

The meeting will be preceded by training on the Role of Audit Committee, Risk & Finance starting at 9.30am.

# Agenda



**AGENDA for a meeting of the AUDIT COMMITTEE in COMMITTEE ROOM B at County Hall, Hertford on FRIDAY 7 July 2017 at 10.30AM**

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

P Bibby, S N Bloxham, F Button (*Chairman*), J M Graham, C K Hogg, A K Khan, A J S Mitchell, T J Williams, W J Wyatt-Lowe (*Vice-Chairman*), P M Zukowskyj

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.

**Members are reminded that all equalities implications and equalities impact assessments undertaken in relation to any matter on this agenda must be rigorously considered prior to any decision being reached on that matter.**

Members are reminded that:

- (1) if they consider that they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting they must declare that interest and must not participate in or vote on that matter unless a dispensation has been granted by the Standards Committee;
- (2) if they consider that they have a Declarable Interest (as defined in paragraph 5.3 of the Code of Conduct for Members) in any matter to be considered at the meeting they must declare the existence and nature of that interest but they can speak and vote on the matter

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

### **1. MINUTES**

To confirm the minutes of the meeting held on 1 March 2017.

### **2. RISK MANAGEMENT UPDATE REPORT**

Report of the Director of Resources

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**3. RISK FOCUS REPORT – CYBER SECURITY**

Report of the Director of Resources

**4. ANNUAL GOVERNANCE STATEMENT 2016/17 and CODE OF CORPORATE GOVERNANCE 2017/18**

Report of the Director of Resources

**5. 2016/17 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT**

Report of the Head of Assurance

**6. INTERNAL AUDIT PROGRESS REPORT**

Report of the Head of Assurance

**7. END-OF-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2016/17**

Report of the Director of Resources

**8. SHARED ANTI- FRAUD SERVICE REPORT**

Report of the Head of Assurance

**9. WHISTLEBLOWING ANNUAL REPORT 2016-17**

Report of the Director of Resources

**10. FUTURE WORK PROGRAMME**

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

**11 September 2017:**

- HCC Audit Results Report 2016/17
- Response To The Audit Results Report – HCC (Including Fire Fighters’ Pension Fund) Financial Statements
- Annual Statement Of Accounts 2016/17– HCC (Including Fire Fighters’ Pension Fund) Financial Statements
- Audit Results Report 2016/17 – HCC Pension Fund
- Response To The Audit Results Report 2016/17 – HCC Pension Fund
- Risk Management Update
- Risk Focus Report
- Internal Audit Progress Report
- Shared Internal Audit Service Annual Report;

**1 December 2017:**

- Annual Audit Letter – HCC 2016/17
- Response to HCC Audit Results Report and preparation for 17/18 accounts
- Mid-Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Risk Management Update
- Risk Focus Report
- Internal Audit Progress Report
- SAFS Progress Report on 2017/18 Plan
- HFRS Statement of Assurance 2016/17

**26 March 2018:**

- Preparation for 2017/18 Accounts
- Audit Plan 2018/19 – County Council
- Audit Plan 2018/19 – Pension Fund
- Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters' Pension Fund) And Hertfordshire Pension Fund Accounts 2016/17
- Risk Management Annual Report 2016/17
- Risk Focus Report
- Internal Audit Progress Report
- Internal Audit Plan 2018/19
- SAFS HCC Anti-Fraud Action Plan 2018/19
- SAFS Annual Report

**25 July 2018:**

- Internal Audit Progress Report
- Risk Management Update Report
- Risk Focus Report
- HCC Audit Results Report 2017/18
- Response To The Audit Results Report – HCC (Including Fire Fighters' Pension Fund) Financial Statements
- Annual Statement Of Accounts 2017/18– HCC (Including Fire Fighters' Pension Fund) Financial Statements
- Audit Results Report 2017/18 – HCC Pension Fund
- Response To The Audit Results Report 2017/18 – HCC Pension Fund
- Annual Governance Statement 2017/18 and Code of Corporate Governance
- Annual Assurance Statement and Internal Audit Annual Report 2017/18
- End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Whistle Blowing Annual Report 2017/18

**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)**

Agenda documents are also available on the internet at:  
<http://cmis.hertfordshire.gov.uk/Agenda/Pack/Calendarofcouncilmeetings.aspx>



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  
1 MARCH 2017**

**ATTENDANCE**

**MEMBERS OF THE PANEL**

D Andrews, T R Hutchings (substituted for R F Cheswright), G R Churchard, F Button (substituted for T W Hone), 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 1 March 2017, as circulated, copy annexed, conclusions were reached and are recorded below:

*Note: A conflict of interest was declared by a member of the Cabinet Panel in relation to the matters on which conclusions were reached at this meeting and are recorded at item 3B.*

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 30 November 2016 were confirmed as a correct record and signed by the Chairman.

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

[Officer Contact:  
Claire Cook, Assistant Director Finance (Tel: 01992 555737)]

2.1 The Committee considered a report on actions undertaken in preparation for the 2016/17 Statement of Accounts.

2.2 Members heard that the auditor had issued an unqualified opinion on the 2015/16 accounts and no specific recommendations.

2.3 The Committee noted that 2016/17 was the pilot year for early preparation of draft accounts by 31 May and final auditing by 31 July and to address new requirements. To achieve this the project plan had identified critical path activities to achieve efficiencies, staff had been trained, including "Telling the Story" review to give a clearer view of the authority's spending and funding. Subsequent to review

**ACTION**

there were no changes to accounting standards or statutory requirements and the Finance team were testing to ensure smooth operation in July.

**Conclusion:**

2.8 The Committee RESOLVED to note the report.

**3A. AUDIT PLAN 2016/17 HERTFORDSHIRE COUNTY COUNCIL**

[Contact: Neil Harris of Ernst & Young LLP]

3A.1 The Committee received Ernst and Young's Audit Plan for the financial statements of Hertfordshire County Council, its Group and Fire-Fighters' pension fund. It was noted that N Clark was the new Audit Manager for Local Government External Audit.

3A.2 In terms of the financial statement risks Members heard that as a consequence of the deferral by the Chartered Institute of Public Finance (CIPFA), references to the valuation and accounting requirements of the Highways Network Asset for had been removed from the 2016/17 financial statements. Following clarification on the impact that this might have on Highways benchmarking it was noted that this changed purely affected accounting; County Council officers continued to review appropriate benchmarking sources.

3A.3 In discussion N Harris highlighted that EY audited other partners in the Sustainability and Transformation Plan (STP) and hence had a broad perspective on the health and social care environment in Hertfordshire and West Essex. He agreed that Hertfordshire's involvement with the STP to deliver £550m in savings by 2021 to address the total shortfall could be construed as a cost cutting exercise or a way of moving costs from one part of the public sector to another and as such was a significant value for money risk and would be revisited throughout the audit process.

3A.4 Following on from discussions on the Financial Statement Risk posed to the council by its participation in the Local Government Pension Scheme (LGPS) N Harris agreed in future to provide assurances in relation to the assumptions made by the actuary and provide further granularity.

N Harris

3A.5 For transparency N Harris agreed to add to future audit reports the names of EY specialists who had contributed to key judgements.

N Harris

3A.6 To concern about the dependence on analytics to improve audit efficiency Members heard that EY also used other methods.

**Conclusion:**

3A.8 The Committee RESOLVED to note the contents of the report.

**3B AUDIT PLAN 2016/17 HERTFORDSHIRE PENSION FUND**

*S J Taylor declared a declarable interest in relation to item 3B of the agenda as she is a beneficiary of the pension scheme. She remained in the room and participated in the debate and vote.*

3B.1 The Committee received Ernst and Young’s Audit Plan for Hertfordshire County Council’s Pension Fund accounts.

3B.2 N Harris clarified that in terms of management override controls EY examined the same test searches on journal entries at year end.

3B.3 The Committee RESOLVED to note the contents of the report.

**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**

[Officer Contact:

Lindsey McLeod, Head of Accountancy Services

(Tel: 01992 556431);

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

4.1 The Committee considered draft Letters of Representation to the External Auditors (EY) on management and oversight of both the General and Pension Fund accounts (Appendices A & B to the report); the Letters being required by Ernst & Young on an annual basis, in accordance with International Accounting Standards, to update their understanding of the management and processes of these accounts.

4.2 Members heard that there were no areas which would affect the financial accounts of the council for 2016/17.

4.3 During discussion Members heard that the whistle blowing process was live and that all such events had been dealt with during the year.

**Conclusion:**

4.4 The Committee RESOLVED that the letters of representation to EY be approved for signature by the Chairman of the Committee.

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

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

**CHAIRMAN’S  
INITIALS**

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- 5.1 The Committee considered an annual report which outlined the County Council's key Risk Management activity undertaken since March 2016. It included the current position of the Corporate Risk Register, key risk movements over the last quarter, key corporate risk movements over the last year and the audit findings on Risk management.
- 5.2 Members were referred to the Heat Map for the movement in the Full Corporate Risk Register and for Q3 their attention was drawn the following and the reasons for each change:
- HC02 which had risen from red 32 to red 64 (severe);
  - R12 which had risen in category from amber 16 (significant) to red 32 (severe);
  - R19 which had been escalated to the Corporate Risk Register (amber 24 (significant));
  - R18 had been established, with a current risk score of amber 12 (significant), for the new corporate financial and reputational risk of not taking appropriate action to offset the Apprenticeship Levy and provide apprenticeship opportunities.
- 5.3 With regard to PROP0022 comment was passed that, in view of the increasing risk posed by infrastructure costs in general, Health Partners should be encouraged to place infrastructure bids for S106 and CIL funding.
- 5.4 Subsequent to discussion officers agreed to implement a time line for the 'In Progress' control descriptions in Appendix A to the report and refine the terminology.
- 5.5 During discussion of HCS0012 the Committee heard that there were further potential risks posed to Adult Care and Health by reductions/ withdrawal of NHS funding for projects organised by other organisations; officers agreed to consider updating the risks to reflect this. Members noted that one of the key controls was through the Adult Care and Health cabinet panel.
- 5.6 Risk R12 'Cyber-attack on Hertfordshire County Council's ICT' was suggested as the risk to be reviewed at the next meeting of the Committee.

