

- 1.16. R18 (Ref. HR0023, Appendix A, Page 12) - As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences.” The current risk score is amber 12 (significant).

This is a new corporate risk relating to the legislation establishing an Apprenticeship Levy. There will be a process to offset budgets and develop the Hertfordshire Apprenticeship Programme and the Hertfordshire Apprenticeship Alliance. The Apprenticeship Levy Project is implementing activity to meet an April 2017 launch.

**Changes within the Corporate Risk Register since March 2016 Audit Committee**

**1.17. Summary of Changes to the Corporate Risk Register**



|  |                     |
|--|---------------------|
| <b>Para 7.2 - New Risks</b>  | <b>No. of Risks</b> |
| Risks that have emerged and been developed in the Corporate Risk Register    | <b>4</b>            |
| <b>Para 7.3 - Escalated risks</b>  | <b>2</b>            |
| Risks moved up from a Service Risk Register to the Corporate Risk Register   |                     |
| <b>Para 7.4 - De-escalated risks</b>   | <b>3</b>            |
| Risks moved down from the Corporate Risk Register to a Service Risk Register |                     |
| <b>Para 7.5 - Withdrawn risks</b>  | <b>3</b>            |
| Risks no longer deemed a threat to HCC                                       |                     |

In addition to risks going in and out of the Corporate Risk Register, risk owners have reflected the impact of controls (mitigations) and the changing environment on the risk scores and there have been a significant number of changes to the current and target risk scores over the year.

Changes in the Corporate Risk Register since the last quarterly report to Audit Committee in November 2016 are separately highlighted in Section 6.

## 1.18. New risks developed in 2016/17

- 1.18.1. ENV0142 (Appendix A, Page 7) - "Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity." The current risk score is amber 20 (significant).
- 1.18.2. PROP0021 – "In the event that the review of how Hertfordshire County Council disposes of its surplus land and property assets determines that the Council should develop these sites and assets itself or through joint venture arrangements, there is a risk that such a change to the disposal policy may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan". The current risk score is amber 12 (significant).
- 1.18.3. CSHF0016 (Appendix A, Page 5) – "In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery." The current risk score is amber 24 (significant).
- 1.18.4. HR0023 (Appendix A, Page 12) - As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences." The current risk score is amber 12 (significant).

## 1.19. Escalated risks in 2016/17

- 1.19.1. HCSOPD0001 - "Due to increased demands from the NHS for assistance discharging patients from hospital, (this includes new groups of patients not previously referred to social care and admission avoidance), there is a risk of delays in discharging some patients requiring County Council input, which may result in financial and reputational consequences."

The performance of NHS acute trust and shortage of care in Hertfordshire County Council input. Due to the high public profile of delayed discharges (also known as bed blocking) the risk was escalated from a Service risk to a corporate risk. The current risk score is red 32 (severe).

- 1.19.2. COMS0002 (Appendix A, Page 4) – "As a result of the increased number of Hertfordshire County Council staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication."

As a result of the increasing numbers of social media users and the increasing volume of messages via social media, this risk has been re-assessed and

escalated to the Corporate Risk Register. The current risk score is amber 24 (significant).

## 1.20. De-escalated risks in 2016/17

- 1.20.1. TEC0012 - "In the event of failing to retain our annual Public Services Network (PSN) accreditation Hertfordshire County Council will be unable to share data with central Government and other partners through IT systems. This would result in inability to deliver some business functions particularly in the adult and children's services area."

This process of PSN re accreditation has been established as an annual process and it was de-escalated to a service risk.

- 1.20.2. LMSS0003 - "As a result of a legal challenge to County Council policies or decisions (e.g. procurement/equalities), there is a risk of legal proceedings against the Council which would lead to:- diversion of resources to respond to the allegation; - damages and/or fines awarded against the Council; - loss of reputation"

The risk had reached its target assessment of amber 16 and significant work had been undertaken and is ongoing to improve equalities and procurement awareness and knowledge throughout the Council. Following discussion at Resources Board, of 20 July 2016, this risk was de-escalated to a Service level. The current risk score is amber 16 (significant)

- 1.20.3. HR0017 (Appendix A, Page 11) – "In the event of industrial action there is a risk that services cannot be delivered effectively, which could result in harm to residents."

Following the discussion at Resources Board in October 2016, the risk owner has determined the risk can be de-escalated to Service level. There are no known disputes and we have recently engaged in initial positive discussions with the unions on the review of the collective agreement due April 2017.

## 1.21. Withdrawn risks in 2016/17

- 1.21.1. PROP0016 - "With Contractors and Consultants providing works and services (statutory and non-statutory) directly, there is a risk that schools (academy & community) may use a supplier without the relevant background checks (insurance, financial, H&S etc)".

This risk had reached its target risk assessment of amber 12 (significant) and been maintained at that level since September 2014. The risk has been mitigated as far as possible by the Property Team through attending the Schools Forum twice a year to highlight projects that will be up and coming in the schools and being available for advice. In addition, information is available on the schools website (the Grid) and schools are able to use the property frameworks set up by Hertfordshire County Council.

1.21.2. CSHF0005 – “In the event of a reduction in government and external funding there is a risk of a funding gap which may result in the need to identify measures to further reduce service spend leading to deterioration or interruption of front line service delivery.”

1.21.3. CSHF0015 – “There is a risk that the Authority does not develop sufficient timely proposals to deal with the ongoing reductions in funding/resources which may lead to unplanned reduction of services or the need to draw on reserves.”

## 1.22. **Other Risk Developments**

### 1.22.1. Risk Focus

The following risk will be the subject of a risk focus report at Audit Committee, 1 March 2016.

PROP0022. “As a result of changes to the way in which development contributions will be collected from new developments through use of Community Infrastructure Levy (CIL) and Section 106 contributions, and the delay in introduction of the new arrangements across all district authorities there is a risk that there may be insufficient money to support infrastructure needs derived from new housing developments.” The risk is currently scored as red 32 (severe).

### **Audit and Risk Management**

1.23. Risk Management is a key element of the governance and assurance structures in the organisation. The Shared Internal Audit Service (SIAS) takes a risk approach to assessing activity for the audit plan that will be considered by the Committee for 2017/18.

1.24. The Annual Governance Statement 2015/16 found, “The Council has a well-developed risk management strategy and embedded risk monitoring processes, which operate at the highest levels of the organisation, and are overseen by the Council’s Audit Committee. The risks associated with meeting budget targets are also considered as part of the integrated planning process, and then monitored in quarterly reports to Cabinet.”

### **Next Steps**

1.25. Challenges and recommendations from Audit Committee will be considered by the relevant risk owners/Services. Action taken as a result will update the corporate risk register and be reported to the appropriate cycle of risk review meetings.

**Risk Matrix** – The following chart shows where, and what category/colour the risk will fall in dependent on the scores. Red being the most severe and green being the least.

The scores within the chart are multiples of the likelihood and impact, e.g. (*Likelihood of*) 4 x (*Impact of*) 8 = (*Risk Score of*) 32

**Assessing Impacts**

| Impact Score | Impact Title | Example description   |
|--------------|--------------|---|
| 1            | Negligible   | Annoyance but does not disrupt service: Minor injury to an individual; Financial loss under £50k; Isolated service user complaints contained within unit/section; Litigation claim or fine less than £50k; Failure to achieve a core team plan objective  |
| 2            | Low          | Minor impact on service; Minor injuries to several people; Financial losses between £50k-100k, Isolated service user complaints contained within department; Litigation claim or fine between £50k -100k; Failure to achieve several team plan objectives including a core objective  |
| 4            | Medium       | Service disruption; Major injury to an individual; Financial losses between £100k-1 Million; Adverse local media coverage. Lots of service user complaints; Litigation claims or fine between £100k - £1Million; Failure to achieve one or more strategic plan objective  |
| 8            | High         | Significant service disruption; major/disabling injury to employee, service user or other stakeholder; financial losses between £1Million-£5Million; adverse national media coverage; litigation claim or fine between £1Million-£5Million; Failure to achieve one or more strategic objective  |
| 16           | Very High    | Total service loss for a significant period; fatality to employee, service user or other stakeholder; financial loss in excess of £5 Million; National publicity more than 3 days. Possible resignation of leading member or chief officer; Multiple civil or criminal suits. Litigation claim or fine above £5 Million; Failure to achieve a major corporate objective in the Corporate Plan |

|                    |  |
|--------------------|--|
| <b>Severe</b>      | The Board feels most concerned about carrying this risk. The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.                         |
| <b>Significant</b> | The Board feels concerned about carrying this risk. The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an appropriate action plan. |
| <b>Material</b>    | The Board is uneasy about carrying this risk. Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.                          |
| <b>Manageable</b>  | The Board is content to carry this risk. Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.   |

**Assessing Likelihood**

| Scale | Description    | Likelihood of Occurrence   |
|-------|----------------|--|
| 1     | Rare           | <ul style="list-style-type: none"> <li>Extremely unlikely or virtually impossible</li> <li>Less than 5% chance of happening</li> <li>Unlikely to occur in a 50 year period</li> </ul>      |
| 2     | Unlikely       | <ul style="list-style-type: none"> <li>Could occur at some point</li> <li>6% to 20% chance of happening</li> <li>Unlikely to occur within a 10 year period</li> </ul>                      |
| 3     | Possible       | <ul style="list-style-type: none"> <li>Fairly likely to occur</li> <li>21% to 50% chance of happening</li> <li>Likely to occur once within a 10 year period</li> </ul>                     |
| 4     | Likely         | <ul style="list-style-type: none"> <li>Will probably occur in most circumstances</li> <li>51% to 80% chance of happening</li> <li>Likely to occur once within a one year period</li> </ul> |
| 5     | Almost certain | <ul style="list-style-type: none"> <li>Expected to occur in most circumstances</li> <li>More than 80% chance of happening</li> <li>Likely to occur within 3 months</li> </ul>              |

Likelihood

**Impacts**

|                    | Negligible (1) | Low (2) | Medium (4) | High (8) | Very High (16) |
|--------------------|----------------|---------|------------|----------|----------------|
| Almost certain (5) | 5              | 10      | 20         | 40       | 80             |
| Likely (4)         | 4              | 8       | 16         | 32       | 64             |
| Possible (3)       | 3              | 6       | 12         | 24       | 48             |
| Unlikely (2)       | 2              | 4       | 8          | 16       | 32             |
| Rare (1)           | 1              | 2       | 4          | 8        | 16             |

## Appendix B - Corporate Risk Register summary risk status report

| Risk Ref              | Business Unit   | Description  | Current Risk Rating |       |       |       | Target |
|-----------------------|---|--|---------------------|-------|-------|-------|--------|
|                       |   |  | 05/16               | 08/16 | 11/16 | 02/17 | Score  |
| HCS0012               | Health and Community Services   | Due to national NHS commissioning changes from May 2015 there may be structural changes to NHS commissioning, leading to financial uncertainty for jointly commissioned projects including the Better Care Fund within Hertfordshire County Council.   | 32                  | 32    | 32    | 64    | 16     |
| HCSOPD0006            | Health and Community Services<br>Older People And Physical Disabilities | In the event of commercial or contractual failure of private or independent care providers, this may lead to disruption to care provision and impact on service users and carers.<br>(Previously ACSC0001)   | 24                  | 48    | 48    | 48    | 24     |
| HFRS0007              | Community Protection Hertfordshire<br>Fire & Rescue                     | During unplanned incidents, such as terrorist activity, civil disturbance or large scale wide area flooding, or periods of industrial action, there is a risk that HFRS have insufficient resources to cope which may result in an over-reliance on regional or national resources or significantly reduced fire cover.                  | 48                  | 48    | 48    | 48    | 32     |
| CSF0055               | Children's Services   | In the event of inappropriate care or attention there is a risk that a child or young person could die or become seriously injured.  | 32                  | 32    | 32    | 32    | 32     |
| ENV0104               | Environment   | In the event of the Residual Waste Treatment Programme being impacted by one of the following scenarios:<br><br>- The ERF at Rye House does not proceed or is delayed<br>- Unable to secure suitable alternatives for waste disposal should the contract with VES be terminated.<br><br>It may result in:<br>- Increased costs to HCC    | 24                  | 32    | 32    | 32    | 8      |
| HCS0010               | Health and Community Services   | Inability to attract an increased number of careworkers in line with the Health and Community Services Workforce Strategy leading to non-compliance with the Care Act 2014 duties and customer dissatisfaction.  | 32                  | 32    | 32    | 32    | 4      |
| HCSCP0001             | Health and Community Services<br>Commissioning For People               | In the event of the quality of care from internal and external HCS care providers becoming inadequate resulting in the death or severe abuse of a client   | 32                  | 32    | 32    | 32    | 32     |
| HCSMH0002             | Health and Community Services<br>Mental Health                          | As a result of the 2014 Supreme Court ruling around Deprivation of Liberty Safeguards (DOLS) there is a risk that an inability to conduct best interest assessments within legal timeframes could lead to unlawful detention of people and potential legal and compensation challenges to HCC.   | 32                  | 32    | 32    | 32    | 8      |
| HCSOPD0001            | Health and Community Services<br>Older People And Physical Disabilities | Due to increased demands from the NHS for assistance discharging patients from hospital, (this includes new groups of patients not previously referred to social care and admission avoidance), there is a risk of delays in discharging some patients requiring HCC input, which may result in financial and reputational consequences. | 32                  | 32    | 32    | 32    | 16     |
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| Risk Ref  | Business Unit                   | Description   | Current Risk Rating |       |       |       | Target |
|-----------|---------------------------------|---|---------------------|-------|-------|-------|--------|
|           |                                 |   | 05/16               | 08/16 | 11/16 | 02/17 | Score  |
| HR0021    | Resources Human Resources       | If we fail to retain, attract and recruit the right people and right skills and maintain staff engagement at all levels, there may be a significant impact on service delivery and major cost implications. [Formerly CSCE0007]   | 32                  | 32    | 32    | 32    | 16     |
| PROP0022  | Resources Property              | As a result of changes to the way in which development contributions will be collected from new developments through use of Community Infrastructure Levy (CIL) and Section 106 contributions, and the delay in introduction of the new arrangements across all district authorities there is a risk that there may be insufficient money to support infrastructure needs derived from new housing developments etc.[Formerly CSCE0023] | 32                  | 32    | 32    | 32    | 12     |
| TEC0004   | Resources Technology            | In the event of failing to maintain and ensure the use of our security systems, technical protocols and change management processes, there is a risk of a cyber attack (virus, penetration or malicious internal action) on HCC's ICT environments causing significant service disruption and possible data loss  | 16                  | 16    | 16    | 32    | 16     |
| COMS0002  | Resources Communications        | As a result of the increased number of HCC staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication. [Formerly JCAD Risk Ref. ENV0096]   | 12                  | 12    | 12    | 24    | 8      |
| CP0004    | Community Protection            | As a result of disruptive factors influencing the lives of people in Hertfordshire, there is a risk that residents or staff become radicalised or drawn into terrorism, which could cause harm to themselves or the wider public and reduce community / social cohesion.  | 24                  | 24    | 24    | 24    | 16     |
| CPRES0009 | Community Protection Resilience | If there is insufficient preparation for increased frequency of extreme weather events resulting from climate change, then there might be negative impacts on service delivery, user access to service provision and to the reputation of the Council.  | 24                  | 24    | 24    | 24    | 12     |
| CSF0070   | Children's Services             | In the event of inadequate capital being made available from a number of funding streams, part of the costs of delivering the secondary expansion programme and/or schools required to meet demand in new housing developments may need to be met from the council's own resources having exhausted all other eventualities.  | 24                  | 24    | 24    | 24    | 8      |
| CSHF0016  | Resources Finance               | In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.  | n/i                 | n/i   | n/i   | 24    | 16     |
| HCS0011   | Health and Community Services   | In the event of significant, increasing demand on health and social care services, there is a risk that the Better Care Fund pooled budget may not be sufficient to meet future demand for services   | 24                  | 24    | 24    | 24    | 8      |