F Timms

F Timms

**Conclusion:**

- 5.7 The Committee RESOLVED that
- i. The changes in the Corporate Risks since the last report to the Committee be noted;
  - ii. That the Risk Management Annual report be noted;
  - iii. Risk R12 *"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 Hertfordshire County Council's ICT environments causing significant service disruption and possible data loss" be reviewed at its next meeting in June 2017.*

## **6. RISK FOCUS REPORT - CIL**

[Officer Contact:

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

- 6.1 The Committee considered a report on Corporate Risk Reference PROP0022 relating to Risk No. R02 *"Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)"* with an overall risk score of 32.
- 6.2 Members heard that the Community Infrastructure Levy (CIL) had been introduced in 2014 to simplify the developer contributions mechanism for smaller developments. S106 agreements were retained and were still negotiated for larger developments throughout the county. Four of the ten District Planning local authorities in Hertfordshire had adopted CIL and it was likely that the remaining six would implement the regime between 2017- 2020 as part of their emerging Local Plans. Those that had adopted the legislation had each taken a different stance to implementation and delivery. However, all required the County Council to provide written 'bids' for funding from the CIL collected fund, alongside all other parties enabled to bid for funding (town and parish councils etc.) as and when they opened the their bidding process.
- 6.3 The Committee noted that the corporate risk was owned by the Assistant Director, Property in the Resources Directorate and were referred to Appendix 1 to the report for the controls which were coordinated by Property staff within Development Services.
- 6.4 Members heard that Local Infrastructures Documents (LIDs) for each District were required to be developed as part of the CIL fund requesting process; they would be used to support individual bids for CIL funding monies from the appropriate District Council. These documents, encompassing all forms of County Council infrastructure needs, were currently in development and would shortly be presented to Members for approval.
- 6.5 The Committee were advised that CIL and S106 process training sessions had been held in 2015/16 for members and officers, and would be re-run after the next election to enable all members to have a clearer understanding of the mechanisms of both. The Committee were asked to recommend attendance to all Members as and when dates were announced.

Members



- 6.6 Members noted the difficulty in calculating what funding was being lost to the County Council as a consequence of the CIL regulations and also identification of the most appropriate five contributions to support a specific scheme under the S106 pooling rule.
- 6.7 Issues raised during discussion included:
- a. the fact that districts and boroughs could not be forced to support infrastructure projects which were the responsibility of the county council;
  - b. the associated likelihood that the County Council would bear the cost of community infrastructure (e.g. schools and roads) should the system produce insufficient funding or funding be diverted for other local schemes;
  - c. a potential role for the Hertfordshire Infrastructure Panel to examine the issue in a cross county and cooperative way;
  - d. potential mitigation of the impact on other areas of the county council by encouraging public sector bodies (e.g. Health Partners) to engage with developers and local planning authorities for funds for adequate infrastructure growth;
  - e. the need for greater discussion of the issue at cabinet levels in Hertfordshire as a consequence of the negative effect of the regulations on two tier (combined) authorities;
  - f. that Parish Councils could apply for 15% of CIL fund.

6.8 In relation to 6.7d above, officers agreed to check if replacement manpower had been found to encourage the necessary relationships.

A Bucksey

**Conclusion:**

6.9 The Committee RESOLVED that given CIL could result in a funding deficit for infrastructure development for which the County Council would be responsible, the risk should remain currently identified in the Risk Register and that the appropriate Cabinet Panel should keep the item under review going forwards.

**7 HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT**

[Officer Contact: Darren Williams, Audit Manager, Shared Internal Audit Service (Tel 01438 844341)]

- 7.1 The Committee considered a progress report from the Shared Internal Audit Service (SIAS) as at 6 February.
- 7.2 The Committee were pleased to note that since the report had been written the number of Internal Audit Plan days delivered had risen from 73% to 76.5% excluding unused contingency days.

- 7.3 With respect to Schools' Audit Activity Members heard that the one remaining draft report under Theme 1 'Assessment of the effectiveness of internal control in relation to the requirements of the Schools Financial Value Standard' (SFVS) had now been completed.
- 7.4 In terms of the key amendments to the approved 16/17 Audit Plan:
1. Health and Community Services (HCS) had proposed:
    - cancellation of the audit of the Better Care Fund (15 days);
    - a reduction in the audit budget for the Residential Invoicing Audit from 15 days to 5;
  2. The Head of Childhood Support had proposed deferral of the audit of Extended Entitlement to Free Childcare;
  3. The Assistant Director (Education, Access and Provision) had proposed two increases to the schools' audit plan which would be accommodated by reductions in the number of schools covered in the Safe Recruitment theme and the Financial Planning theme:
    - an allocation of 10 days to accommodate SIAS attendance at Children's Services safeguarding seminars for Head Teachers and Governors;
    - an increase of 15 days to the allocation for Theme 1 (SFVS)
- 7.5 Members noted that no limited Assurance opinions were provided by SIAS.
- 7.6 During discussion of the high priority recommendation on HCS Cash Handling Procedures, Members were updated on revised actions being taken by management to improve the internal control environment, thereby explaining a difference between the original recommendation (detailed in paragraph 2.23) and the update provided in Appendix B of the progress report.

### **Conclusion**

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

## **8. HERTFORDSHIRE COUNTY COUNCIL 2017/18 INTERNAL AUDIT PLAN REPORT**

[Officer Contact:

Terry Barnett, Head of Assurance Services (Tel 01438 845508)]

- 8.1 The Committee received a report which provided the programme of the Internal Audit Plan for 2017/18 and which also formed part of the County Council's wider assurance framework. Members were referred to Appendix A to the report for the high level proposed outline scope for each audit and the suggested month for delivery,

with any major changes to the plan being notified via the quarterly progress reports; to Appendix B for the Reserve List of audits which could be added to the plan should audit resources become available or the risk profile of an audit change and require substitution into the 2017/18 plan; and Appendix C for areas identified for the internal audit plan for 2018/19. The plan had been shared with External Audit colleagues and the Head of Assurance was not aware of any concerns from their perspective.

- 8.2 It was clarified that the number of Plan Days allocated to each audit area were indicative and that, following scoping of the area and subsequent consultation with the area’s management, the number of days could be adjusted as necessary.
- 8.3 Following discussion of cyber security issues, comment was passed that as much as possible needed to be done to defend the Council from cyber breach. In light of this the committee felt that the audit review of this area should be comprehensive in approach rather than high level.
- 8.4 During discussion the Committee were assured that the audit of bus contracts would include contract management and therefore include consideration of the integrity of the data used. In relation to this Members discussed methods of incentivising bus drivers to issue every passenger with a ticket including those using bus passes.

**Conclusion:**

- 8.5 The Committee RESOLVED to approve the proposed Hertfordshire County Council Internal Audit Plan for 2017/18.

**9. FUTURE WORK PROGRAMME**

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

<p>Tuesday 27 June 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> <li>• SAFS report on anti-fraud activity at HCC for 2016/2017 - delayed from March Mtg.</li> <li>• SAFS report on Anti-Fraud Action Plan for</li> </ul>
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	2017/2018 – delayed from March mtg.	
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The Chairman thanked C. Cook (Assistant Director (Finance)) for her work on the committee, particularly on qualification of the accounts and achieving best practice in conjunction with the finance team, and wished her well in retirement.

**10. ANY OTHER BUSINESS**

10.1 There was no other business.

**KATHRYN PETTITT  
CHIEF LEGAL OFFICER**

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

**CHAIRMAN'S  
INITIALS**

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**HERTFORDSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE  
FRIDAY 7 JULY 2017 10.30 AM**

**RISK MANAGEMENT UPDATE REPORT**

Agenda item

no:

**2**

*Report of the Director of Resources*

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

**1. Purpose of Report**

1.1. This report is a regular item on Risk Management activity over the last quarter. The Audit Committee's Terms of Reference state it is to "advise the Executive on relevant audit matters, including: (a) the risk management system and risk related issues".

**2. Summary**

2.1. The following items are included in this report:

- A summary of Corporate risk movements
- A summary of new risks
- A heat map of the 33 Corporate Risks. This also displays amendments since the March Audit Committee meeting
- A linked icon to the full Corporate Risk Register.

2.2. Corporate risk appendices accompany this report:

- A risk movement report at Appendix A details those risks with changed assessments 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.

**3. Recommendations**

- That the Risk Management Update report be noted.
- That the Committee identify a risk (or risks) to be the subject of a risk focus report to be presented at the next meeting of the Committee in September 2017.

#### **4. Corporate Risk Register**

- 4.1. The latest review of the Corporate Risk Register took place during April and May 2017. See section 7 for a linked icon to the full Corporate Risk Register.

The table below shows the risk movements broken down by risk classification. The movements detailed are those that have occurred since the previous report that was presented to the Committee in March 2017.

	<b>Change in assessment from previous quarter</b>
<b>Red</b>	12
<b>Amber</b>	19 (-3)
<b>Yellow</b>	2 (+1)
<b>Green</b>	
<b>Total</b>	<b>33</b>
<b>Difference +/-</b>	<b>-2</b>

- 4.2. There are now 33 Risks on the Corporate Risk Register, two less than previously reported. 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.