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| Risk Ref  | Business Unit                                    | Description   | Current Risk Rating |       |       |       | Target |
|-----------|--|---|---------------------|-------|-------|-------|--------|
|           |  |   | 05/16               | 08/16 | 11/16 | 02/17 | Score  |
| HR0018    | Resources Human Resources                        | In the event of a failure to train employees to required standards, there is a risk that staff are not fully competent in their roles, which could lead to the death, serious injury or harm to service users, members of the public or staff themselves e.g. front facing staff like QSWs and staff with access to vulnerable adults and children  | 24                  | 24    | 24    | 24    | 16     |
| IMP0002   | Resources Improvement And Technology             | A significant proportion of the Council's expenditure is accounted for by externally commissioned services. In the event of insufficient skills in commissioning / contract management and competencies along with a lack of application of effective monitoring, governance and contract management rigour, there is a risk of poor value, inadequate service provision and data security and/or failure of externally delivered services, which could lead to disruption of service delivery. [Formerly CSCE0019] | 24                  | 24    | 24    | 24    | 8      |
| ENV0142   | Environment                                      | Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity.   | 40                  | 40    | 40    | 20    | 20     |
| AUDIT0001 | Resources Audit (SIAS)                           | There is a risk that the Council experiences significant fraud  | 12                  | 16    | 16    | 16    | 8      |
| CPRES0001 | Community Protection Resilience                  | In the event of a failure of the Local Resilience forum to provide adequate inter-agency plans which correctly identify the capabilities required to deal with a major emergency in Hertfordshire there is a risk that Hertfordshire's multi-agency response may not be fully effective (formerly SERMU0001)  | 16                  | 16    | 16    | 16    | 16     |
| CPRES0002 | Community Protection Resilience                  | In the event of a failure to prepare adequate Corporate and departmental generic BCP plans, there is a risk that, should a major incident take place (to building, technology & people), there may be insufficient back up arrangements in place, which could result in a higher level of disruption than anticipated causing increased disruption to key resources. (Formerly SERMU0002)   | 16                  | 16    | 16    | 16    | 16     |
| CSHF0002  | Resources Finance                                | There is a risk that HCC's pension fund level may not improve sufficiently to cover accrued pension costs because of economic conditions, poor investment or ineffective governance   | 32                  | 32    | 32    | 16    | 16     |
| ENV0033   | Environment                                      | In the event of under investment there is a risk that road maintenance levels can not be maintained and general deterioration occurs, which may lead to increased number of accidents, loss of reputation and customer dissatisfaction.   | 16                  | 16    | 16    | 16    | 8      |
| HFRS0004  | Community Protection Hertfordshire Fire & Rescue | In the event of a failure to meet national training requirements, poor operational performance from personnel who are not fully trained and competent in their role could lead to the death or serious injury of a firefighter.   | 16                  | 16    | 16    | 16    | 16     |
|           |  | <b>Agenda Pack 81 of 160</b>  |                     |       |       |       |        |

| Risk Ref | Business Unit                        | Description  | Current Risk Rating |       |       |       | Target |     |
|----------|--------------------------------------|--|---------------------|-------|-------|-------|--------|-----|
|          |                                      |  | 05/16               | 08/16 | 11/16 | 02/17 | Score  |     |
| HR0022   | Resources Human Resources            | If we fail to comply with safe staffing legislation and agreed HCC policy and practice there is a risk this could lead to a lack of protection for HCC service users (e.g. children and vulnerable adults) [Formerly CSCE0009]   | 16                  | 16    | 16    | 16    | 16     |     |
| PHD0014  | Public Health                        | In the event of a Health Protection emergency such as a communicable disease epidemic, radiological, chemical or biological agent exposure, or extreme weather conditions, there is a risk that the authority may be unable to meet its statutory duty to adequately assure multi-agency health protection arrangements and as a result there are high rates of morbidity or mortality of Hertfordshire residents  | 16                  | 16    | 16    | 16    | 16     |     |
| PROP0020 | Resources Property                   | As a result of changes in the UK and Local economic climate, which dictates the sale value of assets for disposal, there is a risk that the sale of assets may not provide the level of capital receipts to meet the target. (Formerly PROP0002)   | 16                  | 16    | 16    | 16    | 8      |     |
| HR0023   | Resources Human Resources            | As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences.   | n/i                 | n/i   | n/i   | 12    | 8      |     |
| IMP0001  | Resources Improvement And Technology | There is a risk of the loss/inappropriate acquisition/disclosure of sensitive personal or commercial data, including (but not limited to) paper records/post, the electronic storage / transfer of personal data by email, fax or other technical means, and publication of data for Open Data purposes, which could lead to harm to clients, impact on HCC's reputation, incur legal action and have financial consequences (despite applying best practice there is always the possibility of human error) [Formerly CSCE0013] | 12                  | 12    | 12    | 12    | 8      |     |
| PROP0018 | Resources Property                   | There is a risk that land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place. As a result there is a risk of an H&S incident to persons or property which could give rise to H&SE action and a liability claim.   | 12                  | 12    | 12    | 12    | 4      |     |
| PROP0021 | Resources Property                   | In the event that the review of how HCC disposes of its surplus land and property assets determines that HCC should develop these sites and assets itself or through joint venture arrangements, there is a risk that such a change to the disposal policy may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan.   | n/i                 | 8     | 12    | 12    | 8      |     |
| ENV0030  | Environment                          | In the event of a failure in road inspection and / or fault reporting procedures, there is a risk that the condition of our roads falls below expected standards, which results in injury to citizens and / or successful claims against HCC.  | 16                  | 16    | 8     | 8     | 8      |     |
|          |                                      | <b>Agenda Pack 82 of 160</b>   | 35                  | 760   | 804   | 800   | 860    | 484 |

**Audit Committee  
01 March 2017**

**Appendix A  
Movement Report showing  
Corporate Risks with Amendments**

# Appendix A - Corporate Risk Register key changes in quarterly movement report for March 2017

Report Date: 24/01/2017

Date filtered on: 09/11/2016



Notes: References highlighted **Purple** have been added since the 09/11/2016.  
 Old Category is shown when there has been a change of category.  
 Previous Risk Score shows rating, profile, probability and impact prior to the Current Risk Score

| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category  | Risk Owner   | Progress Update   | Previous Risk Score  | Movement Direction   | Current Risk Score   | Target Risk Score  |
|---|--|---|--|----------------------|--|--|
| <b>HCS0012</b><br><i>Opportunity to be Healthy and Safe</i><br><b>Current Category: Corporate</b><br>Due to national NHS commissioning changes from May 2015 there may be structural changes to NHS commissioning, leading to financial uncertainty for jointly commissioned projects including the Better Care Fund within Hertfordshire County Council. | Iain MacBeath<br><br>Director of Health and Community Services | Risk reviewed by Risk Owner and current risk score updated on 19th December 2016. HVCCG have stated their intention to withdraw £8.5 million in funding from April 2017. HCC now considering legal actions<br>Reviewed On: 19/12/2016 | 19/12/2016<br><b>Severe</b><br>32<br><br>Probability<br>Likely<br>4<br><br>Impact<br>High<br>8 | ➔                    | <b>Severe</b><br>64<br><br>Probability<br>Likely<br>4<br><br>Impact<br>Very High<br>16 | Significant<br>16<br><br>Probability<br>Unlikely<br>2<br><br>Impact<br>High<br>8 |
| <b>Controls:</b>  | <b>Ref</b>   | <b>Control Description</b>  | <b>Status</b>  | <b>Owner</b>         |  |  |
|   | HCS0012/001  | Section 75 arrangements in place between NHS and HCC  | In Progress  | Iain MacBeath        |  |  |
|   | HCS0012/002  | Agreed governance arrangements between CCGs and HCS   | In Progress  | Iain MacBeath        |  |  |
|   | HCS0012/003  | Joint Integrated Planning Process (IPP) planning with CCGs.   | In Progress  | Iain MacBeath        |  |  |
|   | HCS0012/004  | Transformation through Better Care Fund.  | In Progress  | Iain MacBeath        |  |  |
|   | HCS0012/005  | Agreement that social care will form part of financial bridge incorporated into the sustainability and transformation plan  | In Progress  | Iain MacBeath        |  |  |
|   | <u>HCS0012/006</u>   | <u>HCC to consider legal action as a result of HVCCG stating their intention to withdraw Adult Social care funding</u>  | <u>In Progress</u>   | <u>Iain MacBeath</u> |  |  |

# Appendix A - Corporate Risk Register quarterly movement report for March 2017

Report Date: 24/01/2017

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category  | Risk Owner                                       | Progress Update   | Previous Risk Score   | Movement Direction | Current Risk Score   | Target Risk Score  |
|---|--|---|---|--------------------|--|--|
| <p><b>TEC0004</b><br/><i>Delivering our Vision</i></p> <p><b>Current Category:</b> <i>Corporate</i></p> <p>In the event of failing to maintain and ensure the use of our security systems, technical protocols and change management processes, there is a risk of a cyber attack (virus, penetration or malicious internal action) on HCC's ICT environments causing significant service disruption and possible data loss</p> | <p>David Mansfield</p> <p>Head of Technology</p> | <p>We are now subject to an increasing level of attacks; we suffered a number of attacks over the Christmas period, and our mitigations were again successful. However, and despite the extensive and thorough measures in place, as the intensity, complexity and number of attacks increase we are going to have to be continually on top of this and updating / improving / modernising our responses. Having reviewed the risk and controls in the light of this, the risk owner has determined that the likelihood associated with the risk should be raised to 'likely'. The overall risk score therefore increases from amber 16 (significant) to red 32 (severe).<br/>Reviewed On :05/01/2017</p> | <p>05/01/2017<br/>Significant<br/>16</p> <p><b>Probability</b><br/>Unlikely<br/>2</p> <p><b>Impact</b><br/>High<br/>8</p> |                    | <p><b>Severe</b><br/>32</p> <p><b>Probability</b><br/>Likely<br/>4</p> <p><b>Impact</b><br/>High<br/>8</p> | <p>Significant<br/>16</p> <p><b>Probability</b><br/>Unlikely<br/>2</p> <p><b>Impact</b><br/>High<br/>8</p> |

## Appendix A - Corporate Risk Register quarterly movement report for March 2017

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category | Risk Owner  | Progress Update   | Previous Risk Score | Movement Direction | Current Risk Score | Target Risk Score |
|--|-------------|---|---------------------|--------------------|--------------------|-------------------|
| <b>Controls:</b>   | <u>Ref</u>  | <u>Control Description</u>  |                     | <u>Status</u>      | <u>Owner</u>       |                   |
|  | TEC0004/001 | Industry approved security measures (firewalls, desktop AV, email filtering software etc) implemented, monitored and maintained |                     | Existing           | David Mansfield    |                   |
|  | TEC0004/002 | New/updated systems/apps conform to agreed security requirements inc successful network penetration tests before implementation |                     | Existing           | David Mansfield    |                   |
|  | TEC0004/004 | Work to continuously develop & deliver ICT policy/security educ/awareness training for staff, managers and members              |                     | Existing           | David Mansfield    |                   |
|  | TEC0004/006 | Rolling program of testing network infrastructure inc penetration testing for HCC and key 3rd party providers                   |                     | Existing           | David Mansfield    |                   |
|  | TEC0004/007 | Ensure ICT Service Providers adhere to security & tech standards in providing/implementing/updating systems; ICT infrastructure |                     | Existing           | David Mansfield    |                   |

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category   | Risk Owner   | Progress Update   | Previous Risk Score   | Movement Direction | Current Risk Score   | Target Risk Score  |
|--|--|---|---|--------------------|--|--|
| <p><b>COMS0002</b><br/><i>Delivering our Vision</i><br/>Old Category: <i>Service</i><br/>Current Category: <i>Corporate</i></p> <p>As a result of the increased number of HCC staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication. [Formerly JCAD Risk Ref. ENV0096]</p> | <p>Andrew Hadfield</p> <p>Interim Head of Communications</p> | <p>Risk and controls reviewed. As a result of the increasing numbers of social media users and the increasing volume of messages via social media this risk has been re-assessed, the score increased to amber 24 (significant) and the risk escalated to the Corporate Risk Register. The Communications Team has just completed a mini-review of existing documentation / guidance and will be updating these through the cross council web management group by the end of January. Further work will also be done to increase awareness of the risks and benefits of social media activity across the council, including as another channel to engage customers and residents.<br/>Reviewed On :22/12/2016</p> | <p>22/12/2016<br/>Significant<br/>12</p> <p>Probability<br/>Possible<br/>3</p> <p>Impact<br/>Medium<br/>4</p> | <p>↗</p>           | <p>Significant<br/>24</p> <p>Probability<br/>Possible<br/>3</p> <p>Impact<br/>High<br/>8</p> | <p>Material<br/>8</p> <p>Probability<br/>Unlikely<br/>2</p> <p>Impact<br/>Medium<br/>4</p> |

# Appendix A - Corporate Risk Register quarterly movement report for March 2017

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category | Risk Owner   | Progress Update                | Previous Risk Score | Movement Direction | Current Risk Score | Target Risk Score |
|--|--------------|--------------------------------|---------------------|--------------------|--------------------|-------------------|
| <b>Controls:</b>   | <u>Ref</u>   | <u>Control Description</u>     |                     |                    | <u>Status</u>      | <u>Owner</u>      |
|  | COMS0002/001 | Social Media Policy            |                     |                    | Existing           | Andrew Hadfield   |
|  | COMS0002/002 | Social media training sessions |                     |                    | Existing           | Andrew Hadfield   |
|  | COMS0002/003 | Best practice guidance         |                     |                    | Existing           | Andrew Hadfield   |

|  |  |  |   |          |  |  |
|--|--|--|---|----------|--|--|
| <p><b>CSHF0016</b> Created Date: 22/12/2016</p> <p><i>Delivering our Vision</i></p> <p><b>Current Category:</b> <i>Corporate</i></p> <p>In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.</p> | <p>Claire Cook</p> <p>Assistant Director Finance</p> | <p>This new risk has been raised to replace risks CSHF0005 and CSHF0015. Controls have been reviewed and actions are being undertaken through the Integrated Planning Process and the SMART Journey Programme. Reviewed On :22/12/2016</p> | <p>22/12/2016<br/>Significant<br/>24</p> <p><b>Probability</b><br/>Possible<br/>3</p> <p><b>Impact</b><br/>High<br/>8</p> | <p>↔</p> | <p>Significant<br/>24</p> <p><b>Probability</b><br/>Possible<br/>3</p> <p><b>Impact</b><br/>High<br/>8</p> | <p>Significant<br/>16</p> <p><b>Probability</b><br/>Unlikely<br/>2</p> <p><b>Impact</b><br/>High<br/>8</p> |
|--|--|--|---|----------|--|--|



# Appendix A - Corporate Risk Register quarterly movement report for March 2017

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category | Risk Owner          | Progress Update   | Previous Risk Score | Movement Direction | Current Risk Score      | Target Risk Score |
|--|---------------------|---|---------------------|--------------------|-------------------------|-------------------|
| <b>Controls:</b>   | <u>Ref</u>          | <u>Control Description</u>  |                     | <u>Status</u>      | <u>Owner</u>            |                   |
|  | <u>CSHF0016/001</u> | <u>Timely reporting to senior managers highlighting risks relating to available resources to enable mitigations to be made.</u>         |                     | <u>In Progress</u> | <u>Lindsey McLeod</u>   |                   |
|  | <u>CSHF0016/002</u> | <u>Work with districts to monitor changes to business rates related to loss of businesses/impact revaluations/improve collection.</u>   |                     | <u>In Progress</u> | <u>Claire Cook</u>      |                   |
|  | <u>CSHF0016/003</u> | <u>HCS Board members are engaged in negotiations with the NHS about future protection of social care.</u>                               |                     | <u>In Progress</u> | <u>Iain MacBeath</u>    |                   |
|  | <u>CSHF0016/004</u> | <u>Monitor the impact of proposed changes to Education Funding to enable senior officers/members to make timely/informed decisions.</u> |                     | <u>In Progress</u> | <u>Abioye Asimolowo</u> |                   |
|  | <u>CSHF0016/005</u> | <u>A transformation programme that supports the organisation to deliver the necessary efficiencies including work with partners.</u>    |                     | <u>In Progress</u> | <u>David Butcher</u>    |                   |
|  | <u>CSHF0016/006</u> | <u>Take account and anticipate changes through analysis of Government papers/announcement so management can make informed decisions</u> |                     | <u>In Progress</u> | <u>Lindsey McLeod</u>   |                   |
|  | <u>CSHF0016/007</u> | <u>Continue to carry out Service-led budget reviews</u>   |                     | <u>In Progress</u> | <u>Lindsey McLeod</u>   |                   |
|  | <u>CSHF0016/008</u> | <u>Horizon scanning/policy Network</u>  |                     | <u>In Progress</u> | <u>Alex James</u>       |                   |

# Appendix A - Corporate Risk Register quarterly movement report for March 2017

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category  | Risk Owner  | Progress Update   | Previous Risk Score  | Movement Direction | Current Risk Score  | Target Risk Score  |
|---|---|---|--|--------------------|---|--|
| <p><b>ENV0142</b><br/> <i>Opportunity to be Healthy and Safe</i><br/> <b>Current Category: Corporate</b><br/>                     Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity.</p> | <p>Simon Aries<br/><br/>                     Assistant Director - Transport, Waste &amp; Environmental Management</p> | <p>The Tree Health Corporate Risk was reviewed by the HCC Audit Committee in November 2016 and an update paper presented to E, P&amp;T Panel in December 2016. The risk to Hertfordshire's trees from Chalara and other tree health issues is likely to be long-term. With Controls progressing well and more known about the spread of the disease it is felt that the Impact of the risk in ANY ONE YEAR can be reduced to (4) Medium. The Likelihood of the tree health issues having an impact in the county remains (5) High. As such the current score for the Tree Health Risk in any one year is reduced to 20 (Medium).<br/>                     Reviewed On :03/01/2017</p> | <p>03/01/2017<br/> <span style="background-color: red; color: white; padding: 2px;">Severe<br/>40</span><br/><br/> <b>Probability</b><br/>                     Almost Certain<br/><br/> <b>Impact</b><br/>                     High<br/>                     8</p> |                    | <p style="background-color: orange; padding: 2px;">Significant<br/>20</p><br><b>Probability</b><br>Almost Certain<br><br><b>Impact</b><br>Medium<br>4 | <p style="background-color: orange; padding: 2px;">Significant<br/>20</p><br><b>Probability</b><br>Almost Certain<br>5<br><br><b>Impact</b><br>Medium<br>4 |
| <p>Agenda Pack 90 of 160</p>  |   |   |  |                    |   |  |

# Appendix A - Corporate Risk Register quarterly movement report for March 2017

Report Date: 24/01/2017

Date filtered on: 09/11/2016



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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category | Risk Owner  | Progress Update  | Previous Risk Score | Movement Direction | Current Risk Score | Target Risk Score |
|--|-------------|--|---------------------|--------------------|--------------------|-------------------|
| <b>Controls:</b>   | <u>Ref</u>  | <u>Control Description</u>   |                     | <u>Status</u>      | <u>Owner</u>       |                   |
|  | ENV0142/001 | Raising awareness of the issues incl Tree Health pages on website; articles in relevant publications; engagement with partners   |                     | In Progress        | Tony Bradford      |                   |
|  | ENV0142/002 | Establishing extent and potential liability of ash tree population on Highways HCC is responsible to manage                      |                     | In Progress        | Mike Younghusband  |                   |
|  | ENV0142/003 | Monitoring of the national and local tree health situation and specialist advice to feed into plans and actions                  |                     | In Progress        | Tony Bradford      |                   |
|  | ENV0142/004 | Developing a framework for sharing best practice including the county council's internal Tree Health Network                     |                     | In Progress        | Tony Bradford      |                   |
|  | ENV0142/005 | Lobbying the government for support and assistance in responding to the tree health issue in the county                          |                     | In Progress        | Simon Aries        |                   |
|  | ENV0142/006 | Identify the financial pressures and secure resources through the Integrated Planning Process where appropriate                  |                     | In Progress        | Simon Aries        |                   |
|  | ENV0142/007 | Establish extent and potential liability of tree population on non-Highway HCC land incl Property HCC is responsible to manage   |                     | In Progress        | Angela Bucksey     |                   |
|  | ENV0142/008 | Develop and undertake a coordinated approach across Hertfordshire to deliver a cost effective, proportionate, efficient response |                     | In Progress        | Simon Aries        |                   |

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|--|-------------|--|---------------------|--------------------|--------------------|-------------------|
|  | ENV0142/009 | Appropriate tree inspection regimes on highway land; summer inspections; staff trained to identify symptoms of relevant diseases |                     | In Progress        | Mike Younghusband  |                   |
|  | ENV0142/012 | Ensure all relevant departments in the county council have appropriate tree risk policies and procedures in place                |                     | In Progress        | Simon Aries        |                   |
|  | ENV0142/010 | Appropriate tree inspection regimes - HCC land; staff trained to identify disease  |                     | In Progress        | Angela Bucksey     |                   |
|  | ENV0142/011 | Raise awareness and share best practice amongst public, staff, schools (Schools Grid), incl employ a 2 year Tree Health Officer  |                     | In Progress        | Tony Bradford      |                   |
|  | ENV0142/013 | Development of a plant procurement protocol for HCC  |                     | In Progress        | Patrick Stiles     |                   |
|  | ENV0142/014 | Work with partners to plan for restoration of the post-ash dieback landscape   |                     | Proposed           | Tony Bradford      |                   |

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| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category   | Risk Owner                                    | Progress Update  | Previous Risk Score  | Movement Direction | Current Risk Score   | Target Risk Score  |
|--|---|--|--|--------------------|--|--|
| <b>CSHF0002</b><br><i>Delivering our Vision</i><br><b>Current Category: Corporate</b><br>There is a risk that HCC's pension fund level may not improve sufficiently to cover accrued pension costs because of economic conditions, poor investment or ineffective governance | Claire Cook<br><br>Assistant Director Finance | The performance of the fund continues to be monitored. Quarterly Actuarial Navigator reports are shared with the pensions committee. Latest position shows the funding level to be around 87% as at 30 September 2016. The risk and controls have been reviewed in the context of the triennial re-evaluation of the fund. Given the improvement funding position the risk score has been reduced from red (severe) to amber (significant).<br>Reviewed On :22/12/2016 | 22/12/2016<br><b>Severe</b><br>32<br><br>Probability Unlikely<br>2<br><br>Impact Very High<br>16 |                    | Significant<br>16<br><br>Probability Rare<br>1<br><br>Impact Very High<br>16 | Significant<br>16<br><br>Probability Rare<br>1<br><br>Impact Very High<br>16 |
| <b>Controls:</b>   | <b>Ref</b>                                    | <b>Control Description</b>   | <b>Status</b>  | <b>Owner</b>       |  |  |
|  | CSHF0002/002                                  | Monitor ongoing market conditions and fund performance.  | Existing   | Patrick Towey      |  |  |
|  | CSHF0002/003                                  | Ensure investment decisions are made in line with the strategy and are adequately diversified  | In Progress  | Patrick Towey      |  |  |
|  | CSHF0002/004                                  | Ensure that bond guarantee arrangements are in place for guaranteed admitted bodies which are subject to ongoing monitoring  | In Progress  | Patrick Towey      |  |  |
|  | CSHF0002/005                                  | Ensure that new LGPS and other pension arrangements are implemented effectively  | In Progress  | Sally Hopper       |  |  |

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|--|---|---|---|--------------------|--|--|
| <b>HR0017</b><br><i>Delivering our Vision</i><br>Old Category: <a href="#">Corporate</a><br>Current Category: <a href="#">Service</a><br><br>In the event of industrial action there is a risk that services cannot be delivered effectively, which could result in harm to residents. | Sally Hopper<br><br>Assistant Director, Human Resources | Following the discussion at Resources Board in October the risk owner has determined the risk can be de-escalated to Service level. There are no known disputes and we have recently engaged in initial positive discussions with the unions on the review of the collective agreement due April 2017.<br>Reviewed On :20/12/2016 | Significant<br>16<br><br>Probability<br>Unlikely<br>2<br><br>Impact<br>High<br>8                          | ↔                  | Significant<br>16<br><br>Probability<br>Unlikely<br>2<br><br>Impact<br>High<br>8 | Material<br>8<br><br>Probability<br>Unlikely<br>2<br><br>Impact<br>Medium<br>4 |
| <b>Controls:</b>   | <b>Ref</b>  |   | <b>Control Description</b>  |                    | <b>Status</b>  | <b>Owner</b>   |
|  | HR0017/001  |   | Engagement with recognised trade unions and robust co-ordination of response to industrial action         |                    | In Progress  | Sally Hopper   |
|  | HR0017/002  |   | Workforce engagement, change management and adherence to statutory requirements for consultation          |                    | Existing   | Sally Hopper   |
|  | HR0017/003  |   | BCP plans are in place to maintain a level of service throughout HCC during a period of industrial action |                    | In Progress  | Gareth Bradbury  |

# Appendix A - Corporate Risk Register quarterly movement report for March 2017

Report Date: 24/01/2017

Date filtered on: 09/11/2016



Notes: References highlighted **Purple** have been added since the 09/11/2016.  
 Old Category is shown when there has been a change of category.  
 Previous Risk Score shows rating, profile, probability and impact prior to the Current Risk Score

| Risk Ref<br>Risk Description<br>Corporate Priority<br>Category  | Risk Owner   | Progress Update   | Previous Risk Score  | Movement Direction | Current Risk Score   | Target Risk Score  |
|---|--|---|--|--------------------|--|--|
| <p><b>HR0023</b> Created Date: 22/12/2016<br/> <i>Delivering our Vision</i><br/> <b>Current Category: Corporate</b><br/>                     As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences.</p> | Sally Hopper<br><br>Assistant Director, Human Resources                            | Paper to SMB on 21st November 2016 confirmed process for offsetting budgets and development of the Hertfordshire Apprenticeship Programme (HAP) and the Hertfordshire Apprenticeship Alliance (HAA). Apprenticeship Levy Project implementing activity to meet April 2017 launch. Reviewed On :23/12/2016 | 22/12/2016<br>Significant<br>12<br><br>Probability<br>Possible<br>3<br><br>Impact<br>Medium<br>4 | ↔                  | Significant<br>12<br><br>Probability<br>Possible<br>3<br><br>Impact<br>Medium<br>4 | Material<br>8<br><br>Probability<br>Unlikely<br>2<br><br>Impact<br>Medium<br>4 |
| <b>Controls:</b>  | <b>Ref</b>   | <b>Control Description</b>  |  |                    | <b>Status</b>  | <b>Owner</b>   |
|   | <u>HR0023/001</u>  | <u>Development of the Hertfordshire Apprenticeship Levy Project</u>   |  |                    | <u>In Progress</u>   | <u>Sally Hopper</u>  |
|   | <u>HR0023/002</u>  | <u>Liaison with departments to identify training needs through strategic workforce planning</u>   |  |                    | <u>In Progress</u>   | <u>Sally Hopper</u>  |
|   | <u>HR0023/003</u>  | <u>Procure training funded through the Apprenticeship Levy</u>  |  |                    | <u>Proposed</u>  | <u>Sally Hopper</u>  |
|   | <u>HR0023/004</u>  | <u>Work in partnership to develop and maintain the Hertfordshire Apprenticeship Alliance (HAA)</u>  |  |                    | <u>In Progress</u>   | <u>Sally Hopper</u>  |
| <u>HR0023/005</u>   | <u>Develop effective processes to reclaim this tax through the digital account</u> |   |  | <u>Proposed</u>    | <u>Sally Hopper</u>  |  |

## HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE**  
**WEDNESDAY, 1 MARCH 2017 AT 10.00 AM**

Agenda Item No:

**6**

### **RISK FOCUS REPORT - CIL**

#### Report of the Director of Resources

Author:- Angela Bucksey, Assistant Director, Property  
(Tel: 01992 556397)

Executive Member:- Christopher Hayward, Resources & Performance

#### **1. Purpose of report**

- 1.1 To provide further information regarding the risk and associated controls recorded on the Hertfordshire County Council Corporate Risk Register relating to the introduction of the Community Infrastructure Levy (CIL) and the value of developer contributions to Hertfordshire County Council infrastructure requirements arising from such developments, risk reference PROP0022.

#### **2. Summary**

- 2.1 The Audit Committee has requested a report on the above risk, the assessment and rating of this risk and the controls in place to minimise or avoid its occurrence. These are summarised in Appendix 1 along with a description of the risk and its possible consequences.
- 2.2 The Community Infrastructure Levy Regulations 2010 (as amended) was introduced to simplify the developer contributions mechanism by encouraging a move away from S106 agreements. Most authorities seek to secure CIL from smaller developments and retain S106 for larger development sites which generally have greater infrastructure needs and require more detailed negotiations. To date only four Hertfordshire authorities have adopted a CIL and each has taken a different stance to implementation and delivery. The remaining six may implement the regime over the course of the next two years subject to the approval of their emerging Local Plans.
- 2.3 The impact of CIL is difficult to assess as a whole as each implementing authority is taking different approaches. However, it is clear that there will be a slowing down of financial resources to the County Council to support essential infrastructure.



### **3. Recommendation**

- 3.1 The Audit Committee is invited to note and comment on the information provided within this report.

### **4. Background**

- 4.1 This risk was first recorded in April 2014 when it became clear that in order to encourage the adoption of CIL changes the use of S106 obligations was also to be introduced.
- 4.2 To recap:- The CIL mechanism is a flat rate tax based on a price per m<sup>2</sup> of developed land. It can be collected from every development into a single pot and the collecting authority has an indefinite amount of time to determine how and when it will be spent.
- 4.3 A total of five S106 obligations may be attributed to a single project. Prior to this change Hertfordshire County Council were able to enter into an unlimited number of S106 obligations per project.
- 4.4 The mitigations (controls) to the risk recorded in April 2014 included:-
- i. Additional staff to deliver to the new legislative requirements
  - ii. Information & 'training' sessions for Members as to the changes in developer contribution legislation and what it meant for the Authority
  - iii. The identification of any alternative income streams that might become available
  - iv. To maintain an open dialogue with central government to inform and influence policy making decisions
  - v. To establish relationships with parish and town councils to achieve the most effective use of CIL across all levels of local government
  - vi. To work with District councils in introducing the new regulations and understanding how they affect essential Hertfordshire County Council infrastructure delivery

It should be noted that at this time the number of District Authorities preparing to adopt the regulations was unknown.

- 4.5 To date, only four Hertfordshire authorities have introduced CIL. They are:
- Hertsmere Borough Council
  - Dacorum Borough Council
  - Watford Borough Council

- Three Rivers District Council

The remainder have determined they will introduce the regime as part of the adoption of the next iteration of their Local Plan between 2017 - 2020.