#### **5. Actions from Audit Committee meeting of 1 March 2017**

- 5.1. Members requested that timelines for relevant controls were added and the terminology for controls was revised / clarified. As a result, risk and control owners have provided target dates for the implementation of controls / for the specific control to be in place, where appropriate to that control. In addition, the terminology for control types has been amended so that 'in progress' has been replaced by 'in progress / taking effect' and 'existing' has been replaced by 'in place / embedded'.
- 5.2. Members heard that there were further potential risks posed to Adult Care and Health by reductions/ withdrawal of NHS funding for projects organised by other organisations. As agreed, officers have revised and updated risks to reflect this and the changes are highlighted in the report.

**6. Heat-map of Corporate Risk Register at 22 May 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. It also shows key changes from the position reported to the March 2017 Audit Committee.

**Heat Map (Matrix) of Corporate Risks (33 risks) at 22 May 2017**

Probability	Almost Certain		E01			
	Likely		R08	E02 E05 <i>new</i> AC01 AC04 AC05* AC08 <i>new</i> AC09 <i>new</i>	R01 R02 R12	AC02*
	Possible		R13 R16* R18	CS02 CP02 CP03 AC06* R20 <i>new</i>	R05 R07 R17 R19	CP01 AC07*
	Unlikely		R15 ↓	CP06 E04 R09	R11*	CS01 AC03
	Rare			E03		CP04 R03 CP05 PH01
		Negligible	Low	Medium	High	Very High

Impact

Note - \* AC02, AC05, AC07, AC06, R11 and R16 have been withdrawn. These risks have been replaced by new, up to date / re-focused, and re-scored risks.

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

- |   |                    |
|---|--------------------|
| AC = Adult Care Services (previously Health and Community Services) | E = Environment    |
| CP = Community Protection   | PH = Public Health |
| CS = Children's Services  | R = Resources      |

## 6.1. Corporate Risk Register – brief risk descriptions

The following are brief descriptions for the risks in the 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 AC02 (withdrawn)	NHS commissioning	Iain MacBeath Director of Adult Care Services	HCS0012	23/09/2016
AC07 48 (withdrawn)	Failure of care providers	Frances Heathcote Assistant Director, Adult Care Commissioning	HCSOPD0006	29/09/2011 28/03/2013
CP01 48	Unplanned incidents	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	HFRS0007	22/11/2012 23/03/2016
CS01 32	A child or young person could die	Jenny Coles Director of Children's Services	CSF0055	30/06/2011 27/03/2014
E02 32	Residual Waste Treatment Programme	Simon Aries Assistant Director - Transport, Waste & Environmental Management	ENV0104	
E05 32 (new)	Croxley Rail Link cancellation	Rob Smith Deputy Director Environment	ENV0148	
AC01 32	Attraction of care-workers - Care Act 2014 non-compliance	Iain MacBeath Director of Adult Care Services	HCS0010	23/09/2016
AC08 32 (new replacement risk)	Insufficient budget for care, Better Care Fund	Iain MacBeath Director of Adult Care Services	HCS0016	
AC03 32	Inadequate care leads to death or abuse of client	Frances Heathcote Assistant Director, Adult Care Commissioning	HCSCP0001	29/09/2011



No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
AC04 32	DOLS - Deprivation of Liberty Safeguards	Sue Darker Operations Director, Adult Disability Service	HCSMH0002	16/09/2014
AC05 32 (withdrawn)	Discharging patients from hospital - bed blocking	Iain MacBeath Director of Adult Care Services	HCSOPD0001	23/09/2016
AC09 32 (new replacement risk)	Failure of care providers (adults), insufficient care workers	Iain MacBeath Director Adult Care Services	HCSOPD0011	
R01 32	Failure to retain, attract and recruit the right people and right skills	Sally Hopper Assistant Director, Human Resources	HR0021	21/11/2013
R02 32	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Mark Handford-Jones Assistant Director - Property	PROP0022	20/11/2014 01/03/2017
R12 32	Cyber-attack on HCC's ICT	Dave Mansfield Head of Technology	TEC0004	07/07/2017
R19 24	Misuse of social media	Andrew Hadfield Interim Head of Communications	COMS0002	
CP02 24	Radicalisation - Prevent	Darryl Keen Director of Community Protection and CFO	CP0004	
CP03 24	Extreme Weather	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0009	
CS02 24	School expansion programme costs	Simon Newland Assistant Director (Education Provision & Access)	CSF0070	25/11/2015

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R17 24	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Steven Pilsworth Assistant Director Finance	CSHF0016	
AC06 24 (withdrawn)	Better Care Fund - BCF	Jamie Sutterby Assistant Director, Health Integration (E&NH)	HCS0011	
R07 24	Failure to train employees to required standards	Sally Hopper Assistant Director, Human Resources	HR0018	
R05 24	Insufficient skills in commissioning / contract management and competencies	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	IMP0002	
R20 24 (new)	Capital receipts, asset disposals and strategic joint venture arrangements	Mark Handford-Jones Assistant Director - Property	PROP0023	
E01 20	Tree Health	Simon Aries Assistant Director - Transport, Waste & Environmental Management	ENV0142	30/11/2016
R08 16	The Council experiences significant fraud	Terry Barnett Head of Assurance	AUDIT0001	20/06/2012
CP04 16	Failure of Local Resilience Forum - LRF - inadequate inter agency plans	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0001	24/11/2011 23/09/2015
CP05 16	Hertfordshire County Council business continuity plans - BCP	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0002	24/11/2011 23/09/2015

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R03 16	Hertfordshire County Council's pension fund level may not improve sufficiently to cover accrued pension costs	Steven Pilsworth Assistant Director Finance	CSHF0002	
E04 16	Road maintenance investment	Rob Smith Deputy Director Environment	ENV0033	
CP06 16	HFRS meeting national training requirements	Chris Bigland Deputy Chief Fire Officer	HFRS0004	
R09 16	Failure to comply with Safe Staffing legislation	Sally Hopper Assistant Director, Human Resources	HR0022	
PH01 16	Health Protection emergency	Joel Bonnet Deputy Director of Public Health	PHD0014	21/06/2016
R11 16 (withdrawn)	The sale of assets may not provide the level of capital receipts to meet the target	Mark Handford-Jones Assistant Director - Property	PROP0020	
R18 12	Risk of not offsetting the Apprenticeship Levy	Sally Hopper Assistant Director, Human Resources	HR0023	
R13 12	Loss/inappropriate acquisition/disclosure of sensitive personal or commercial data	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	IMP0001	
R16 12 (withdrawn)	Potential Venture Partner arrangements	Mark Handford-Jones Assistant Director - Property	PROP0021	
E03 8	Condition of our roads	Rob Smith Deputy Director Environment	ENV0030	20/09/2013
R15 8 ↓	Land owned by the Council and no longer required for the purpose for which	Mark Handford-Jones Assistant Director	PROP0018	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
	it was bought may not have an active management regime in place	- Property		

## 7. Full Corporate Risk Register – Movement report

7.1. The full register is embedded here.



Corporate Risk Register for July 2017.

## 8. Key movements and new risks since March 2017 Audit Committee

8.1. New risk E05 (Ref. ENV0148, Appendix A, Page 1) – “As a result of political changes and escalating costs there is a risk that the Croxley Rail Link scheme is cancelled, which may result in claims to the Council (liability is capped at £3m), difficulties in re-claiming Hertfordshire County Council investment sunk into the scheme and reputational loss. This will also have a significant impact on future growth in the area.”

This risk has been raised as a result of London Underground (LUL) having informed Hertfordshire County Council that it now cannot: -

- a) deliver the scheme for the agreed funding package
- b) honour its commitment to cover any cost overruns
- c) open the scheme by the agreed target date of December 2020.

The current risk score is red 32 (severe).

8.2. New risk AC08 (Ref. HCS0016, Appendix A, Page 2) – “In the event of: increased demand on health and social care services; financial pressures in the health and social care sector, there is a risk of: financial uncertainty leading to insufficient budget to meet the future demand for services; that the Better Care Fund (BCF) pooled budget may not be sufficient to meet future demand for services; with the likelihood of budget overspend.”

This new risk was raised to replace and update previous risks regarding NHS Commissioning and the Better Care Fund (see section 9.2) below.

Since the Integrated Plan was set, Adult Care Services (ACS), [formerly Health and Community Services (HCS)], has received confirmation of the Clinical Commissioning Group’s (CCG’s) funding intentions and has been notified of additional Better Care fund monies from the Chancellor’s £2bn

funding announcement for social care. Whilst the financial outlook for the department is very challenging, these announcements have given certainty about the budget position for 17/18. The current risk score is red 32 (severe).

- 8.3. New risk AC09 (Ref. HCSOPD0011, Appendix A, Page 4) – “In the event of: - Commercial/contractual failure of care providers; Inability to attract an increased number of care workers, there is a risk of being unable to provide sufficient and safe care for clients leading to a person continuing to live in an environment which is inappropriate, delays in discharging from hospital and the authority not fulfilling its statutory responsibility. “

This new risk was raised to replace previous risks regarding Delayed Discharges and Failure of Care Providers (see section 9.2) below.

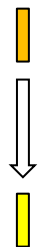
This updated risk is more relevant and seeks to set out the risk cause and effect chain more clearly. The current risk score is red 32 (severe).

- 8.4. New risk R20 (Ref. PROP0023, Appendix A, Page 6) – “Hertfordshire County Council has undertaken a review of how it disposes of its surplus land and property assets to establish how best to optimise capital receipts in a difficult market. As a result of the decision to develop these sites and assets through a new Strategic Joint Venture (SJV) Arrangement, there is a risk that this policy change may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan.”

This new risk has been raised to replace previous risks in respect to market conditions and the proposals regarding a joint venture arrangement (see section 9.6) below, and now highlights the agreed strategy to optimise capital receipts in the current market.

The effects of Brexit are still unknown and are being monitored. A developer will be appointed through an Official Journal of the European Union (OJEU) procurement by the end of the calendar year to enable the Strategic Joint Venture to be undertaken. The current risk score is amber 24 (significant).

- 8.5. R15 (Ref. PROP0018, Appendix A, Page 8) – “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 a Health & Safety incident to persons or property which could give rise to Health & Safety action and a liability claim.”



The Risk Owner has reduced the risk score from amber 12 (significant) to yellow 8 (material) due to the effectiveness of the processes and controls which are now in place / embedded. In addition the target score has been reviewed and amended. The risk is therefore now accepted / tolerated at this level.

## **9. Withdrawn risks since March 2017 Audit Committee**

- 9.1. AC02 (Ref. HCS0012) – “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”. The risk score was red 64 (severe) and AC06 (Ref. HCS0011) – “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” The risk score was amber 24 (significant).

These risks were reviewed and withdrawn, replaced by risk AC08, ref. HCS0016 in section 8.2 above.

- 9.2. AC07 (Ref. HCSOPD0006) – “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.” The risk score was red 48 (severe) and AC05 (Ref. 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 Hertfordshire County Council input, which may result in financial and reputational consequences.” The risk score was red 32 (severe).

These risks were reviewed and withdrawn, replaced by risk AC09, ref. HCSOPD0011 in section 8.3 above.

- 9.3. R11 (Ref. PROP0020) – “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”. The risk score was amber 16 (significant) and R16 (Ref. PROP0021) – “In the event that the review of how Hertfordshire County Council disposes of its surplus land and property assets determines that Hertfordshire 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”. The risk score was amber 12 (significant).

These risks were reviewed and withdrawn, replaced by risk R20, ref. PROP0023 in section 8.4 above.

## **10. Next Steps**

- 10.1. 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

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Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p><b>ENV0148</b> Created Date: 25/04/2017</p> <p><i>Delivering our Vision</i></p> <p><b>Current Category: Corporate</b></p> <p>As a result of political changes and escalating costs there is a risk that the Croxley Rail Link scheme is cancelled, which may result in claims to the Council (liability is capped at £3m), difficulties in re-claiming HCC investment sunk into the scheme and reputational loss. This will also have a significant impact on future growth in the area.</p>	<p>Rob Smith</p> <p>Deputy Director Environment</p>	<p>This risk has been raised as a result of London Underground having informed HCC that it now cannot: -</p> <p>a) deliver the scheme for the agreed funding package</p> <p>b) LUL will not honour their commitment to cover any cost overruns</p> <p>c) that the scheme cannot open by the agreed target date of December 2020</p> <p>Reviewed On :25/04/2017</p>	<p>25/04/2017</p> <p><b>Severe</b></p> <p><b>32</b></p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> High 8</p>	<p>↔</p>	<p><b>Severe</b></p> <p><b>32</b></p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> High 8</p>	<p>Significant</p> <p>16</p> <p><b>Probability</b> Unlikely 2</p> <p><b>Impact</b> High 8</p>
<b>Controls:</b>	<b>Ref</b>	<b>Control Description</b>	<b>Status</b>	<b>Owner</b>		
	<u>ENV0148/001</u>	<u>Briefing senior local and national politicians</u>	<u>In Progress / Taking Effect</u>	<u>Rob Smith</u>		
	<u>ENV0148/002</u>	<u>Lobbying the London Mayor and Government</u>	<u>In Progress / Taking Effect</u>	<u>Rob Smith</u>		
	<u>ENV0148/003</u>	<u>Develop Communications strategy should the scheme be abandoned</u>	<u>In Progress / Taking Effect</u>	<u>Rob Smith</u>		



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Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p><b>HCS0016</b> Created Date: 23/03/2017</p> <p><i>Opportunity to be Healthy and Safe</i></p> <p><b>Current Category:</b> Corporate</p> <p>In the event of: -                      - Increased demand on health and social care services                      - Financial pressures in the health and social care sector</p> <p>There is a risk of: -                      Financial uncertainty leading to insufficient budget to meet the future demand for services;                      That the Better Care Fund (BCF) pooled budget may not be sufficient to meet future demand for services; the likelihood of budget overspend.                      [supersedes risks HCS0011 &amp; HCS0012]</p>	<p>Iain MacBeath</p> <p>Director Adult Care Services</p>	<p>Since the Integrated Plan was set, HCS has received confirmation of the CCG's funding intentions and has been notified of additional Better Care fund monies from the Chancellor's £2bn funding announcement for social care. Whilst the financial outlook for the department is very challenging, these announcements have given certainty about the budget position for 17/18.</p> <p>Government guidance on the Better Care Fund arrangements for 2017-19 has been received and officers are working to assess the implications of this and develop proposals with the CCGs.                      Reviewed On :03/05/2017</p>	<p>03/05/2017</p> <p><b>Severe</b> 32</p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> Very High 16</p>	<p>↔</p>	<p><b>Severe</b> 32</p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> High 8</p>	<p>Significant 16</p> <p><b>Probability</b> Unlikely 2</p> <p><b>Impact</b> High 8</p>
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Risk Ref Risk Description Corporate Priority 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>HCS0016/001</u>	<u>The approach Hertfordshire have taken in constituting the BCF ensures the stability of finance for many BCF funded services</u>		<u>In Place / Embedded</u>		<u>Keir Mann</u>
	<u>HCS0016/002</u>	<u>Regular monitoring of metrics through joint governance structures to identify lack of progress and areas for improvement</u>		<u>In Progress / Taking Effect</u>		<u>Keir Mann</u>
	<u>HCS0016/003</u>	<u>Annual review and agreement of risk sharing and contingency plans with NHS partners</u>		<u>In Progress / Taking Effect</u>		<u>Keir Mann</u>
	<u>HCS0016/005</u>	<u>Changes to the allocations from the BCF budget from CCG's will mean new agreements will be in place and monitored</u>		<u>In Progress / Taking Effect</u>		<u>Keir Mann</u>
	<u>HCS0016/006</u>	<u>Reducing spend on acute admissions and other services as a result of BCF projects and other health and social care system change</u>		<u>In Progress / Taking Effect</u>		<u>Keir Mann</u>
	<u>HCS0016/007</u>	<u>Undertake actions - Better Care fund plan agreed by HWB</u>		<u>In Progress / Taking Effect</u>		<u>Keir Mann</u>
	<u>HCS0016/009</u>	<u>Section 75 arrangements in place between NHS and HCC</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>
	<u>HCS0016/010</u>	<u>Review and monitor governance arrangements between CCGs and HCS</u>		<u>In Place / Embedded</u>		<u>Iain MacBeath</u>
	<u>HCS0016/011</u>	<u>Joint Integrated Planning Process (IPP) with CCGs.</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>
	<u>HCS0016/013</u>	<u>Agreement that social care will form part of financial bridge incorporated into the Sustainability and Transformation Plan (STP)</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>
	<u>HCS0016/015</u>	<u>Plans for deploying Hertfordshire's share of the new funding for social care are being monitored</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>

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Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p><b>HCSOPD0011</b> Created Date: 23/03/2017</p> <p><i>Opportunity to be Healthy and Safe</i></p> <p><b>Current Category:</b> Corporate</p> <p>In the event of: -</p> <ul style="list-style-type: none"> <li>- Commercial/contractual failure of care providers</li> <li>- Inability to attract an increased number of care workers</li> </ul> <p>There is a risk of being unable to provide sufficient and safe care for clients leading to a person continuing to live in an environment which is inappropriate, delays in discharging from hospital and the authority not fulfilling its statutory responsibility.</p> <p>[supersedes risks HCSOPD0006 &amp; HCSOPD0001]</p>	<p>Iain MacBeath</p> <p>Director Adult Care Services</p>	<p>Risk reviewed by Risk Owner and slightly updated to ensure it is relevant. No other changes.</p> <p>Reviewed On :30/03/2017</p>	<p>23/03/2017</p> <p><b>Severe</b> 32</p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> High 8</p>	<p>↔</p>	<p><b>Severe</b> 32</p> <p><b>Probability</b> Likely 4</p> <p><b>Impact</b> High 8</p>	<p>Significant 16</p> <p><b>Probability</b> Unlikely 2</p> <p><b>Impact</b> High 8</p>

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Risk Ref Risk Description Corporate Priority 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>
	HCSOPD0011/004	<u>New Commissioning Module for all Specialist Care at Home from hospital</u>		<u>Proposed</u>		<u>Iain MacBeath</u>
	HCSOPD0011/002	<u>Financial authorisation procedures in place and applied constantly</u>		<u>In Place / Embedded</u>		<u>Chris Badger</u>
	HCSOPD0011/006	<u>Regular contract monitoring of HCS care providers with a risk-based approach</u>		<u>In Place / Embedded</u>		<u>Frances Heathcote</u>
	HCSOPD0011/007	<u>Use of HCS 'Serious Concerns' procedure to deal with failing care providers</u>		<u>In Place / Embedded</u>		<u>Sue Darker</u>
	HCSOPD0011/008	<u>Undertake annual credit checks on all care providers as early warning system</u>		<u>In Place / Embedded</u>		<u>Frances Heathcote</u>
	HCSOPD0011/009	<u>Quarterly performance report to HCS Management Board</u>		<u>In Place / Embedded</u>		<u>Frances Heathcote</u>
	HCSOPD0011/001	<u>Regular performance monitoring by HCS Management Board and budget managers</u>		<u>In Progress / Taking Effect</u>		<u>Chris Badger</u>
	HCSOPD0011/003	<u>Intergrated discharge arrangements in place for all major acute hospitals that accept Hertfordshire patients</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>
	HCSOPD0011/005	<u>Work underway to ensure finance and performance measures are consistent with each other</u>		<u>In Progress / Taking Effect</u>		<u>Iain MacBeath</u>