## **5. Supporting information**

- 5.1 The Corporate Risk is owned within the Resources Directorate by the Assistant Director, Property.
- 5.2 Controls are coordinated by staff within the Development Services team of Property. They are intended to reduce the impact of a reduction in the agreement and delivery of developer contributions towards Hertfordshire County Council infrastructure requirements delivered to support additional development.
- 5.3 All of the controls as set out in the Appendix 1 to the report have been reported through the quarterly Corporate Risk Review Process as In Progress.
- 5.4 Key achievements to date include:

### Staffing

- 5.4.1 Additional posts in Property and Highways were included in the 2015/16 budget. Recruitment proved difficult but a mix of agency and permanent staff has been delivered.
- 5.4.2 The team leads on the delivery of Local Infrastructure Documents (LIDs). There are key documents intended to outline the infrastructure priorities for Hertfordshire County Council (on behalf of both Property and Transport teams) for each of the Local Planning Authorities that have adopted CIL. Completion of LIDs for the CIL areas has taken precedence to support any future CIL bid work; the team is currently working towards an approval process to ensure Members are aware of the needs in their respective areas.

### Collaboration with District Partners

- 5.4.3 Regardless of the adoption of CIL by the districts, work has continued to ensure that a workable CIL structure exists within which the County Council can work effectively with each of the partner districts. Of the four local authorities that have adopted CIL: two have formalised the process of bidding for CIL money; one has identified that most CIL monies will go to fund existing infrastructure projects within the borough; and the remaining authority has received a minimal receipt to date deferring any agreement to their governance structure as a result.

- 5.4.4 Watford Borough Council have identified that most CIL monies will be directed to the Croxley Rail Link project.
- 5.4.5 Three Rivers District Council has only received £40k to date and is deferring their governance process until funding reaches a more meaningful (in terms of delivering actual projects) level.
- 5.4.6 Dacorum Borough Council has worked with all partners, Hertfordshire County Council, Town and Parish Councils and delivered a memorandum of understanding within which all bidding partners must work. They have determined that they will open their bidding process when the accrued value of CIL monies collected is greater than £2m, which is anticipated to be in 2017/18.
- 5.4.7 Hertsmere Borough Council has opened its bidding process and Hertfordshire County Council has made 3 bids within that process. To date none of those bids has been successful as work to develop the final projects is completed by County Council services.

#### Member Updates & Information

- 5.4.8 Property provided a seminar to update all Members on the process and the adoption of the legislation in Hertfordshire. An update to the Executive Member Resources was provided in Autumn 2016.

#### Interaction with central government to influence future policy

- 5.4.9 Property have responded to all government papers on the subject and are awaiting the outcomes a White Paper on Housing which may include changes to CIL regulations.

#### Establishing relationships with Parish & Town Councils

- 5.4.10 Information & guidance notes have been drafted to inform the lower tiers of local government of how CIL and S106 can be used to deliver infrastructure. These are in the process of being approved prior to despatch.

#### Managing the effect of the S106 'Pooling Rule'

- 5.4.11 As identified earlier, included in the CIL regulations were new rules regarding the use of existing and new S106 monies. The new regulations determined that up to five S106 contributions could be identified and used to support a specific scheme. Prior to this any S106 contribution that supported use within the required area could have been used. The work to identify the most appropriate five contributions for schemes has proved difficult and in some instances has provided less than the anticipated and previously available funding.

5.4.12 The Development Services team monitors the number of obligations sought and works consistently with services to support their management of this process. An all services workshop is planned for 8 March 2017. Lead by the Development Services team, the workshop will assist officers dealing with the pooling restriction in problem solving, and offering advice on best practice.

5.4.13 In addition, the team will be delivering an open lunchtime learning seminar on 23 February 2017 which is open to all County Council officers explaining how the S106 and CIL processes operate.



**Appendix 1.**

| <b>CORPORATE RISK REGISTER</b>  |   |                         |
|---|---|-------------------------|
| <b>Risk Number</b>  | <b>Risk Owner</b>                                   | <b>Department</b>       |
| PROP0022  | Angela Bucksey                                      | Resources               |
| <b>Date risk first included on risk register</b>  | <b>Risk treatment (response) to manage the risk</b> | <b>Executive Member</b> |
| 06/08/2014  | Reduce  | Christopher Hayward     |
| <p><b>Description of the risk</b><br/>           As a result of changes to the way in which development contributions will be collected from new developments through use of Community Infrastructure Levy (CIL) and Section 106 contributions, and the delay in introduction of the new arrangements across all district authorities, there is a risk that there may be insufficient money to support infrastructure needs derived from new housing developments etc</p> <p><b>Consequences of the risk</b><br/>           The implementation of the CIL regime and the constriction of the number of S106 agreements applicable to a single infrastructure project may reduce the value of developer contributions to Hertfordshire County Council infrastructure required to meet our regulatory responsibilities.</p>   |   |                         |
| <p><b>Current controls</b></p> <p><b>PROP0022/002</b><br/>           Engage additional staff resource to drive forward work with Districts on Local Plans</p> <p><b>PROP0022/003</b><br/>           To work effectively with District planners to communicate and identify the required infrastructure</p> <p><b>PROP0022/004</b><br/>           Provide regular updates to Members/stakeholders working with Districts to secure support for successful implementation of CIL</p> <p><b>PROP0022/005</b><br/>           Identification of possible alternative funding sources and interaction with fund bidding processes</p> <p><b>PROP0022/006</b><br/>           Develop &amp; maintain dialogue with central government departments as necessary to inform and influence policy and funding decisions</p> <p><b>PROP0022/007</b><br/>           Establish working relationships with Parish &amp; Town Councils as necessary to achieve effective use of CIL funding</p> <p><b>PROP0022/008</b><br/>           Work with Districts to bring forward their Local Plans CIL charging and support Hertfordshire County Council Infrastructure requirements</p> |   |                         |
| <b>Current Risk score based on effectiveness of current controls</b>  |   |                         |

|   |                      |                       |
|---|----------------------|-----------------------|
| <b>Probability score:</b>   | <b>Impact score:</b> | <b>Overall score:</b> |
| 4 - Likely  | 8 –High              | 32 - Severe           |
| <b>Reason for inclusion on Corporate Register</b>   |                      |                       |
| The risk met the corporate risk criteria; in particular there are significant financial implications. |                      |                       |
| <b>Direction of travel (overall risk score for previous three quarters)</b>                           |                      |                       |
| 32  | 32                   | 32                    |
| <b>Target risk score</b>  |                      |                       |
| <b>Probability score:</b>   | <b>Impact score:</b> | <b>Overall score:</b> |
| 3 – Possible  | 4 – Medium           | 12 – Significant      |



Agenda item  
No:

**7**

## Hertfordshire County Council Internal Audit Progress Report 1 March 2017

### Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Agree changes to the audit plan
- Agree to the removal of high priority actions now complete



## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.6 Schools' Activity
  - 2.12 Proposed Audit Plan Amendments
  - 2.18 Limited Assurance Audits
  - 2.19 High Priority Recommendations
  - 2.24 Medium Priority Recommendations
  - 2.26 Performance Management

## Appendices

- A Progress against the 2016/17 Audit Plan
  
- B Implementation Status of High Priority Recommendations
  
- C Definitions of Assurance and Recommendation Priorities

# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with information on the position as at 6 February 2017, relating to:
  - a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Hertfordshire County Council Internal Audit Plan for 2016/17
  - b) Proposed amendments to the approved 2016/17 Audit Plan
  - c) 'Limited Assurance' audits issued since the last meeting of this Committee of which there are none in this reporting period.
  - d) Implementation status of previously agreed:
    - high priority audit recommendations and agreement to remove completed actions; and
    - medium priority recommendations
  - e) An update on performance management information.

## Background

- 1.2 The 2016/17 Hertfordshire County Council Audit Plan was approved by the Audit Committee on 23 March 2016.
- 1.3 The Audit Committee receives periodic progress updates against the Internal Audit Plan, the most recent of which was brought to the meeting of 30 November 2016.
- 1.4 The work of Internal Audit is required to be reported to a Member Body, so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 6 February 2017, 73% of the 2016/17 Internal Audit Plan days had been delivered (calculation excludes unused contingency days). Appendix A provides a status update on each individual deliverable within the audit plan.

2.2 The following reports have been issued and assignments undertaken in the period since 5 November 2016:

| <b>Audit Title</b>   | <b>Assurance Level</b> | <b>Number of Recommendations</b>            |
|--|------------------------|---|
| <b>Resources</b>   |                        |   |
| Management of Empty Properties   | Substantial            | 3 Medium<br>2 Merits Attention              |
| ICT Support Process and Helpdesk   | Substantial            | 5 Medium<br>6 Merits Attention              |
| <b>Health and Community Services</b>   |                        |   |
| HCS Cash Handling Procedures   | Moderate               | 1 High<br>6 Medium<br>2 Merits Attention    |
| <b>Children's Services</b>   |                        |   |
| Foster Carer Recruitment and Retention   | Full                   | No recommendations                          |
| <b>Environment</b>   |                        |   |
| Category One - 'Triage' Approach   | Moderate               | 1 Medium<br>1 Merits Attention              |
| Transport, Access and Safety - Taxi Procurement - Anti Bribery Controls Training | N/a                    | Training Session Delivered in February 2017 |

2.3 In addition to the above, the following draft reports have been issued to management for comment and response:

| <b>Service</b>   | <b>Audit Title</b>                         | <b>Month of Issue</b> |
|------------------|--|-----------------------|
| <b>Resources</b> | Pensions – Administration                  | February 2017         |
|                  | Payroll                                    | February 2017         |
|                  | Debtors                                    | February 2017         |
|                  | Creditors                                  | February 2017         |
|                  | General Ledger                             | February 2017         |
|                  | Feeder Systems                             | February 2017         |
|                  | E-Monitor Process -Consistency of Approach | January 2017          |

|                                      |  |               |
|--------------------------------------|--|---------------|
|                                      | Hertfordshire Business Services – Stock Control      | February 2017 |
| <b>Health and Community Services</b> | Statutory Returns                                    | February 2017 |
| <b>Children’s Services</b>           | Controcc – Foster Carer Payments                     | February 2017 |
|                                      | Unaccompanied Minors and no Recourse to Public Funds | February 2017 |
| <b>Community Protection</b>          | Volunteering   | January 2017  |

2.4 Other audits within the 2016/17 plan continue to be progressed as agreed; there are 17 audits currently in fieldwork or quality review and all remaining audits at planning or terms of reference stage.

2.5 In respect of the Council’s Key Financial Systems audits, fieldwork has now been completed and draft reports issued to management. The reports will be shared with the Council’s External Auditor’s in line with the agreed timescales of the middle of February 2017. The remaining audit, Treasury Management, is not deemed a key deliverable for External Audit assurance purposes and has been scheduled for completion by the end of March.

Schools’ Audit Activity

2.6 The schools’ audit plan for 2016/17 identified three streams of activity:

- a) **Theme 1** - Assessment of the effectiveness of internal control in relation to the requirements of the Schools Financial Value Standard (SFVS) (sample of 19 schools)
- b) **Theme 2** – Safe Recruitment – to provide assurance that the sample schools comply with the statutory guidance in the Department for Education’s publication “Keeping Children Safe in Education” and the Home Office Right to Work in the UK legislation, when undertaking recruitment activity (sample of 13 schools)
- c) **Theme 3** – Financial Planning – to review the effectiveness of financial planning including early years (sample of 13 schools)

2.7 In respect of Theme 1, visits to all sampled schools were completed in the summer term and draft reports were issued during the same period. Eighteen of these reports have now been finalised, with management action plans agreed in response to the recommendations made. The

remaining outstanding draft report is being urgently followed up for finalisation.

- 2.8 Fieldwork in relation to theme 2, Safe Recruitment in Schools, has been completed and reports summarising the outcomes of the visit and any recommendations for improvement are currently being issued to the individual School's visited.
- 2.9 Planning to support delivery of Theme 3 has now been completed and all visits booked with the sampled schools. All audit visits are scheduled to be completed by the end of March 2017.
- 2.10 In addition to the above, Children's Services or Individual Schools have requested audit visits under the now completed SFVS theme. In total five additional reviews will be undertaken using the SFVS approach, with these scheduled to be completed by the end of March 2017.
- 2.11 We continue to receive enquiries from schools regarding a range of financial matters and update the Frequently Asked Questions within the Internal Audit page on the Grid accordingly.

#### Proposed Audit Plan Amendments

- 2.12 Proposed amendments to the 2016/17 Internal Audit Plan and the reasons for these are set out below:
- 2.13 Health and Community Services
- Cancellation of the audit of the Better Care Fund (15 days) as alternative assurance on the management of key risks is already available through a combination of previous SIAS audits and those undertaken by the Internal Auditors of the CCG's.
  - A reduction in the audit budget for the Residential Invoicing Audit (15 to 5 days). Based on the progress with this project SIAS is now providing consultancy support on the design and implementation of revised systems, as opposed to an assurance review

The above changes are proposed at the request of the HCS Board.

- 2.14 Children's Services
- As proposed by the Head of Childhood Support; deferral of the audit of Extended Entitlement to Free Childcare as this is currently a pilot and is already subject to monitoring by the DfE and other external organisations.

## 2.15 Schools Plan

Adjustments are planned to the approved school's audit plan to provide additional capacity for two additional activities.

- An allocation of 10 days to accommodate SIAS attendance at a series of Children's Services safeguarding seminars for Head Teachers and Governors. This was to allow key learning points from the recently completed Safe Recruitment audits to be shared with all maintained schools.
- An increase of 15 days to the allocation for theme 1 (SFVS) to allow the completion of the additional audit visits highlighted within paragraph 2.10.

2.16 The above Schools' plan adjustments were proposed by the Assistant Director (Education, Access and Provision) and would be accommodated by a reduction in the number of schools covered within the Safe Recruitment theme (18 to 13) and the Financial Planning theme (15 to 13). In total the annual schools coverage for 2016/17 will reduce by two schools from the original audit plan approved by the Audit Committee.

### Other Changes

2.17 Additional minor changes have been made to the audit plan in order to reflect changes of 2 days or less, where original planned items are no longer required, or new activities have emerged. Taking into account all changes the County Council contingency budget now stands at 64 days.

### Limited Assurance Audits

2.18 Since the previous progress report no Limited Assurance opinions have been provided by SIAS.

### High Priority Recommendations

2.19 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.20 An update on progress with implementing high priority recommendations is shown at Appendix B. Progress is summarised in the table below:

| HIGH PRIORITY RECOMMENDATIONS   |             |             |                      | Not implemented by Due Date                 |                                    |
|---|-------------|-------------|----------------------|---|------------------------------------|
| Total Number of Outstanding Recommendations at the start of this Follow Up Period | Implemented | Not Yet Due | No Longer Applicable | Partially Implemented – Revised Date Agreed | No Update Provided by Action Owner |
| 4   | 1           | 0           | 0                    | 3   | 0                                  |
| %   | 25%         | 0%          | 0%                   | 75%   | 0%                                 |

2.21 High priority recommendations relating to schools are excluded from this listing given both the volume of schools within the County and the relative risk of any single recommendation to the Authority as a whole.

2.22 Further details on the implementation status of the above management actions are provided within Appendix B of this progress report.

2.23 One new high priority recommendation has been made since our previous progress report to the Committee:

- HCS Cash Handling Procedures - Systems should be revised to ensure that the Security Officer is not permitted to open the safe unless there are two authorised officers present. The existing format for the Safe Access Log should also be updated to clearly demonstrate the application of this control. Further details, the related management response and progress in implementation are provided in Appendix B.

#### Medium Priority Recommendations

2.24 The Committee's role in respect of medium priority recommendations is to be satisfied that there is a monitoring process in place and that, in general, agreed recommendations are being implemented.

2.25 The table below details the implementation status of medium priority recommendations that were due for implementation in the period since the last progress report.

| MEDIUM PRIORITY RECOMMENDATIONS                            |             |   | Not implemented by Due Date                 |   |                                    |
|--|-------------|---|---|---|------------------------------------|
| Total Number of Recommendations Followed Up in this Period | Implemented | Original agreed action under review by Management | Partially Implemented – Revised Date Agreed | Actions not commenced – Revised date Agreed | No Update Provided by Action Owner |
| 60   | 27          | 0   | 29  | 0   | 4                                  |
| %  | 45%         | %   | 48%   | 0%  | 7%                                 |

## Performance Management

- 2.26 Annual performance indicators and associated targets are approved by the SIAS Board on an annual basis.
- 2.27 The actual performance for Hertfordshire County Council against the targets that can be monitored in year is set out in the table below.

| <b>Performance Indicator</b>  | <b>Performance Target for 31 March 2017</b> | <b>Profiled performance at 6 February 2017</b> | <b>Actual performance to 6 February 2017</b> |
|---|---|--|--|
| <b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency) | 95%   | 80%  | 73%  |
| <b>2. Planned Projects *</b> – percentage of actual completed projects to draft report stage against planned completed projects     | 95%   | 64%  | 59%  |
| <b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level                   | 100%  | 100%   | 89%**  |
| <b>4. Number of High Priority Audit Recommendations agreed as %</b>   | 95%   | 95%  | 100%   |

\* Based on audit plan ‘deliverables’ at draft, final and audit closed stage including schools audits and items carried forward from 2015/16 that were not at draft report stage by 31 March 2016.

\*\* Eighteen completed customer satisfaction surveys have been received during 2016/17, two of which gave a lower than ‘satisfactory’ assessment of the audit process

- 2.28 In addition, the performance targets listed below are annual in nature; Members will be updated on the performance against these targets within the separate Head of Assurance’s Annual Report:
- **5. External Auditors’ Satisfaction** – the Annual Audit Letter should indicate that external audit has drawn assurance from the work of internal audit on relevant matters



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

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

**SIAS Audit Plan 2016/17**

| AUDITABLE AREA                                      | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                    | H    | M | MA |                 |                       |                         |                     |
| <b>Corporate</b>                                    |                    |      |   |    |                 |                       |                         |                     |
| Annual Governance Statement 2015-16                 | N/A                |      |   |    | 8               | SIAS                  | 8                       | Complete            |
| Annual Governance Statement 2016-17                 | N/A                |      |   |    | 3               | SIAS                  | 2                       | In Fieldwork        |
| Head of Assurance Annual Opinion and Annual Report  | N/A                |      |   |    | 5               | SIAS                  | 5                       | Complete            |
| Whistleblowing - named contact and quarterly review | N/A                |      |   |    | 4               | SIAS                  | 4                       | Through Year        |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Finance</b>                           |                    |      |   |    |                 |                       |                         |                     |
| Pensions – Administration                           |                    |      |   |    | 30              | SIAS                  | 27                      | Draft Report Issued |
| Payroll   |                    |      |   |    | 25              | SIAS                  | 24                      | Draft Report Issued |
| Debtors   |                    |      |   |    | 25              | SIAS                  | 24.5                    | Draft Report Issued |
| Creditors   |                    |      |   |    | 25              | SIAS                  | 24                      | Draft Report Issued |
| General Ledger                                      |                    |      |   |    | 20              | SIAS                  | 19.5                    | Draft Report Issued |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                                | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                    | H    | M | MA |                 |                       |                         |                     |
| Treasury Management                           |                    |      |   |    | 15              | SIAS                  | 4.5                     | TOR Issued          |
| e-Income (suppliers' payments)                |                    |      |   |    | 10              | BDO                   | 8                       | Quality Review      |
| Feeder Systems                                |                    |      |   |    | 10              | SIAS                  | 9.5                     | Draft Report Issued |
| E-Monitor Process -Consistency of Approach    |                    |      |   |    | 8               | SIAS                  | 8                       | Draft Report Issued |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Procurement and Performance</b> |                    |      |   |    |                 |                       |                         |                     |
| Framework Contracts                           |                    |      |   |    | 15              | BDO                   | 14                      | Quality Review      |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Property</b>                    |                    |      |   |    |                 |                       |                         |                     |
| Asbestos Management                           |                    |      |   |    | 15              | SIAS                  | 0.5                     | In Planning         |
| Carbon Reduction Commitment                   | N/a                | 0    | 0 | 0  | 15              | SIAS                  | 15                      | Final Report Issued |
| Leasehold Income                              |                    |      |   |    | 15              | BDO                   | 12                      | Quality Review      |
| Management of Empty Properties                | Substantial        | 0    | 3 | 2  | 15              | SIAS                  | 15                      | Final Report Issued |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                          | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                    | H    | M | MA |                 |                       |                         |                     |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Technology</b>            |                    |      |   |    |                 |                       |                         |                     |
| ICT Support Process and Helpdesk        | Substantial        | 0    | 5 | 6  | 15              | SIAS                  | 15                      | Final Report Issued |
| Systems rationalisation                 | N/a                |      |   |    | 0               | N/a                   |                         | Cancelled           |
| Intranet                                |                    |      |   |    | 15              | BDO                   | 0.5                     | TOR Issued          |
| Social Media                            |                    |      |   |    | 15              | SIAS                  | 1                       | In Planning         |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Business Intelligence</b> |                    |      |   |    |                 |                       |                         |                     |
| Data Retention                          |                    |      |   |    | 20              | BDO                   | 1                       | In Planning         |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Human Resources</b>       |                    |      |   |    |                 |                       |                         |                     |
| Training Records                        |                    |      |   |    | 8               | SIAS                  |                         | In Planning         |
| Working Time Directive                  |                    |      |   |    | 15              | SIAS                  | 2                       | In Fieldwork        |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|  |                    | H    | M | MA |                 |                       |                         |                     |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Resources: Legal, Democratic &amp; Statutory Services</b> |                    |      |   |    |                 |                       |                         |                     |
| Coroner's Service  | Substantial        | 0    | 3 | 3  | 15              | SIAS                  | 15                      | Final Report Issued |
|  |                    |      |   |    |                 |                       |                         |                     |
| Resources Queries <3hrs Activities                           | N/A                |      |   |    | 20              | N/A                   | 15                      | Through Year        |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>HBS</b>   |                    |      |   |    |                 |                       |                         |                     |
| Stock Control  |                    |      |   |    | 15              | BDO                   | 12.5                    | Draft Report Issued |
| Fuel Cards(HES)  | Limited            | 1    | 6 | 3  | 18              | SIAS                  | 18                      | Final Report Issued |
| Fuel Cards (HBS)   | Substantial        | 0    | 2 | 1  |                 |                       |                         | Final Report Issued |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Cross-Cutting Reviews</b>                                 |                    |      |   |    |                 |                       |                         |                     |
| Contract Management  |                    |      |   |    | 25              | BDO                   | 15.5                    | In Fieldwork        |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                          | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                    | H    | M | MA |                 |                       |                         |                     |
| Business Cases and Benefits Realisation |                    |      |   |    | 25              | BDO                   | 7.5                     | In Fieldwork        |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Health &amp; Community Services</b>  |                    |      |   |    |                 |                       |                         |                     |
| Residential Invoicing (Consultancy)     |                    |      |   |    | 5               | SIAS                  | 0.5                     | Allocated           |
| Financial Assessments                   | Substantial        | 0    | 2 | 2  | 15              | SIAS                  | 15                      | Final Report Issued |
| Statutory Returns                       |                    |      |   |    | 15              | BDO                   | 13                      | Draft Report Issued |
| Homecare                                |                    |      |   |    | 15              | BDO                   | 14.5                    | Quality Review      |
| Carers Direct Payments                  | Moderate           | 1    | 8 | 1  | 15              | SIAS                  | 15                      | Final Report Issued |
| Better Care Fund                        |                    |      |   |    | 0               | BDO                   |                         | Cancelled           |
| Pre-Paid Cards                          |                    |      |   |    | 10              | SIAS                  | 6                       | In Fieldwork        |
| Voluntary Sector Contracts / Grants     |                    |      |   |    | 10              | SIAS                  | 5                       | In Fieldwork        |
| Client Finances - Establishment Visits  |                    |      |   |    | 30              | SIAS                  | 0.5                     | In Planning         |
| Learning Disability - Panel Processes   |                    |      |   |    | 10              | BDO                   | 8                       | Quality Review      |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA  | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                    | H    | M | MA |                 |                       |                         |                     |
| HCS Cash Handling Procedures                            | Moderate           | 1    | 6 | 2  | 5               | SIAS                  | 5                       | Final Report Issued |
| HCS Contract Retention and Contract Management          |                    |      |   |    | 10              | SIAS                  | 4                       | In Fieldwork        |
| H & CS Queries < 3hrs Activities                        | N/A                |      |   |    | 10              | N/A                   | 4                       | Through Year        |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Environment Services - Transport</b>                 |                    |      |   |    |                 |                       |                         |                     |
| Home to School and Social Care transport (Safeguarding) |                    |      |   |    | 20              | BDO                   | 4                       | TOR Issued          |
|   |                    |      |   |    |                 |                       |                         |                     |
| <b>Environment Services – Highways</b>                  |                    |      |   |    |                 |                       |                         |                     |
| Ringway Contract – Sector Specific Improvements         |                    |      |   |    | 20              | SIAS                  | 17                      | In Fieldwork        |
| Category One - ‘Triage’ Approach                        | Moderate           | 0    | 1 | 1  | 15              | SIAS                  | 15                      | Final Report Issued |
| Redesign of the Highways Service                        |                    |      |   |    | 20              | SIAS                  | 9                       | In Fieldwork        |
| Customer Enquiries and Complaints                       |                    |      |   |    | 15              | BDO                   | 3                       | In Planning         |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                                       | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|  |                    | H    | M | MA |                 |                       |                         |                     |
| Valuation of Transport Infrastructure Assets         | Substantial        | 0    | 5 | 2  | 15              | SIAS                  | 15                      | Final Report Issued |
| Programme management                                 |                    |      |   |    | 20              | BDO                   | 1                       | In Planning         |
| Business Continuity                                  |                    |      |   |    | 20              | BDO                   | 0.5                     | TOR Issued          |
| ECS Queries <3hrs activities                         | N/A                |      |   |    | 5               |                       | 4                       | Through Year        |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Children's Services</b>                           |                    |      |   |    |                 |                       |                         |                     |
| Data Quality   |                    |      |   |    | 15              | BDO                   | 13.5                    | Quality Review      |
| Ofsted Action plan progress                          |                    |      |   |    | 10              | SIAS                  | 0.5                     | In Planning         |
| Foster Carer Recruitment and Retention               | Full               | 0    | 0 | 0  | 15              | SIAS                  | 15                      | Final Report Issued |
| Controcc – Foster Carer Payments                     |                    |      |   |    | 10              | SIAS                  | 9.5                     | Draft Report Issued |
| Unaccompanied Minors and no Recourse to Public Funds |                    |      |   |    | 15              | SIAS                  | 12                      | Draft Report Issued |
| Extended Entitlement to Free Childcare               |                    |      |   |    | 5               | SIAS                  | 4.5                     | Audit Deferred      |



**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|  |                    | H    | M | MA |                 |                       |                         |                     |
| Children's services establishments                     |                    |      |   |    | 33              | SIAS                  | 30.5                    | Quality Review      |
| Section 17 Payments                                    | Substantial        | 0    | 4 | 1  | 10              | SIAS                  | 10                      | Final Report Issued |
| CS Queries <3hrs Activities                            | N/A                |      |   |    | 10              | SIAS                  | 8.5                     | Through Year        |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Public Health</b>                                   |                    |      |   |    |                 |                       |                         |                     |
| Budget Setting and Budgetary Control                   |                    |      |   |    | 15              | BDO                   | 2                       | TOR Issued          |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Community Protection</b>                            |                    |      |   |    |                 |                       |                         |                     |
| Resilience   | Substantial        | 0    | 0 | 0  | 15              | SIAS                  | 15                      | Final Report Issued |
| Volunteering   |                    |      |   |    | 10              | SIAS                  | 9.5                     | Draft Report Issued |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Shared Learning</b>                                 |                    |      |   |    |                 |                       |                         |                     |
| Shared Learning Newsletters and Summary Themed Reports | N/A                |      |   |    | 5               | SIAS                  | 5                       | Through Year        |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                                  | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT             |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|----------------------------|
|   |                    | H    | M | MA |                 |                       |                         |                            |
| Joint Review 1 - Delivery of the PREVENT agenda | N/A                |      |   |    | 2.5             | SIAS                  | 2.5                     | In Fieldwork               |
| Joint Review 2 - Trading Activities             | N/A                |      |   |    | 2.5             | SIAS                  | 2                       | In Fieldwork               |
|   |                    |      |   |    |                 |                       |                         |                            |
| <b>Contingencies</b>                            |                    |      |   |    |                 |                       |                         |                            |
| Hertfordshire County Council Contingency        | N/A                |      |   |    | 50.5            | N/A                   |                         | Through Year               |
|   |                    |      |   |    |                 |                       |                         |                            |
| <b>Grant Claims</b>                             |                    |      |   |    |                 |                       |                         |                            |
| Herts Chief Finance Officers Society            | Not Assessed       | 0    | 0 | 0  | 1               | SIAS                  | 1                       | Final Certification Issued |
| Hertfordshire Education Foundation              |                    |      |   |    | 2               | SIAS                  | 0.5                     | In Fieldwork               |
| Hertfordshire Charity for Deprived Children     | Not Assessed       | 0    | 0 | 0  | 1               | SIAS                  | 1                       | Final Certification Issued |
| Autism Grant                                    |                    |      |   |    | 2               | SIAS                  | 1                       | Allocated                  |
| Integrated and Structural Maintenance           | Not Assessed       | 0    | 0 | 0  | 3               |                       | 3                       | Final Certification Issued |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                 | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT             |
|--------------------------------|--------------------|------|---|----|-----------------|-----------------------|-------------------------|----------------------------|
|                                |                    | H    | M | MA |                 |                       |                         |                            |
| Grant                          |                    |      |   |    |                 |                       |                         |                            |
| LEP – Local Growth Fund        | Not Assessed       | 0    | 0 | 0  | 6               |                       | 6                       | Final Certification Issued |
| SureCare                       |                    |      |   |    | 0.5             | SIAS                  | 0.5                     | Cancelled                  |
| PH Grant                       |                    |      |   |    | 0.5             | SIAS                  | 0.5                     | Cancelled                  |
| PSS Grant                      |                    |      |   |    | 0.5             | SIAS                  | 0.5                     | Cancelled                  |
| Grants Contingency             |                    |      |   |    | 13.5            |                       |                         | Through Year               |
|                                |                    |      |   |    |                 |                       |                         |                            |
| <b>Other Chargeable</b>        |                    |      |   |    |                 |                       |                         |                            |
| Monitoring 16/17 Plan          | N/A                |      |   |    | 30              | SIAS                  | 25                      | Through Year               |
| Recommendations Follow-Up - Q1 | N/A                |      |   |    | 5               | SIAS                  | 5                       | Complete                   |
| Recommendations Follow-Up - Q2 | N/A                |      |   |    | 5               | SIAS                  | 5                       | Complete                   |
| Recommendations Follow-Up - Q3 | N/A                |      |   |    | 5               | SIAS                  | 5                       | Complete                   |
| Recommendations Follow-Up - Q4 | N/A                |      |   |    | 5               | SIAS                  | 5                       | Not Yet Allocated          |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA                                       | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT    |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|-------------------|
|  |                    | H    | M | MA |                 |                       |                         |                   |
| Client Liaison                                       | N/A                |      |   |    | 10              | SIAS                  | 9                       | Through Year      |
| Audit Committee Matters & Attendance                 | N/A                |      |   |    | 20              | SIAS                  | 16                      | Through Year      |
| Audit Planning - 17/18                               | N/A                |      |   |    | 30              | SIAS                  | 25                      | Draft Plan Issued |
| Performance Data                                     | N/A                |      |   |    | 6               | SIAS                  | 5                       | Through Year      |
| External Audit Liaison                               | N/A                |      |   |    | 6               | SIAS                  | 4.5                     | Through Year      |
| Service Plan Activity                                | N/A                |      |   |    | 40              | SIAS                  | 40                      | Through Year      |
| SIAS Board Meetings and Preparation                  | N/A                |      |   |    | 12              | SIAS                  | 12                      | Through Year      |
| Management of Scrutiny                               | N/A                |      |   |    | 5               | SIAS                  | 5                       | Through Year      |
| Management of Health & Safety                        | N/A                |      |   |    | 5               | SIAS                  | 5                       | Through Year      |
| Management of Shared Anti Fraud Service              | N/A                |      |   |    | 5               | SIAS                  | 5                       | Through Year      |
| Management of Risk Management and Insurance          | N/A                |      |   |    | 5               | SIAS                  | 5                       | Through Year      |
| Public Sector Internal Audit - Self Assessment 16-17 | N/A                |      |   |    | 10              | SIAS                  | 3                       | Allocated         |