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Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p><b>PROP0023</b> Created Date: 08/05/2017</p> <p><i>Delivering our Vision</i></p> <p><b>Current Category:</b> Corporate</p> <p>HCC has undertaken a review of how it disposes of its surplus land and property assets to establish how best to optimise capital receipts in a difficult market. As a result of the decision to develop these sites and assets through a new Strategic Joint Venture (SJV) Arrangement, there is a risk that this policy change may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan. (Replaces former risks PROP0020 and PROP0021)</p>	<p>Mark Handford-Jones</p> <p>Assistant Director - Property</p>	<p>This risk has been raised to replace previous risks in respect to market conditions and the proposals regarding a joint venture arrangement and now highlights the agreed strategy to optimise capital receipts in the current market. The effects of Brexit are still unknown and are being monitored. A developer will be appointed through an OJEU procurement by the end of the calendar year to enable the Strategic Joint Venture to be undertaken. Reviewed On :08/05/2017</p>	<p>08/05/2017 Significant 24</p> <p>Probability Possible 3</p> <p>Impact High 8</p>	<p>↔</p>	<p>Significant 24</p> <p>Probability Possible 3</p> <p>Impact High 8</p>	<p>Material 8</p> <p>Probability Unlikely 2</p> <p>Impact Medium 4</p>

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Risk Ref Risk Description Corporate Priority 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>PROP0023/001</u>	<u>Maintain awareness of market conditions &amp; potential for change for written report and brief Resources &amp; Performance Exec Member</u>		<u>In Place / Embedded</u>		<u>Mark Handford-Jones</u>
	<u>PROP0023/002</u>	<u>Continue to determine the latest market value before taking any asset to sale</u>		<u>In Place / Embedded</u>		<u>Mike Evans</u>
	<u>PROP0023/003</u>	<u>Take advantage of sale opportunities such as unsolicited approaches where possible subject to procurement rules being followed</u>		<u>In Place / Embedded</u>		<u>Mike Evans</u>
	<u>PROP0023/004</u>	<u>Work with Finance &amp; disposal teams to deliver an acceptable capital receipt programme &amp; the receipts from the SJV</u>		<u>In Progress / Taking Effect</u>		<u>Mike Evans</u>
	<u>PROP0023/005</u>	<u>Establish a Property Company to work with a Strategic Joint Venture Partner to ensure agreed delivery pace is being achieved.</u>		<u>In Progress / Taking Effect</u>		<u>Mike Evans</u>
	<u>PROP0023/006</u>	<u>Identify an appropriate developer and establish joint venture arrangements</u>		<u>In Progress / Taking Effect</u>		<u>Mike Evans</u>
	<u>PROP0023/007</u>	<u>Identify pipeline surplus sites/assets and develop these to maximise the potential capital receipt.</u>		<u>In Progress / Taking Effect</u>		<u>Mike Evans</u>

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Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p><b>PROP0018</b> <i>Opportunity to be Healthy and Safe</i></p> <p><b>Current Category:</b> <i>Corporate</i></p> <p>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&amp;S incident to persons or property which could give rise to H&amp;SE action and a liability claim.</p>	<p>Mark Handford-Jones Assistant Director - Property</p>	<p>The Risk Owner has reduced the risk score due to the effectiveness of the processes and controls which are now in place / embedded. In addition the target score has been reviewed and amended. Reviewed On :08/05/2017</p>	<p>08/05/2017 Significant 12</p> <p><b>Probability</b> Possible 3</p> <p><b>Impact</b> Medium 4</p>		<p>Material 8</p> <p><b>Probability</b> Unlikely 2</p> <p><b>Impact</b> Medium 4</p>	<p>Material 8</p> <p><b>Probability</b> Unlikely 2</p> <p><b>Impact</b> Medium 4</p>
<b>Controls:</b>	<b>Ref</b>	<b>Control Description</b>	<b>Status</b>	<b>Owner</b>		
	PROP0018/001	Processes to identify land to which this risk applies have been identified and are in use	In Place / Embedded	Mark Handford-Jones		
	PROP0018/002	Agreement to be reached on what management regimes can be implemented/alternative solutions deployed to resolve potential issues	In Place / Embedded	Mark Handford-Jones		
	PROP0018/003	Follow Out of Use land and property management processes to ensure it is managed appropriately.	In Place / Embedded	Mike Evans		
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# APPENDIX A - Corporate Risk Register key changes in quarterly movement report for July 2017

Report Date: 05/06/2017

Date filtered on: 19/01/2017



Notes: References highlighted **Purple** have been added since the 19/01/2017.

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

<b>Risk Ref</b> <b>Risk Description</b> <b>Corporate Priority</b> <b>Category</b>	<b>Risk Owner</b>	<b>Progress Update</b>	<b>Previous Risk Score</b>	<b>Movement Direction</b>	<b>Current Risk Score</b>	<b>Target Risk Score</b>

Report Selection Criteria

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and Status Flag=ACTIVE - Ref in (ENV0148,HCS0016,HCSOPD0011,PROP0023,PROP0018)



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

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			08/16	11/16	02/17	06/17	Score
HFRS0007	Community Protection Hertfordshire 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:  - The ERF at Rye House does not proceed or is delayed - Unable to secure suitable alternatives for waste disposal should the contract with VES be terminated.  It may result in: - Increased costs to HCC	32	32	32	32	8
ENV0148	Environment	As a result of political changes and escalating costs there is a risk that the Croxley Rail Link scheme is cancelled, which may result in claims to the Council (liability is capped at £3m), difficulties in re-claiming HCC investment sunk into the scheme and reputational loss. This will also have a significant impact on future growth in the area.	n/i	n/i	n/i	32	16
HCS0010	Adult Care Services	Inability to attract an increased number of care-workers in line with the Health and Community Services Workforce Strategy leading to non-compliance with the Care Act 2014 duties and customer dissatisfaction and an increase in delayed discharges of care.	32	32	32	32	4
HCS0016	Adult Care Services	In the event of: - Increased demand on health and social care services - Financial pressures in the health and social care sector There is a risk of: - Financial uncertainty leading to insufficient budget to meet the future demand for services; - That the Better Care Fund (BCF) pooled budget may not be sufficient to meet future demand for services; the likelihood of budget overspend. [supersedes risks HCS0011 & HCS0012]	n/i	n/i	n/i	32	16
HCSCP0001	Adult Care Services Commissioning For People	In the event of the quality of care from internal and external HCS care providers becomes inadequate (due to for example a failure to properly assess the care and support needs of an individual), there is a risk that this may result in the death or severe abuse of a client	32	32	32	32	32
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Risk Ref	Business Unit	Details	Current Risk Rating				Target
			08/16	11/16	02/17	06/17	Score
HCSMH0002	Adult Care Services 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
HCSOPD0011	Adult Care Services Older People And Physical Disabilities	In the event of: - - Commercial/contractual failure of care providers - Inability to attract an increased number of care workers There is a risk of being unable to provide sufficient and safe care for clients leading to a person continuing to live in an environment which is inappropriate, delays in discharging from hospital and the authority not fulfilling its statutory responsibility. [supersedes risks HCSOPD0006 & HCSOPD0001]	n/i	n/i	n/i	32	16
HR0021	Resources Human Resources	If we fail to retain, attract and recruit the right people (managers, officers and volunteers) and right skills and maintain 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	32	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 ENV0096]	12	12	24	24	12
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
		<b>Agenda Pack 34 of 188</b>					

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			08/16	11/16	02/17	06/17	Score
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	16
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	24	24	16
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
PROP0023	Resources Property	HCC has undertaken a review of how it disposes of its surplus land and property assets to establish how best to optimise capital receipts in a difficult market. As a result of the decision to develop these sites and assets through a new Strategic Joint Venture (SJV) Arrangement, there is a risk that this policy change may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan. (Replaces former risks PROP0020 and PROP0021)	n/i	n/i	n/i	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	20	20	20
AUDIT0001	Resources Audit (SIAS)	There is a risk that the Council experiences significant fraud	16	16	16	16	8
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Risk Ref	Business Unit	Details	Current Risk Rating				Target
			08/16	11/16	02/17	06/17	Score
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	16	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
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
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	12	12	8

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			08/16	11/16	02/17	06/17	Score
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
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	8	8	8	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	8	8
		<b>33</b>	<b>644</b>	<b>636</b>	<b>664</b>	<b>780</b>	<b>476</b>

# HERTFORDSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE FRIDAY 7 JULY 2017 AT 10.30 AM RISK FOCUS REPORT – CYBER SECURITY

<u>Agenda Item</u> <u>No.</u> <b>3</b>
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### Report of the Director of Resources

Author: Dave Mansfield, Head of Technology (Tel: 01992 588331)

Executive Member: David Williams – Resources, Property & the Economy

## 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 Cyber Attack Risk (TEC0004), “In the event of failing to maintain and ensure the use of Hertfordshire County Council’s security systems, technical protocols and change management processes, there is a risk of a cyber-attack (virus, penetration or malicious internal action) on the County Council’s ICT environments causing significant service disruption and possible data loss.”
- 1.2 This report invites the Audit Committee to endorse the overall approach that Hertfordshire County Council is taking to mitigate this risk. In addition, it seeks support in recommending some additional technical measures and resources be procured to meet the increasing and evolving cyber-attack risk. In considering these matters, ICT Technology have considered various industry sources including Ernst and Young in their recent papers on Ransomware and wider industry guidance.

## 2. Summary

- 2.1 All computer systems and the information contained therein are at risk of being compromised in a variety of ways. This may be through malicious or accidental actions, or simply through the failure of software or electronic components. Whilst all of these potential risks are considered a “Cyber- Attack”, a malicious attack from the Internet is the main focus of the risk being addressed in this paper. It is an issue that is currently hitting the headlines as well as something that could potentially lead to both actual and reputational damage for Hertfordshire County Council. A recent ransomware outbreak affected Hertfordshire County Council’s close working partners in the NHS and for the wider industry this is a timely reminder of this increasing risk.
- 2.2 The County Council is seeing an exponential increase in the number of attempted cyber-attacks from the internet. These take the form of:

- Automated and manual scans for weakness on Hertfordshire County Council's public facing perimeter defences;
- Attempts to flood Hertfordshire County Council's network with false requests so that Hertfordshire County Council's ICT services fail to operate and affect Hertfordshire County Council's ability to deliver public services; and
- Delivering realistic looking emails with ransomware and other malicious payloads (virus, ransomware and malware attacks) as well as the 'traditional' scam attempts.

2.3 In mitigating against this risk ICT Technology seeks to ensure that:

- The best technical defences are in place;
- Hertfordshire County Council's systems and software are kept up to date (witness recent NHS issues) ;
- Hertfordshire County Council staff are aware and alert to the possibility of threat and act accordingly;
- If/when an attack is encountered, ICT Technology act quickly and lockdown/ quarantine/ contain that threat.

2.4 Hertfordshire County Council continues to follow industry best practice and apply any lessons learnt. ICT Technology have combined elements of ISO Security Standards (ISO 27001:2013) with central government security framework guidance and applied these in a pragmatic and effective manner. In general, this has led to the application of multi-layered security defences. Deploying secure gateways, quarantine regimes, and selecting best of breed technologies. ICT Technology have kept infrastructure and computing devices patched and current. Hertfordshire County Council have used strong encryption and strong authentication methods together with active device management in line with best practice for local government as articulated under Public Services Network (PSN) accreditation regime.

2.5 Hertfordshire County Council understands the risk associated with human error, devising and disseminating user guidance and policy. ICT Technology actively monitors misuse and accidental infringement and follow up any instances with departmental managers.

2.6 Hertfordshire County Council undertakes an annual PSN (Public Sector Network) accreditation exercise to ensure it can safely connect to the PSN to deliver various services to public. This is a stringent regime set out by the cabinet office that aids Hertfordshire County Council in maintaining standards. As a part of this exercise, Hertfordshire County Council undertakes various security penetration exercises which act as independent verification of ICT Technology security measures. Hertfordshire County Council has always achieved the accreditation and is currently accredited to May 2018.

2.7 Hertfordshire County Council's IT and user support partners are a crucial part of its response to security incidents. ICT Technology have agreed

rapid response processes with associated procedures in place ICT Technology management of end user computing devices is robust and includes strict authorisation controls. ICT Technology operates an industry standard change control regime and all changes to the IT environment are assessed and need approval before they proceed. The recent global ransomware event did not affect Hertfordshire County Council due to its management approach combined with a detailed response to taking appropriate measures against the developing worldwide threat.

- 2.8 Hertfordshire County Council currently spends approximately £600K on all aspects of security. Network provision, accreditation, monitoring, and security testing. This is also supported by activity and responses in major IT & networking contracts.
- 2.9 Hertfordshire County Council have a “smart working” connected workforce that needs access to the internet to provide innovative, effective services to its clients in a timely manner. Under these conditions Hertfordshire County Council needs to be prepared to resist attack as far is possible but then also be prepared to respond to attacks that are successful in penetrating its front-line defences. Hertfordshire County Council needs to prevent, detect, contain and eradicate the attack to prevent any exposure of its data, systems or effect on its services.
- 2.10 The new data protection regime (GDPR- General Data Protection Regulation) will raise the bar in terms of requirements on organisations abilities to track and control data leakage whether it is via staff error or by malicious action. Penalties under the new regime potentially run into millions of pounds for organisations of Hertfordshire County Council’s size.
- 2.11 Despite ICT Technology’s success and best practice approach the increasing level of this threat means that it needs to continue to learn and increase the professional expertise, staff awareness and technological defences. ICT Technology are therefore looking to make the following additional improvements:
  - 2.11.1 Significant Investment in multiple layers of new technology that provide defence in depth right from the edge of the network to the equipment staff use to provide services to the public.
  - 2.11.2 Investment in a dedicated real time security monitoring facility to give ICT Technology greater automated real-time view of its security status. Hertfordshire County Council needs this emerging industry practice to be able to activate elements of its response at an earlier stage against increasingly sophisticated cyber-attacks.
  - 2.11.3 Investment in additional skilled IT security support staffing to get the maximum out of the above technical investments and for closer management of Hertfordshire County Council’s security environment.



2.11.4 Ensuring further controls on IT purchasing to avoid the rise of 'Shadow IT' that is emerging in many large organisations of similar size adding to the overall risk profile. The NHS attack has shown the vulnerability of services where unsupported IT is in place.

2.11.5 An improved and effective council wide security awareness programme for all staff with mandatory data protection and security training for all employees. A combination of e-learning and security awareness assessment tools such as those that gauge user understanding by, for instance, sending mock phishing attack email.

2.12 In summary, Hertfordshire County Council has sound and effective measures in place for the protection and management against cyber-attack. Those measures include appropriate defences, up to date patched IT infrastructure and mechanisms to heighten staff awareness. Hertfordshire County Council has applied the learning from industry specialists, best practice approaches and learning from real-life incidents such as those that impacted Lincolnshire County Council and the NHS. However, as the threat continues to increase and methods of the criminals involved adapt, ICT Technology have planned improvements and investments being made which will look to keep Hertfordshire County Council as well protected as possible against this continuously evolving threat.

### **3. Recommendation/s**

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

### **4. Background**

4.1 The risk was first recorded in January 2009 when it became clear that the risk of a cyber-attack was emerging and that Hertfordshire County Council needed to ensure it had effective prevention and response mechanisms to:

- i) ensure best practice controls and measures and
- ii) take measures including staff awareness to avoid becoming victims of cyber-crimes.

4.2 Hertfordshire County Council's primary focus back then was to ensure that its technical perimeter defences were effectively maintained and tested for vulnerabilities and that ICT Technology took appropriate action to control these vulnerabilities. Cyber-attacks then focussed on the perimeter of a network.

4.3 The control measures were recorded and actioned as:

- 4.3.1 Industry approved security measures (firewalls, desktop AV, email filtering software etc.) implemented, monitored and maintained
  - 4.3.2 New/updated systems/apps conform to agreed security requirements Inc. successful network penetration tests before implementation
  - 4.3.3 A rolling program of testing network infrastructure Inc. penetration testing for Hertfordshire County Council and key 3rd party providers
  - 4.3.4 Work to continuously develop & deliver ICT policy/security education/awareness training for staff, managers and members
  - 4.3.5 Regular meetings with other local authorities and participation in security forums exchanging security information and learning from the experiences of others such as the cyber-attack on Lincolnshire's ICT facilities.
  - 4.3.6 Ensure ICT Service Providers adhered to security & tech standards in providing/implementing/updating systems; ICT infrastructure. ICT Technology does actively engage with industry suppliers by attending workshops. Seminars and product demonstrations.
- 4.4 These controls were and are still applied with vigour and arising out of the recent attack that affected the NHS so heavily ICT Technology reviewed the status of the emerging threat, enacted quarantine processes and additional controls. Acting with all caution and then reviewing and relaxing if industry advice was showing a reduced risk. However, the exponential increase in threats from the internet combined with cloud based working, along with a significant increase in collaborative smart-working approaches, mean that these measures are in constant need of revision and investment.
- 4.5 A programme of work and investment are therefore planned to meet this elevating level of risk.

## **5. Supporting Information**

- 5.1 The corporate risk is owned within the Resources Directorate by the Head of Technology with elements of the wider risk spanned across the organisation.
- 5.2 Controls are co-ordinated by staff within the Technology Department and are intended to protect and reduce the impact of a cyber-attack. The controls operate in defensive layers beginning from the physical network perimeter to logical staff access to Hertfordshire County Council's data.
- 5.3 All the controls set out in the table in appendix 1 have been reported through the quarterly corporate risk review process as in progress.

#### 5.4 Key achievements to date:

- 5.4.1 Achieving PSN accreditation status year on year since the accreditation was introduced in 2008 for a very large and complex ICT estate.
- 5.4.2 Establishing staff information pages on Hertfordshire County Council's Intranet and developing a monitoring regime that allows the organisation to take appropriate action where front line staff are acting inappropriately.
- 5.4.3 Established a good 'track record' defending against ever evolving threats and an equally good record against electronic data loss
- 5.4.4 Maintaining levels of investment and supplier engagement over years to provide stable controls
- 5.4.5 Not being affected by major cyber-attack events that have adversely affected others in the industry, mainly by taking quick, robust and decisive preventative actions.