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|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|  |                    | H    | M | MA |                 |                       |                         |                     |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>15-16 Projects requiring finalisation</b>                           |                    |      |   |    | 65.5            |                       | 65.5                    |                     |
| Payroll  | Substantial        | 0    | 1 | 1  |                 | BDO                   |                         | Final Report Issued |
| Debtors  | Substantial        | 0    | 1 | 2  |                 | BDO                   |                         | Final Report Issued |
| Treasury Management  | Substantial        | 0    | 0 | 2  |                 | BDO                   |                         | Final Report Issued |
| Business Rates Pooling / Collection                                    | Substantial        | 0    | 0 | 2  |                 | BDO                   |                         | Final Report Issued |
| EU Procurement Rules   | Substantial        | 0    | 0 | 2  |                 | SIAS                  |                         | Final Report Issued |
| Contract Payments – Resources  | Substantial        | 0    | 0 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Support at Home  | Moderate           | 0    | 2 | 3  |                 | BDO                   |                         | Final Report Issued |
| Licensed Deficits  | Substantial        | 0    | 0 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Music Service  | Substantial        | 0    | 0 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Local Enterprise Partnership - compliance with the assurance framework | Substantial        | 0    | 2 | 2  |                 | SIAS                  |                         | Final Report Issued |

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| AUDITABLE AREA  | LEVEL OF ASSURANCE      | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|---|-------------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|   |                         | H    | M | MA |                 |                       |                         |                     |
| Mobile Technology - security of new arrangements                        | Moderate                | 0    | 1 | 1  |                 | BDO                   |                         | Final Report Issued |
| Client Finances - visits to establishments                              | Moderate                | 0    | 7 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Highways Contract - Governance, Performance, Contract Management        | Moderate                | 1    | 5 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Creditors   | Substantial             | 0    | 4 | 0  |                 | BDO                   |                         | Final Report Issued |
|   |                         |      |   |    |                 |                       |                         |                     |
| <b>15-16 Projects requiring completion</b>                              |                         |      |   |    |                 |                       |                         |                     |
| Health and Safety - Community Protection                                | Substantial             | 0    | 1 | 2  |                 | SIAS                  |                         | Final Report Issued |
| Non Attendance at School  | Substantial             | 0    | 1 | 1  |                 | SIAS                  |                         | Final Report Issued |
| Continuing Health Care - Panel Process                                  | Moderate                | 0    | 3 | 1  |                 | BDO                   |                         | Final Report Issued |
| Transport, Access and Safety - Taxi Procurement - Anti Bribery Controls | N/A – Training Activity |      |   |    |                 | SIAS                  |                         | Complete            |
| Better Care Fund - Performance and Financial Monitoring                 | Substantial             | 0    | 2 | 1  |                 | BDO                   |                         | Final Report Issued |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

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|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|----------------------|
|   |                    | H    | M | MA |                 |                       |                         |                      |
| Special Educational Needs and Disability - meeting statutory requirements | Substantial        | 0    | 1 | 2  |                 | SIAS                  |                         | Final Report Issued  |
| Highways Operating Procedures   |                    |      |   |    |                 | SIAS                  |                         | Audit Cancelled      |
|   |                    |      |   |    |                 |                       |                         |                      |
| <b>Schools</b>  |                    |      |   |    |                 |                       |                         |                      |
| Theme 1 - SFVS  | N/A                |      |   |    | 73.5            | SIAS                  | 75.5                    | Visits Completed     |
| Theme 2 - Safe Recruitment  |                    |      |   |    | 77.5            | SIAS                  | 60                      | Visits Completed     |
| Theme 3 - Financial Planning  |                    |      |   |    | 68              | SIAS                  | 2.5                     | In Fieldwork         |
| Reporting 15/16 themes  |                    |      |   |    | 9               | SIAS                  | 9                       | Final Reports Issued |
| Follow up schools with high priority recs or moderate assurance           | N/A                |      |   |    | 15              | SIAS                  | 15                      | Through Year         |
| Other Assurance Visits  | N/A                |      |   |    | 17              | SIAS                  | 15                      | Through Year         |
| SFVS Returns Collation and Collection                                     | N/A                |      |   |    | 11              | SIAS                  | 7                       | Through Year         |
| Advice, queries and guidance for schools                                  | N/A                |      |   |    | 30              | SIAS                  | 21.5                    | Through Year         |

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 6 FEBRUARY 2017**

| AUDITABLE AREA  | LEVEL OF ASSURANCE | RECS     |           |           | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|--------------------|----------|-----------|-----------|-----------------|-----------------------|-------------------------|----------------|
|   |                    | H        | M         | MA        |                 |                       |                         |                |
| Liaison, awareness raising and training & plan monitoring | N/A                |          |           |           | 37              | SIAS                  | 45                      | Through Year   |
| 2015/16 Schools Completion                                | N/A                |          |           |           | 1               | SIAS                  | 1                       | Complete       |
| FOI Request   | N/A                |          |           |           | 3               | SIAS                  | 3                       | Complete       |
| Contingency   | N/A                |          |           |           | 3               | N/A                   |                         | Through Year   |
| <b>Total</b>  |                    | <b>4</b> | <b>76</b> | <b>51</b> | <b>1637</b>     |                       | <b>1140</b>             |                |

**Key**

- H = High Priority**
- M = Medium Priority**
- MA = Merits Attention**
- RECS = Recommendation**
- BDO = new audit partner, replacing PWC from 1 April 2015**
- N/A = not applicable**





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

| No. | Report Title / Date of Issue   | Recommendation / Original Management Response  | Responsible Officer / Due Date   | Management Comment as at 6 February 2017 (previous commentary added where appropriate)   | Status of Progress   |
|-----|--|--|--|--|--|
| 1   | <p><b>HCC Service User Managed Monies</b></p> <p>(Final Report Issued February 2015)</p> | <p><b><u>Recommendation</u></b><br/>                     All existing service users that are not currently managed under Appointeeship or Deputyship should be reviewed to ensure that Hertfordshire County Council have the appropriate level of authority based on the level of support being provided.</p> <p>For instances where significant levels of support are provided, appointeeships or deputyships should be used in all cases. If there are subsequent anomalies, these should be fully documented, approved by Senior Management and recorded on the Service User's file.</p> <p><b><u>Management Response</u></b><br/> <b>The review of the area of appointeeships and deputyships will form a specific workstream of this project.</b></p> <p><b>A key area of review will be determining the responsibilities of Hertfordshire County Council within this area from both a legal and regulatory basis. If it is confirmed that appointeeships and deputyships should be used more widely a full review of existing service users will be undertaken.</b></p> <p><b>The project will also review how the existing scheme of delegation for approving expenditure for service users ensures that decision making is appropriate to the service user's needs, i.e. decision making is undertaken by those individuals that know the client best.</b></p> | <p><b>Steven Lee-Foster, Assistant Director HCS Provider Services / David Price, Business Development Manager (HCS)</b></p> <p>30 September 2015</p> | <p>As of December 2016, supported living has 329 service users / tenants it is supporting. 179 people were identified as not requiring a capacity assessment (56%) The basis on which this is made is unclear and is being investigated.</p> <p>83 service users have either an Appointeeship or Deputyship in place (25%) and a further 50 service users are subject of either a referral to HCS Care Management or family members (15%) The status of these requests will be subject of further information gathering.</p> <p>In order to evaluate the robustness of the data the monthly returns template and data from individual service units will be reviewed. The evidence indicates a number of service users whose status is unclear and this will be subject of further investigation as well. The number of service users with Appointeeship or Deputyship in place has remained relatively unchanged since July 2016.</p> | <p><b>Partially Implemented</b></p> <p><b>Revised Target Date - End of June 2017</b></p> |

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

| No. | Report Title / Date of Issue   | Recommendation / Original Management Response   | Responsible Officer / Due Date                                | Management Comment as at 6 February 2017 (previous commentary added where appropriate)  | Status of Progress  |
|-----|--|---|---|---|---|
| 2   | <p><b>Fuel Cards – HES</b></p> <p>(Final Report Issued October 2016)</p>         | <p><b><u>Recommendation</u></b><br/>HES to review and strengthen the existing processes for checking and validating supplier invoices and employee use of fuel cards.</p> <p><b><u>Management response</u></b><br/><b>Immediate cross-referencing of bills and receipts to be commenced</b></p> <p><b>Head of HES to be informed of the outcome of this exercise on a monthly basis prior to sign off of the bill</b></p> <p><b>Mileage logs to be implemented to support consumption analysis. ELMS handhelds can record mileage each day and data could be used from ELMS system</b></p> <p><b>Issues to be recorded in e-mail communications of management team.</b></p> | <p>Emma Cleaver-Dowsett - General Manager</p> <p>Nov 2016</p> | <p><b>October 2016 Update</b> - A staff resource has been identified to check all receipted fuel receipts to be cross-checked against the invoice when received. The General Manager will double-check that work and report to the HoS that bills can be authorised. As and when daily checks of vehicles is implemented on handheld devices drivers' use, mileage data will be captured and analysed to allow for reasonableness checks on consumption.</p> <p><b>February 2017 Update</b> – The implementation of Mileage logs is ongoing. A lack of supervisory staff has made this difficult to implement. Vehicle tracking with recording data is now being looked at as a priority in terms of an alternative approach.</p> | <p><b>Partially Implemented</b></p> <p><b>Revised Target Date - End of March 2017</b></p> |
| 3   | <p><b>Carers' Direct Payments</b></p> <p>(Final report issued November 2016)</p> | <p><b><u>Recommendation</u></b><br/>The Resource Allocation Calculation process to be reviewed to provide a) explicit criteria for those circumstances where the indicative amount may be overridden and b) details of how these should be authorised.</p> <p>Periodic reviews to be considered to confirm that</p>   | <p>Stuart Bertram - Integrated Personal Budgets Lead</p>      | <p>The authorisation funding levels have remained the same. Justification for the authorisation of carer DPs are now subject to higher levels of scrutiny from senior management to monitor and improve practice.</p>   | <p><b>Implemented</b></p>   |

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

| No. | Report Title / Date of Issue | Recommendation / Original Management Response  | Responsible Officer / Due Date   | Management Comment as at 6 February 2017 (previous commentary added where appropriate)  | Status of Progress |
|-----|------------------------------|--|--|---|--------------------|
|     |                              | <p>operational teams comply with existing or revised guidance on the application of indicative amounts within the creation and authorisation of the support plan.</p> <p>Management checks to be strengthened to ensure that carers' direct payment (DP) are only provided to individuals who have a current caring role.</p> <p>Before a direct payment agreement is scanned onto the system, a check to be made to ensure that it has been signed by the recipient.</p> <p><b>Management response</b><br/> <b>Heads of Service to be consulted over the authorisation of DPs that significantly exceed the indicative RAS generated budget. (NB the RAS indicative amount is not the sum that will be made available but an indication of funds that might be made available).</b></p> <p><b>Guidance to being drafted by the carers' lead and Community Wellbeing team to address the challenges around appropriate use of carers' direct payment, with specific attention around 'replacement care'.</b></p> <p><b>Quarterly sampling to be undertaken over the next 12 months to assess and review the practice and compliance of front line staff and managers with published guidance.</b></p> <p><b>The likelihood of an unsigned agreement form being uploaded is minimal. DP agreement forms</b></p> | <p>31 December 2016</p> <p>31 December 2016</p> <p>1 December 2016 to 1 December 2017</p> <p>Immediate</p> | <p>The carers lead and the community wellbeing team (CWB) have worked in partnership with local carer organisations to establish clearer guidance on the concept of replacement care and the difference between service for the carer vs cared for.</p> <p>The P&amp;Q team are responsible for monitoring and sampling carer's direct payments, to support the organisation to continue to improve practice. This will continue as business as usual.</p> <p>DP agreement forms are checked as part of auditing and reviews.</p> |                    |

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

| No. | Report Title / Date of Issue  | Recommendation / Original Management Response  | Responsible Officer / Due Date   | Management Comment as at 6 February 2017 (previous commentary added where appropriate)  | Status of Progress   |
|-----|---|--|--|---|--|
|     |   | to be checked as part of the sampling work to confirm that this was an anomaly.  |  |   |  |
| 4   | <p><b>HCS Cash Handling Procedures</b></p> <p>(Final report issued December 2016)</p> | <p><b><u>Recommendation</u></b><br/>           There must always be two officers present when cash tins are retrieved from the safe and the Security Officer should not be permitted to open the safe unless there are two authorised officers present.</p> <p>In order to evidence that this control is operated in practice, the current 'Safe Access Register' should be amended to record name of both authorised officers retrieving a cash tin, signature from both officers, date and time of access, cash tin number; signature of Security Officer opening the safe and reason for opening the safe.</p> <p><b><u>Management response</u></b><br/> <b>The safe will now require two keys in order to be opened - Key 1 held by security and Key 2 held by the department</b></p> <p><b>The above arrangement will ensure that no access can be gained without a Hertfordshire County Council and SERCO officer being present.</b></p> <p><b>In respect of the Safe Access register, this will be amended in line with the audit recommendation.</b></p> | <p>Steve Harris – Strategic Facilities Manager</p> <p>End of December 2016</p> | <p><b>SIAS Comment</b> - Given the nature of this recommendation full details of the update provided to the SIAS are not included within this report. However, confirmation is provided to the Committee that the action is implemented, subject to the agreement of key holders.</p> | <p><b>Partially Implemented</b></p> <p><b>Revised Target Date - March 2017</b></p> |

## APPENDIX C – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

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| <b>Levels of assurance</b>   |  |
|------------------------------|--|
| <b>Full Assurance</b>        | 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. |
| <b>Substantial Assurance</b> | 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.                 |
| <b>Moderate Assurance</b>    | 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.                          |
| <b>Limited Assurance</b>     | There are significant weaknesses in key control areas, which put the system objectives at risk.  |
| <b>No Assurance</b>          | Control is weak, leaving the system open to material error or abuse.   |

| <b>Priority of recommendations</b> |  |
|------------------------------------|--|
| <b>High</b>                        | There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management. |
| <b>Medium</b>                      | There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.        |
| <b>Merits Attention</b>            | There is no significant weakness, but the finding merits attention by management.  |



Agenda Item  
No:

**8**

**Hertfordshire County Council  
Audit Committee**

**2017/18 Internal Audit Plan Report**

**1 March 2017**

**Recommendation**

**Members are recommended to approve the  
proposed Hertfordshire County Council  
Internal Audit Plan for 2017/18**

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- 1.2 Background

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- 3.1 Update Reporting
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## Appendices

### A Proposed Hertfordshire County Council 2017/18 Internal Audit Plan

### B Hertfordshire County Council Internal Audit Plan 2017/18 – Reserve List

### C Assurance Areas Identified for Consideration in the 2018/19 Hertfordshire County Council Internal Audit Plan



# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed Hertfordshire County Council 2017/18 Internal Audit Plan.