6. APPENDIX 1

<b>CORPORATE RISK REGISTER</b>		
<b>Risk Number</b>	<b>Risk Owner</b>	<b>Department</b>
TECH0004	Dave Mansfield	Resources
<b>Date risk first included on risk register</b>	<b>Risk treatment (response) to manage the risk</b>	<b>Executive Member</b>
2009	Reduce	David Williams
<p><b>Description of the risk</b>            In the event of failing to maintain and ensure the use of Hertfordshire County Council's security systems, technical protocols and change management processes, there is a risk of a cyber-attack (virus, penetration or malicious internal action) on Hertfordshire County Council's ICT environments causing significant service disruption and possible data loss</p> <p><b>Consequences of the risk</b>            Disruption of services, public services may be affected, reputational damage and consequential recovery costs</p>		
<p><b>Current controls</b></p> <p><b>TEC0004/001</b>            Industry approved security measures (firewalls, desktop AV, email filtering software etc.) implemented, monitored and maintained.             "ICT Technology are currently actively investigating and evaluating the use of products on the market to provide up to date and additional security against malware and wider threats".</p> <p><b>TEC0004/002</b>            New/updated systems/apps conform to agreed security requirements including successful network penetration tests before implementation.             "SEAM and SOLERO, two schools applications were security tested with the intention of making these available over the internet to the schools. Primary Public facing applications services RBA3, email gateways, sFTP sites were subject to systems penetration tests and follow up hardening measures".</p> <p><b>TEC0004/003</b>            New/ updated systems/ apps conform to agreed security requirements including successful network penetration tests before implementation.             "Work to continuously develop &amp; deliver ICT policy/ security education/</p>		

awareness training for staff, managers and members. New Members policy and staff Acceptable Use policy agreed are being published.”

**TEC0004/004**

Rolling program of testing network infrastructure including penetration testing for Hertfordshire County Council and key 3rd party providers.

“PSN infrastructure tests and follow-up actions completed. Highways control room security vulnerabilities pen test carried out and follow-up actions being planned”.

**TEC0004/005**

Ensure ICT Service Providers adhere to security & tech standards in providing/implementing/updating systems; ICT infrastructure

“New Questionnaire using Government’s security framework guidance on Cloud Hosting has been developed, for use with cloud hosting. Next steps are to integrate these security assessments into standard supplier questionnaire. Use of vulnerability tools workshops for Serco are underway”

**Current Risk score based on effectiveness of current controls**

<b>Probability score:</b>	<b>Impact score:</b>	<b>Overall score:</b>
4 - Likely	8 – High	32 - Severe

**Reason for inclusion on Corporate Register**

The risk met the corporate risk criteria; in particular, there are significant financial implications.

**Direction of travel (overall risk score for previous three quarters)**

32	32	32
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**Target risk score**

<b>Probability score:</b>	<b>Impact score:</b>	<b>Overall score:</b>
3 – Possible	4 – Medium	12 – Significant

**HERTFORDSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE  
FRIDAY 7 JULY 2017 AT 10.30 AM**

<u>Agenda Item</u> <u>No:</u> <b>4</b>
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**ANNUAL GOVERNANCE STATEMENT 2016/17 and CODE OF CORPORATE GOVERNANCE 2017/18**

*Report of the Director of Resources*

Author: Terry Barnett, Head of Assurance Services (Tel: 01438 845508)

**1. Purpose of Report**

- 1.1 To set out the basis for the recently completed review of the council's governance arrangements, including its system of internal control, and to present the draft Annual Governance Statement (AGS) 2016/17 for the Committee's consideration and approval.
- 1.2 The AGS is a tool to ensure the appropriate profile of governance arrangements in an organisation, and demonstrates the council's commitment to good governance. To have the intended effect the AGS must be open, honest and balanced. The document should reflect contributions from across the organisation. The draft AGS is provided in Appendix A.
- 1.3 The AGS reviews and reflects upon the council's governance arrangements at a specific point in time. This is distinct from the council's Code of Corporate Governance which sets out the standing arrangements that the Council puts in place to ensure good governance. The Code of Corporate Governance is made available on the internet. An update of the Code has been carried out and Appendix B sets out the updated version.

**2. Background**

- 2.1 The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council has charged the Audit Committee with keeping the effectiveness of the council's system of internal control under review, and reporting any recommendations for improvement to the executive.
- 2.2 This year's review of effectiveness has been informed by:

- Assurance statements from the council's joint leadership team comprising Strategic Management Board and Assistant Directors;
- A review of compliance against the council's Code of Corporate Governance;
- The Head of Audit annual opinion, authored by the Head of Assurance Services elsewhere on this agenda;
- Comments made by the external auditors, and other review agencies and inspectorates.

2.3 Internal audit has led this year's review of the effectiveness. The results of the review have been scrutinised and approved by the Performance and Resources Officer Group (PROG), comprising senior management from every directorate.

2.4 From this a draft Annual Governance Statement has been prepared and reviewed by PROG and the Strategic Management Board. The Statement has been produced in compliance with guidance from the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives.

### **3 Structure of the Annual Governance Statement**

3.1 Sections 1 and 2 of the AGS provide context on governance and on the purpose of the council's governance frameworks. Section 3 of the AGS describes the council's governance arrangements, and section 4 sets out how these arrangements have been reviewed.

3.2 Section 5 of the AGS reports on opportunities to further improve and develop governance and internal control.

3.3 Section 6 of the AGS reports on 'significant governance issues'. The Auditing Practices Board Bulletin 2004/2 gives guidance on potential indicators of such issues:

- a) It seriously prejudices or prevents achievement of a principal objective of the authority;
- b) It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- c) It has led to a material impact on the accounts;
- d) The audit committee, or equivalent, advises it should be considered significant for this purpose;
- e) The Head of Internal Audit reports on it as significant, for this purpose, in the annual opinion on the internal control environment;
- f) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;

- g) The issue has resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

**4. Recommendations**

- a) That the Committee approves the draft Annual Governance Statement for 2016/17 prior to final sign off by the Leader of the Council and the Chief Executive.
- b) That the Committee approves the updated Code of Corporate Governance.



## **1 Scope of responsibility**

Hertfordshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Hertfordshire County Council's Code of Corporate Governance sets out its commitment to good governance and describes the Council's governance framework and processes. The governance principles that the Council adopts are consistent with those set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives document: *Delivering Good Governance in Local Government* and which are as follows:

- *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*
- *Ensuring openness and comprehensive stakeholder engagement*
- *Defining outcomes in terms of sustainable economic, social, and environmental benefits*
- *Determining the interventions necessary to optimise the achievement of the intended outcomes*
- *Developing the entity's capacity, including the capability of its leadership and the individuals within it*
- *Managing risks and performance through robust internal control and strong public financial management*
- *Implementing good practices in transparency, reporting, and audit to deliver effective accountability.*

Hertfordshire's County Council's Code of Corporate Governance is available on the Council's internet site.

## **2 The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level however it cannot eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hertfordshire County Council for the year ended 31 March 2017 and up to the date of approval of this Annual Governance Statement and the statement of accounts.

### **3     The governance framework**

The systems and processes that comprise Hertfordshire County Council's governance arrangements are set out in its Code of Corporate Governance. Key elements of the governance framework are described below.

The Council adopted its latest Corporate Plan in February 2013 which extends to 2017. The plan sets out a vision for Hertfordshire to remain a county where people have the opportunity to live healthy, fulfilling lives in thriving, prosperous communities. The plan outlines four cross-cutting themes that include key priorities for the County. The four themes are:

- Opportunity to Thrive
- Opportunity to Prosper
- Opportunity to be Healthy and Safe
- Opportunity to Take Part.

The Council's constitution sets out the rules under which the organisation conducts its business. The constitution aims to enable the Council to provide clear leadership to the community, in partnership with the public, businesses and other organisations; support the active involvement of members of the public in decision-making; help Councillors represent their constituents; enable decisions to be taken efficiently and effectively; enable decision-makers to be held to account; and ensure that decision-makers are identifiable and that reasons are given for decisions. All the annexes to the constitution were reviewed and where necessary updated during the year.

The Authority publishes an Annual Report which summarises significant developments and achievements for the period. The report sets out how the Council's finances have been applied to meet its priorities and also outlines some of the potential challenges and opportunities it will face in the coming year. The document also reinforces HCC's commitment to working with communities and providing services through methods of delivery that demonstrate its values and behaviours.

The Authority utilises a system of all-party Cabinet Panels to consider policy development for each service area. The Council has well-established scrutiny arrangements, which act to hold the Executive to account by scrutinising decisions made by, or on behalf of the Council or Cabinet and any operational or policy aspect of the Council's business. Additionally, the Council's Health Scrutiny Committee considers strategic countywide health matters. Councillors are also able to scrutinise any issue which affects the County and its residents which may be outside the Council's control. Full details of the topics under scrutiny can be accessed on the Council's website. Progress on implementation of agreed scrutiny recommendations is monitored regularly.

The Integrated Plan for 2016/17 – 2019/20 sets out the key outcomes toward which the Council is working. The Integrated Plan provides the associated financial and human resource plans together with information on how the Council achieves value for money in the provision of services, and the treasury management strategy. The Integrated Plan was developed through a robust review and challenge process involving both Cabinet Panel and Scrutiny.

Hertfordshire County Council works with partners through Hertfordshire Forward, the countywide strategic partnership. The Hertfordshire Forward Strategy Group draws the County's key partners and partnerships together to ensure that everyone is moving collectively in the same direction in the best interests of Hertfordshire. Membership of the Group comprises: the Leader of Hertfordshire County Council; the Hertfordshire Police and Crime Commissioner; the Chairs of the county's Health and Wellbeing Board and Local Enterprise Partnership; and the Chairman of the Hertfordshire Leaders Group (the grouping of all local authority leaders in the county).

An 'Ambition for Hertfordshire' has been developed by the Hertfordshire Forward Strategy Group and a Hertfordshire Assembly, which draws together a wider range of partners to debate, shape and develop county-wide plans and strategies, is convened twice a year. An annual conference is also held each year to bring together Hertfordshire partners from across all sectors to discuss key issues facing the county. In 2016, the theme of this conference was the health economy of Hertfordshire.

This work is now underpinned by regular meetings of all key public sector chief executives and a Hertfordshire Public Sector Leaders' Steering Group who are overseeing the development and delivery of a cross-public sector action plan. A public sector leaders event to discuss progress on this work took place on 23 March 2017.