## Background

- 1.2 The Internal Audit Plan sets out the programme of internal audit work for the year ahead and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2016 meeting of this Committee, shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of the Audit Committee on 27th June 2017.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
- Outlines how the service will be developed in accordance with the internal audit charter
  - Details how the internal audit plan will be delivered
  - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

# 2. Audit Planning Process

## Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
  - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
  - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
  - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource constrained environment, all needs cannot be met.

- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit and governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

#### Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS adopts a standard approach and methodology across all SIAS partners. This methodology contains the following elements:

##### *Local and National Horizon Scanning*

SIAS reviews, on an ongoing basis:

- key committee reports for each client and identifies emerging risks and issues
- the professional and national press for risks and issues emerging at national level

##### *Consideration of risk management arrangements*

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

##### *Confirmation of the Council's objectives and priorities*

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

- 2.3 The approach to audit planning for 2017/18 has been characterised by:

- a) Detailed discussions with Directorate Boards and the Council's Section 151 Officer to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

##### *Risk Assessment*

Directorate Boards and SIAS agree the level of risk associated with an identified auditable area.

##### *Other sources of Assurance*

Directorate Boards confirm if assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

### *Significance*

Directorate Boards and SIAS assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

### *Timings*

Directorate Boards have identified when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
  - c) The proposed 2017/18 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
  - d) Proposed draft plans are presented to Directorate Boards for discussion and agreement.
  - e) The consolidated draft audit plan is presented to the Council's Section 151 Officer for final comment and agreement.
  - f) The plan is shared with the External Auditor.
- 2.4 This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

### The Planning Context

- 2.5 The context within which local authorities provide their services remains challenging:
- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead.
  - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens.
  - Technology ranging from use of mobile devices and applications to predictive analytics is now key to service delivery and offers opportunities along with significant risks.
  - Major, national programmes in areas like welfare reform and business rate reform, and increased reliance on partnership working and joint funding with Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.
- 2.6 The resultant efficiency and transformation programmes that councils are continuing to implement and develop are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

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

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using the most appropriate audit approach such as 'control risk self-assessments' or 'continuous assurance' where appropriate.
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2017/18

2.8 The draft plan for 2017/18 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested month for delivery.

2.9 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

| <b>Purchased audit days</b>   | <b>2017-18</b> | <b>2017-18 %</b> |
|-------------------------------|----------------|------------------|
| Key Financial Systems         | 155            | 9                |
| Operational audits            |                |                  |
| Resources                     | 80             | 5                |
| Health and Community Services | 155            | 9                |
| Environment                   | 107            | 7                |
| Children's Services           | 95             | 7                |
| Public Health                 | 30             | 2                |
| Community Protection          | 40             | 2                |
| Cross-Service                 | 50             | 3                |
| Council Wide                  | 100            | 6                |
| Carry forward work 16/17      | 56             | 3                |
| Grants                        | 29             | 2                |
| Joint Reviews                 | 5              | 0.5              |
| Shared Learning               | 5              | 0.5              |
| Governance                    | 65             | 4                |
| IT Audits                     | 35             | 2                |
| Strategic Support*            | 195            | 12               |
| Contingency                   | 90             | 5                |
| Schools                       | 345            | 21               |
| <b>Total allocated days</b>   | <b>1637</b>    | <b>100%</b>      |

\* This covers supporting the Audit Committee, managing the delivery of the audit plan, planning for 2017/18, service development, supporting the SIAS Board and External Audit liaison.

2.10 The number of plan days remains the same as the approved coverage for 2016/17.

- 2.11 Actual start dates will be confirmed with management for all audits by the end of April 2017. This will help smooth delivery of the plan across the year, give regular assurance to the Committee, and raise awareness of the timing of the reviews to support partnership working between the Council and SIAS. Also included is a reserve list detailing audits which may feature in the event that an audit in the main plan cannot be conducted. Plan changes are brought before this Committee for approval.
- 2.12 Members will note the inclusion within Appendix A of a provision for the completion of projects that relate to 2016/17. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year-end closure procedures.
- 2.13 The nature of assurance work is such that enough activity must have been completed in the financial year for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.
- 2.14 In order to achieve an appropriate balance of assurance needs within the audit resources available, the audits shown at Appendix B were excluded from the 2017/18 proposed audit plan based on an assessment of risk by senior management and SIAS. These audits will be revisited throughout 2017/18 should audit resources become available or the risk profile of an audit change which requires it to be substituted into the 2017/18 plan. This committee will be notified of such changes through the update report process. Those audits that remain undelivered at the year-end will be reassessed for inclusion in the 2018/19 audit plan.

#### Internal Audit Plan 2018/19

- 2.15 During audit planning discussions with senior managers, areas were also identified as potential audits for 2018/19 and these will be formally risk assessed for inclusion in the 2018/19 audit plan as part of the planning process for that year. Details of these audits are included in Appendix C.

## 3. Performance Management

### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2017/18 and any proposed changes will be reported to this Committee four times in the 2017/18 financial year.
- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

### Performance Indicators

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

| <b>Performance Indicator</b>   | <b>Performance Target</b>   |
|--|---|
| <b>1. Planned Days</b><br>percentage of actual billable days against planned chargeable days completed                         | 95%   |
| <b>2. Planned Projects</b><br>percentage of actual completed projects to draft report stage against planned completed projects | 95%   |
| <b>3. Client Satisfaction</b><br>percentage of client satisfaction questionnaires returned at 'satisfactory' level             | 100%  |
| <b>4. Number of High Priority Audit Recommendations agreed</b>   | 95%   |
| <b>5. External Auditor Satisfaction</b>  | External Auditors are able to rely upon the range and quality of SIAS' work   |
| <b>6. Annual Plan</b>  | Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year |
| <b>7. Head of Assurance's Annual Report</b>  | Presented to the first meeting of each Audit Committee in the new financial year.   |

## Proposed Hertfordshire County Council Internal Audit Plan 2017/18

| Name of Audit in Hertfordshire County Council Plan  | Plan Days | Target Quarter | High level scope  |
|---|-----------|----------------|---|
| <b>CORPORATE</b>                                    |           |                |   |
| Annual Governance Statement 2016-17                 | 8         | Q1             | Review the Council's governance arrangements and support the development of the 2016/17 AGS   |
| Annual Governance Statement 2017-18                 | 5         | Q4             | Preparation for the development of the 2017/18 AGS  |
| Head of Assurance Annual Opinion and Annual Report  | 5         | Q1             | Provide the annual report and deliver the opinion on the Council's control environment  |
| Whistleblowing - named contact and quarterly review | 4         | Through Year   | Act as a named contact for whistleblowing matters; attend quarterly case review meetings  |
| <b>RESOURCES</b>                                    |           |                |   |
| Resources Queries < 3hrs Activities                 | 10        | Through Year   | Advice and support as required throughout year.   |
| <b>HBS</b>  |           |                |   |
| Business Operations                                 | 25        | Q2             | To provide assurance over the robustness of various business processes identified by Management, including Contract Management for Grounds and Cleaning Contracts, New Customer Set-Up processes, Security of Ordering Systems, Transport Route Planning and Order fulfilment within Reprographics. |
| <b>Finance</b>                                      |           |                |   |
| Pensions - Administration                           | 30        | Q3             | Annual Key Financial Systems Audit  |
| Payroll   | 25        | Q3             | Annual Key Financial Systems Audit  |
| Debtors   | 25        | Q3             | Annual Key Financial Systems Audit  |
| Creditors   | 25        | Q3             | Annual Key Financial Systems Audit  |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan | Plan Days | Target Quarter | High level scope  |
|--|-----------|----------------|---|
| General Ledger                                     | 20        | Q3             | Annual Key Financial Systems Audit  |
| Treasury Management                                | 15        | Q4             | Annual Key Financial Systems Audit  |
| e-Income   | 15        | Q3 / Q4        | To provide assurance that the new e-income solution provides a sufficiently robust control environment, achieves business case objectives and is appropriately used by officers.  |
| <b>Property</b>                                    |           |                |   |
| Carbon Reduction Commitment                        | 15        | Q1             | Annual assurance review on the Council's CRC return (prior to submission) to meet Environment Agency requirements.  |
| <b>Technology (IT Audits)</b>                      |           |                |   |
| Segregation of Duties / Access Controls            | 20        | Q2/3           | To provide assurance that key IT systems have appropriate access controls to maintain an appropriate segregation of duties and secure environment, focusing in particular on role based access  |
| Cyber Security                                     | 15        | Q3             | To provide assurance over the robustness of measures in place to protect the Councils systems and data from unintended or unauthorised access, change or destruction. This will include areas such as Strategy, Governance and Control, Threat and Vulnerability Management, Network Security, Incident Response and Forensic Investigation, Business Continuity Management and Mobile Network and Device Security. |
| <b>Human Resources</b>                             |           |                |   |
| Employee Expenses                                  | 15        | Q1             | This audit will cover the general control environment and provide assurance that the previously agreed actions implemented by management result in an improvement in the availability of supporting information.  |



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| Name of Audit in Hertfordshire County Council Plan | Plan Days | Target Quarter | High level scope  |
|--|-----------|----------------|---|
| Off Payroll Working (consultancy)                  | 5         | As Required    | To provide assurance that appropriate policies and procedures are in place to allow Hertfordshire County Council to meet HMRC requirements and confirming that these are followed in practice.  |
| <b>Legal, Democratic &amp; Statutory Services</b>  |           |                |   |
| LEP - Compliance with Assurance Framework          | 15        | Q3             | To provide assurance that the agreed assurance framework is being delivered in practice.  |
| <b>Customer Engagement and Libraries</b>           |           |                |   |
| Blue Badges  | 10        | Q1/Q2          | Scope to be agreed with Management, but primarily this audit will provide assurance over the adequacy of the internal control arrangements for the areas of applications and the award and review process, given this is administered by SERCO on Hertfordshire County Council's behalf under the SMS contract. |
| <b>COUNCIL-WIDE REVIEWS</b>                        |           |                |   |
| Conflicts of Interest                              | 25        | Q1             | To provide assurance that the Council's Conflicts of Interest policy is complied with in practice across the organisation.  |
| Delegated Decision Making                          | 25        | Q3             | To provide assurance that the delegated decision making process is being complied with in practice across the organisation and that Delegations are subject to regular review.  |
| Volunteering                                       | 25        | Q2             | Council wide review focusing on the systems in place for the appropriate management, induction and training of Volunteers. This is deemed an important assurance area given the increasing use of volunteers across the Council.  |
| Business Continuity                                | 25        | Q3             | To provide assurance that the Council has appropriate arrangements and plans in place to maintain business continuity in the event of serious incidents.  |

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| Name of Audit in Hertfordshire County Council Plan          | Plan Days | Target Quarter | High level scope  |
|---|-----------|----------------|---|
| Serious and Organised Crime Audit                           | 25        | Q3             | Using the Government's Serious and Organised Crime Audit programme, to assess where changes and improvements can be implemented to shut down opportunities for serious and organised crime involvement and reduce financial losses. The audit would be undertaken in liaison with the Council's Shared Anti-Fraud Service.                      |
| Safeguarding  | 25        | Q4             | To provide assurance over the robustness, and compliance with, safe recruitment policies and procedures in relation to recruitment activities across the Council.   |
| <b>CROSS-SERVICE REVIEWS</b>                                |           |                |   |
| 0-25 Integrated Service (CS and HCS)                        | 20        | Q4             | To provide assurance that financial and performance processes are robust, key objectives are on track to be delivered and that roles and responsibilities and reporting lines, in respect of financial governance and performance monitoring, are appropriately allocated under the new structure.  |
| Transport infrastructure assets (Environment and Resources) | 15        | Q1             | To provide assurance over the completeness of Asset Registers and method and accuracy of valuations   |
| Home to school / college transport (CS and Environment)     | 15        | Q2/Q3          | To provide assurance that effective commissioning, contract management, payment and management / financial information systems are in place within CS and Environment (via Service Level Agreement) in respect of contracts for home to school / college transport services.  |
| <b>HEALTH &amp; COMMUNITY SERVICES</b>                      |           |                |   |
| Deputyship / Appointeeships                                 | 15        | Q1             | To provide assurance over the appropriate allocation of roles and responsibilities (including appropriate use of professionals' time), maximisation of client funds administered by the authority (to achieve best interests for the client) and appropriate use of third parties for managing client investments in line with agreed policies. |

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| Name of Audit in Hertfordshire County Council Plan   | Plan Days | Target Quarter | High level scope  |
|--|-----------|----------------|---|
| Integrated Commissioning Arrangements  | 15        | Q2/3           | To provide assurance that robust processes are in place to agree jointly funded commissioned services and manage disputes related to payments / contributions due.  |
| Application of Eligibility Thresholds (Older People & Physical Disabilities (OPPD) / Learning Disability (LD)) | 20        | Q3/4           | To provide assurance over the robustness of new practice principles, confirming that these are understood by teams and complied with in practice. Also to provide assurance that appropriate systems are in place to allow management to track consistency of application of the principles.  |
| Data Security and Information Sharing  | 15        | Q4             | To provide assurance that appropriate policies / procedures and training arrangements exist in respect of information sharing and data protection and that these are applied in practice by teams.  |
| Direct Payments  | 15        | Q2             | To provide assurance that case reviews are undertaken in a timely manner and are focused on measuring the delivery of outcomes, direct payments are not being routinely used to cover a lack of capacity within the primary care contracts and to provide assurance that new practice principles are being applied in respect of direct payments. |
| Provider Portal (Consultancy Advice)   | 5         | As Required    | Consultancy activity – SIAS to provide advice on internal control requirements during the implementation phase of the provider portal project.  |
| Data quality - Business Process Compliance – OPPD  | 20        | Q1             | To provide assurance over the compliance with the new data quality process particularly in relation to timely entry of commitments and monitoring of complex cases, both of which are key areas in increasing the accuracy of commitment information built into monitor projections.  |
| Demography – LD & Budget monitoring LD   | 20        | Q2/3           | To provide assurance over processes for formulating the demography bid for 2018/19, embeddedness and robustness of the new forward planning tool and use and effectiveness of new budget control dashboard. The audit will also cover the processes for   |

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| Name of Audit in Hertfordshire County Council Plan     | Plan Days | Target Quarter | High level scope  |
|--|-----------|----------------|---|
|  |           |                | investigating and reviewing systems in respect of the emergence of unforeseen in year commitments.  |
| Payment of homes gross (Consultancy Support)           | 5         | As Required    | Consultancy activity – SIAS to provide advice on internal control requirements during implementation phase of the payment of homes gross project.   |
| Accommodation for Independence Programme (LD)          | 15        | Q3/4           | To provide assurance over the effectiveness of the programme / project management arrangements, as well as the delivery of year 2 savings.  |
| H & CS Queries < 3hrs Activities                       | 10        | Through Year   | Advice and Support throughout year.   |
| <b>ENVIRONMENT SERVICES</b>                            |           |                |   |
| Bus Contracts  | 15        | Q2             | To provide assurance over the robustness of systems in place for monitoring contract delivery, including areas such as performance monitoring, issue management and contractor invoice verification and validation. |
| Dropped Kerbs  | 12        | Q1             | To provide assurance that a robust end-to-end process is in place for managing and delivering dropped kerb requests.  |
| Highways Service - Highways Act 1980 Section 58        | 15        | Q3             | Work to ensure that the Authority is complying with the newly updated legislation around challenges to works.   |
| Highways Service - Category 3 Works                    | 15        | Q3             | To provide assurance that the systems and processes supporting Category 3 works are sufficient to ensure that the over-riding objectives of this works Category can be achieved.                                    |
| Highways Services - PMnet Software Development Project | 10        | Q4             | Assurance around the project to introduce the new software package.   |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
| Development Management - Enforcement               | 15        | Q3/4           | To provide assurance that Hertfordshire County Council has appropriate systems, controls and governance arrangements in place to manage enforcement of conditions within major planning applications.  |
| Compliance with CDM Regulations                    | 15        | Q2             | Work to ensure compliance with the Construction Design Management (CDM) Health & Safety requirements   |
| Environment Queries <3hrs activities               | 10        | Through Year   | Advice and Support throughout year.  |
| <b>CHILDREN'S SERVICES</b>                         |           |                |  |
| Programme / Project Management                     | 20        | Q3/4           | To provide assurance that appropriate programme / project management arrangements are in place for a sample of key CS transformational / strategic projects. This will include the areas of governance, risk management and benefits realisation, (potential areas could include Secondary Expansion Programme and Families First) |
| Financial Monitoring of Schools                    | 15        | Q1/2           | To provide assurance that the council has effective arrangements in place for financial monitoring in schools.   |
| Family Finding model                               | 5         | TBC            | To provide assurance that the project funding has been appropriately used in line with the offer conditions and key milestones have been achieved, thereby allowing Head of Assurance / S151 sign off to be provided (if required under the grant conditions).   |
| Quality Assurance Systems (Consultancy)            | 10        | As Required    | To provide consultancy support / advice in relation to the continued development of the quality assurance framework used by CS to obtain assurance over the quality of casework and practice and the use of this to drive continuous improvement and learning  |
| Customer Service Centre (safeguarding enquiries)   | 20        | Q2/3           | To provide assurance that the Customer Service Centre is following   |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan       | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
|  |           |                | agreed business rules in relation to handling and referring customer contacts in relation to safeguarding issues. The audit will also review the contract management approach for monitoring and obtaining assurance over levels of performance.                                       |
| CS Queries <3hrs Activities                              | 10        | Through Year   | Advice and Support throughout year.  |
| <b>PUBLIC HEALTH</b>                                     |           |                |  |
| Commissioning, Contract Management and Contract Payments | 20        | Q3             | To provide assurance over the robustness of the internal control environment for the areas of commissioning frameworks, contract evaluation processes, contract monitoring / performance frameworks and payments to providers.   |
| Immunisation in Schools (Consultancy Support)            | 10        | Q1             | To provide an independent assessment over the costs of providing a School Nurses immunisation in schools service, when compared to the funding received from the DoH.  |
| <b>COMMUNITY PROTECTION</b>                              |           |                |  |
| Service Performance Management                           | 15        | Q4             | To provide assurance that performance information is used effectively to improve service delivery in line with the objectives stated within the 2013-18 Corporate Plan. Focus of the audit would be on a selection of performance indicators, recording methods, and training records. |
| Internal Quality Assurance Arrangements                  | 15        | Q1             | To provide assurance over the robustness of the Service's internal Inspection and Audit process that the required high standards in respect of operational competency, technical knowledge, risk critical recording and administration processes are being achieved/maintained.        |
| Trading Standards - Management of Evidence               | 10        | Q3             | To provide assurance over the systems for managing evidence / information that may be required in support of criminal /  |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan     | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
|  |           |                | enforcement proceedings.   |
| <b>SHARED LEARNING</b>                                 |           |                |  |
| Shared Learning Newsletters and Summary Themed Reports | 5         | Through Year   | Shared learning newsletter produced at regular intervals during the financial year to highlight key emerging risks and good practice to members of the SIAS Partnership. |
| Joint Review – Topic to be determined by SIAS Board    | 5         | TBC            | A joint audit review conducted across all SIAS partners, with the topic agreed in-year by the SIAS Board Members.  |
| <b>GRANT CLAIMS</b>                                    |           |                |  |
| Herts Chief Finance Officers Society                   | 1         | Q2             | Audit of accounts  |
| Hertfordshire Education Foundation                     | 2         | Q4             | Audit of accounts  |
| Hertfordshire Charity for Deprived Children            | 1         | Q1             | Audit of accounts  |
| Autism Grant   | 2         | Q1             | Grant Certification  |
| LEP – Local Growth Fund                                | 3         | TBC            | Grant Certification  |
| Integrated Structural Maintenance Grant                | 2         | TBC            | Grant Certification  |
| Building Better Opportunities Grant                    | 3         | TBC            | Grant Certification  |
| Disabled Facilities / Home Improvement Agency          | 5         | TBC            | Grant Certification  |
| Grants Contingency                                     | 10        |                | Time required to cover additional grant certification activities notified in-year  |
| <b>OTHER CHARGEABLE</b>                                |           |                |  |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
| Monitoring 17/18 Plan                              | 30        | Through Year   | Time required to manage delivery of the Hertfordshire County Council audit plan                                |
| Recommendations Follow-Up - Q1                     | 5         | Q1             | Follow-up of all Hertfordshire County Council high and medium priority recommendations                         |
| Recommendations Follow-Up - Q2                     | 5         | Q2             |  |
| Recommendations Follow-Up - Q3                     | 5         | Q3             |  |
| Recommendations Follow-Up - Q4                     | 5         | Q4             |  |
| Client Liaison                                     | 10        | Through Year   | Time required developing and maintaining effective relationships with Hertfordshire County Council managers.   |
| Audit Committee Matters & Attendance               | 20        | Through Year   | Time required to support the Hertfordshire County Council Audit Committee                                      |
| Audit Planning – 18/19                             | 30        | Q3 / Q4        | Undertake planning meetings in respect of the development of the 18/19 Hertfordshire County Council audit plan |
| Performance Data                                   | 3         | Through Year   | Preparation of regular monitoring information required by Hertfordshire County Council                         |
| External Audit Liaison                             | 2         | Through Year   | Update meetings with Ernst and Young   |
| Service Plan Activity                              | 40        | Through Year   | Time required to implement actions in the SIAS Business Plan   |
| SIAS Board Meetings and Preparation                | 10        | Through Year   | Time required to support the SIAS Board  |
| Management of Scrutiny                             | 5         | Through Year   | Time spent by Head of Assurance to manage Scrutiny function  |
| Management of Health & Safety                      | 5         | Through Year   | Time spent by Head of Assurance to manage the Health & Safety function   |
| Management of Shared Anti-Fraud Service            | 5         | Through Year   | Time spent by Head of Assurance to manage the Shared Anti-Fraud Service  |
| Management of Risk Management and Insurance        | 5         | Through Year   | Time spent by Head of Assurance to manage the Risk Management and Insurance function                           |



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| Name of Audit in Hertfordshire County Council Plan   | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
| Public Sector Internal Audit - Self Assessment 17-18 | 10        | Q4             | Completion of the required self-assessment of compliance against the Public Sector Internal Audit Standards. |
|  |           |                |  |
| Hertfordshire County Council Contingency             | 81        | Through Year   | Time required to cover unanticipated audit requirements  |
|  |           |                |  |
| <b>2016/17 PROJECTS REQUIRING COMPLETION</b>         |           |                |  |
| Social Media   | 2         | Q1             | Completion of audit activity started in 16/17  |
| Training Records                                     | 2         | Q1             |  |
| Voluntary Sector Grants                              | 5         | Q1             |  |
| Client Finances – Establishment Visits               | 10        | Q1             |  |
| Home to School Social Care Transport                 | 2         | Q1             |  |
| Redesign of the Highways Service                     | 5         | Q1             |  |
| Ofsted Action Plan Progress                          | 8         | Q1             |  |
| Public Health – Budget Setting and Budgetary Control | 2         | Q1             |  |
| Schools Plan – Theme 3 - Financial Planning          | 10        | Q1             |  |
| Miscellaneous  | 10        | Q1             |  |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan                             | Plan Days | Target Quarter | High level scope   |
|--|-----------|----------------|--|
|  |           |                |  |
| <b>SCHOOLS</b>   |           |                |  |
| Advice, queries and guidance for schools                                       | 30        | Through Year   | Time to respond to queries received from schools   |
| Liaison, awareness raising and training  | 25        | Through Year   | Time to attend meetings, provide training and produce information for dissemination to schools and governors   |
| Theme 1 – Schools Financial Value Standard (SFVS)                              | 95        | Q1             | Sample of 25 schools to be visited to test effectiveness of controls in respect of the SFVS assurance areas  |
| Theme 2 – Safe Recruitment   | 70        | Q2             | Continuation of 16/17 Audit Theme.<br>Part 1 - Sample of 15 schools to be visited to test effectiveness of controls in respect of Safe Recruitment<br>Part 2 – To provide assurance over the arrangements within CS / HfL for monitoring the compliance with agreed standards, provision of information to schools and sharing information / intelligence on concerns. |
| Theme 3 – School Websites  | 27        | Q3 or Q4       | A sample of 25 school websites to be assessed via a desktop review to provide assurance that they comply with the School Information Regulations.  |
| SFVS returns process   | 15        | Q1 & Q4        | Collation and interpretation of schools' SFVS returns  |
| Reporting 2016/17 themes   | 10        | Q1             | Produce reports summarising activity undertaken in 2016/17 in relation to Safe Recruitment and Financial Planning.   |
| Follow up of high priority recommendations and schools with moderate assurance | 15        | Through Year   | Reviewing progress in areas where improvement in control is required   |

## APPENDIX A

| Name of Audit in Hertfordshire County Council Plan               | Plan Days   | Target Quarter | High level scope   |
|--|-------------|----------------|--|
| Contingency – Schools Causing Concern Referrals                  | 15          |                | Provision of capacity to provide assurance over the adequacy of financial control / governance arrangements for schools where soft concerns have been raised in respect of inappropriate / poor practice or those schools in financial difficulty. |
| Contingency – Academy Conversions                                | 15          |                | Provision of capacity to receive referrals from CS Finance to review the accuracy of a School's financial position and records prior to the Academy conversion process.  |
| Schools' contingency   | 20          |                | To be used as required   |
| <b>TOTAL HERTFORDSHIRE COUNTY COUNCIL<br/>AUDIT DAYS 2017/18</b> | <b>1637</b> |                |  |



## Hertfordshire County Council Internal Audit Plan 2017/18 – Reserve List

| Audit title  | Audit Scope  |
|--|--|
| <b>Resources</b>   |  |
| Feeder Systems   | Subject to further discussions with the Council's External Auditors, to avoid duplication, this review would provide assurance over the control environment for feeder systems that interact with SAP.   |
| Use of Agency and Consultancy Staff (Council Wide)         | To provide assurance that appropriate policies and procedures are in place and complied with in relation to the authorisation and use of Agency / Consultancy staff. The audit would also review the quality of management information available to meet FOI requests or external inspection requirements.   |
| <b>HCS</b>   |  |
| External Providers – Assessment and Care Management        | To provide assurance that appropriate contract management and quality assessment systems are in place to monitor the performance of 3rd party providers that deliver assessment and care management services on behalf of HCS.   |
| Equipment Service - HES                                    | To provide assurance that HES is delivering service levels in accordance with agreed business objectives, allowing any improvement areas to be considered within the specification for the potential future externalisation of the service.  |
| Provider Suspensions                                       | To provide assurance that a clear and transparent process is in place for managing provider suspensions and this is operated effectively in practice.  |
| <b>Children's Services</b>                                 |  |
| School admissions – fair access and Deferred School Starts | To provide assurance that the admissions process is fair and equitable, appropriate evidence based decisions are made and appeals processes operate in accordance with statutory requirements. In respect of Deferred School Starts, the audit will also review the information systems in place for providing schools with admissions information, for the purpose of budget setting. |
| Performance Information - NEET                             | To provide assurance over the systems in place for calculating and reporting figures on Young People aged 16-24 Not in Education, Employment for Training (NEET), in particular for Alternative Education settings. The review will focus on confirming that reporting and calculation systems, processes and supporting evidence comply with relevant guidance.                       |

APPENDIX B

| Audit title  | Audit Scope  |
|--|--|
| <b>Environment</b>   |  |
| No Additional Areas Identified                               |  |
| <b>Community Protection</b>                                  |  |
| Automatic Fire Alarms (AFAs) and Unwanted Fire Signals (UFS) | To provide assurance that HFRS are applying a consistent approach to investigating false alarms and charging, where appropriate, for such call-outs in line with the agreed policies for AFA's / UFS. The audit could also be expanded to cover the consistency of application of the policies in relation to non-response to perceived false signals. |
| <b>Schools</b>   |  |
| No Additional Areas Identified                               |  |

## Assurance Areas Identified for Consideration in the 2018/19 Hertfordshire County Council Internal Audit Plan

| Audit Title   | Audit Scope  |
|---|--|
| <b>Resources</b>  |  |
| CIL / Section 106   | To evaluate progress in establishing systems and relationships to administer CIL (noting the varying pace of readiness by Districts / Boroughs)  |
| Property Company  | To provide assurance over the adequacy of governance and internal control arrangements for the new venture. This would be achieved either as a post project review, or SIAS attendance on relevant project groups during the design / implementation phase.  |
| PMDS (Council Wide)   | To provide assurance that the PMDS scheme is applied consistently across the Council, focusing on sample based testing to confirm that SMART objectives are set, personal development plans completed, ratings are evidence based and that mid-point reviews are completed.  |
| <b>HCS</b>  |  |
| Lone Working  | To provide assurance that appropriate policies, procedures and training are in place and applied by teams to safeguard employees who are required to work alone.   |
| In House Day Services   | To review the implementation of the in house day services review, providing assurance that expected efficiencies are on track to be delivered and that revised service level expectations are maintained.  |
| Benefits and Money Advice   | To provide assurance that appropriate systems are in place to identify and refer clients where additional opportunities exist to claim benefits. In addition where arrangements exist with third parties, in relation to advice and support, these are subject to appropriate monitoring to maximise the likelihood of core objectives being achieved. |
| Crowd funding   | Scope to be agreed with management.  |
| <b>Children's Services</b>  |  |
| No Potential Areas Identified for 2018/19 from Planning Discussions |  |

## APPENDIX C

| Audit Title   | Audit Scope   |
|---|---|
| <b>Community Protection</b>   |   |
| Retained Fire Fighters  | The previous audit of Retained Fire Fighters was undertaken in 2014/15 with a substantial assurance opinion provided. This review focused on operational availability and training, however given significant expenditure exists in relation to allowances / turnout & attendance fees, a review of the adequacy of the control environment in this area may be beneficial. |
| Sickness Management / Occupational Health                           | To review the effectiveness of the new electronic sickness management system (if implemented). The audit will include a review of the effectiveness of sickness management / occupational health, contingency / workforce planning arrangements (to cover sickness) and also how management information is used to monitor the effectiveness of this area.                  |
| <b>Environment</b>  |   |
| No Potential Areas Identified for 2018/19 from Planning Discussions |   |
| <b>Public Health</b>  |   |
| No Potential Areas Identified for 2018/19 from Planning Discussions |   |