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.

The Council has integrated strategic and service level performance management processes, which facilitate continuous improvement and identify and support early identification and rectification of any service delivery issues.

These arrangements are supported by the council's 'Performance Management and Development' scheme through which objectives for individual employees are set and monitored, and plans for individual development are agreed. This is underpinned by the 'Staff Development Charter', which provides a framework for assessing and meeting the learning and development needs of officers. The council has adopted a set of values and behaviours to reinforce what is expected of employees and managers.

There is an on-going Councillor development programme to support them in all their roles, with dedicated learning and development support and a system of deputy Cabinet members that facilitates succession planning. Work to support Councillors in their local work is part of the council's approach to localism; this has included development of an IT portal to provide Councillors with ready access to a wide range of information about their local communities and Hertfordshire more widely.

The Council has continued to maintain equality and diversity at the forefront of its service delivery and employment practices. The Council annually publishes evidence of its progress against the objectives contained in its Equality Strategy to demonstrate to the public of Hertfordshire how it intends to continue to meet the needs of all of Hertfordshire's communities. Equality impact assessments assess the impact of policies and proposals upon council employees and service users, and a cumulative impact assessment is carried out as part of the integrated planning process.

The Council has a whistleblowing policy which clearly sets out arrangements in place for reporting and investigating any concern relating to a deficiency or breach in the provision of services; the guidance reassures that this may be done without fear of recrimination.

The Council's internet website includes: facilities that allow members of the public to submit complaints relating to the various directorates; mechanisms for reporting suspected fraud and corruption (anonymously if required); and, access to information on current consultations, petitions etc.

The Council has designated the Director of Resources as Senior Information Risk Owner and senior managers confirm annually their responsibilities in respect of the use of information in their services. The Information Governance Unit and the IT Security Team provide advice and guidance on this area.

The Council has an anti-fraud and corruption strategy setting out its commitment to prevent and detect fraud and corruption.

#### **4 Review of effectiveness**

Hertfordshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control; in practice the Council operates a continuous process of review and improvement.

The Executive, on behalf of the Council, charges the Audit Committee with keeping the effectiveness of the Council's systems for internal control under review. At its quarterly meetings the Audit Committee receives and considers reports on the Council's overall risk management arrangements and also receives reports on specific risk issues that are considered worthy of individual reporting by

Internal Audit or the officers of the Council. The Audit Committee approves the internal audit plan of work and receives regular updates on progress against the plan with summaries of both assurance opinions and key matters raised in individual reviews. The Audit Committee considers the overall annual opinion on internal control provided by the Shared Internal Audit Service along with the opinions on the Council's accounts provided by external auditors.

The Council ensures corporate ownership of the Annual Governance Statement through requiring all senior managers to give an assurance on controls in place in their own service areas. A group of senior managers then meets to consider the findings of the review of governance. The draft Statement is considered at Strategic Management Board prior to signing by the Chief Executive and Leader of the Council. The Audit Committee scrutinises the Statement at its July meeting.

A review of the internal control environment in accordance with CIPFA guidance is carried out by internal audit annually and informs the Annual Governance Statement. Within this, consideration has been given to ensuring the Council's financial management arrangements conform to the governance requirements in the CIPFA statement on the *Role of the Chief Financial Officer in Local Government*.

The Head of Assurance's Annual report and opinion on the internal control environment, prepared in accordance with the Public Sector Internal Audit Standards, provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control to inform the Annual Governance Statement. The opinion of the Head of Assurance in respect of 2016/17 is one of substantial assurance in respect of both financial and non-financial systems, giving significant confidence in the effectiveness of internal control arrangements of the Council. This report also consolidates assurance opinions and actions taken by management to address issues raised during internal audit reviews undertaken throughout 2016/17, and is informed by the comments of external auditors and other inspectors.

Each member of the Council's leadership team has provided assurance that they have reviewed arrangements for meeting their responsibilities in relation to:

- service plan preparation and agreement
- performance monitoring and reporting
- staff resources and responsibilities
- value for money
- partnership arrangements
- risk management
- the management of new developments
- consideration of safety and environmental impacts
- financial probity, ethical conduct and reporting concerns
- actions taken in response to external inspectorate reviews
- actions taken in response to exceptions reported in 2014/15
- information and communication systems.

An update on the actions undertaken in response to the significant issues reported in the 2015/16 Annual Governance Statement is given in Section 6 (below) with the exception of the matter raised with regard to the highways service. In this regard considerable progress has been made towards delivering a reliable sustainable highways service over the last financial year with constructive working relationships throughout the service.

## **5 Specific areas for improvement and development**

The review of effectiveness has identified a number of governance and internal control improvement and development activities planned for the year ahead. These are in addition to the on-going commitment that the Council makes to ensuring actions agreed in response to recommendations made by external and internal assurance providers are implemented. Actions will be progressed by managers as necessary. The more significant of the proposed activities are:

- A review of SAP user access will ensure that appropriate segregation of duties exists within the Council's key financial systems and, where staff numbers make this challenging, that compensating controls are present

- The Authority is continuing to work to ensure that the use of self-employed status in relation to consultants is used appropriately to mitigate any potential taxation liabilities.
- As a result of the successful application of its prevention strategies the Fire and Rescue Service is looking at ways to replicate the experience its staff no longer gains from operational scenarios .e.g. through the Service's 'live fire' training programme
- The Authority continues to enhance the processes for controlling and managing schools budgets where deficits are in prospect
- Work continues to improve the monitoring and accuracy of projections of spend for demand led services particularly in the provision of social care services for both adults and children
- The agreement between the County Council and the two CCGs (Herts Valleys CCG and East and North Hertfordshire CCG) will be updated in 2017/18 to reflect the new Better Care Fund Plan and the associated governance, performance and risk controls around integration activity.

## **6      Significant governance issues**

Service departments continue to work with Members and corporate finance to support the development of savings options to close the gap in resources, estimated to be £40m by 2019/20, in future years. This will include work to identify the impact of future funding changes which will, for 2017/18 and beyond, include the proposals to devolve business rates to local authorities. Finance will also monitor the success or otherwise of current proposals to support senior management and Member decision making.

Changes in education funding and potential legislative and regulatory reform means that the Authority will face increasing complexities in meeting its statutory duties unless and until these are changed. This includes ensuring the provision of adequate school places in forthcoming years, together with existing responsibilities for maintained schools where provision of funding depends on partners support expressed through decisions of the Schools Forum.

The County Council is one of the partners in the Croxley Rail Link (now called Metropolitan Line Extension) scheme which is potentially subject to increased funding requirements. The Authority will continue to review its financial position in respect of the scheme as it progresses.

Governance arrangements between the County Council and the Clinical Commissioning Groups, particularly in relation to the Section 75 agreement and the Better Care Fund are under review. The Authority will continue with its commitment to these arrangements and ensure clarity and transparency around how these resources are used and their impact upon local performance and delivery.

Recruitment of staff in key operational areas; in particular, Legal Services, Property, Childrens Services and the Fire and Rescue Service, remains a concern. In addition, shortages in the local care workforce in Hertfordshire is impacting the Authority's ability to meet some statutory adult social care needs e.g. deprivation of liberty safeguards. The Authority continues to look at ways to address vacancies in these harder to fill areas.

At the time of writing, the Authority is aware that the Hertfordshire Police and Crime Commissioner intends to commence a consultation relating to governance changes in respect of responsibility for the County's Fire and Rescue Service. Were such a move agreed, it would require a strategy for the calculation and disaggregation of the related County assets and liabilities.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management and the audit committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Robert Gordon

John Wood

Leader  
xx July 2017

Chief Executive & Director of Environment  
xx July 2017

On behalf of Hertfordshire County Council

## HERTFORDSHIRE COUNTY COUNCIL CODE OF CORPORATE GOVERNANCE

### INTRODUCTION

Hertfordshire County Council is committed to demonstrating the highest standards of Corporate Governance. Good governance leads to good management, good performance, effective use of resources, good public involvement and ultimately good outcomes.

The Council's Code of Corporate Governance ("the Code") comprises a range of documents, policies, procedures, cultures and values and is the system through which the business of the Council is directed and controlled. The Code underpins the aim of achieving good governance.

### CORPORATE GOVERNANCE FRAMEWORK

The corporate governance framework of Hertfordshire County Council is consistent with the principles of the CIPFA/SOLACE best practice framework *Delivering Good Governance in Local Government 2016*. The following **seven core governance principles** ensure that we have high standards of good governance.

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This document describes how the Council demonstrates its commitment to these core principles and indicates where more information can be obtained. The Code is reviewed annually to ensure that the Council is complying with the Code and to identify any areas where the governance arrangements can be improved

## CODE OF GOVERNANCE PRINCIPLE A

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

This core principle is supported by three supporting principles:

- Behaving with integrity.
- Demonstrating strong commitment to ethical values
- Respecting the rule of the law.

What The Council Does	How it Demonstrates This
Ensures that the Council's leadership sets and reinforces the tone of the organisation by creating a climate of openness, support and respect;	<ul style="list-style-type: none"> <li>• Protocol for Relationships between Members and Officers – Annex 16 to the Constitution</li> <li>• Member Code of Conduct</li> <li>• Code of Conduct for Officers</li> </ul>
Defines the personal behaviour expected of elected Members and Officers;	<ul style="list-style-type: none"> <li>• Member Code of Conduct</li> <li>• Code of Conduct for Officers</li> <li>• Anti-bribery policy</li> </ul>
Puts in place arrangements to ensure that conflicts of interest are declared and if necessary the Member / Officer does not participate in decision-making;	<ul style="list-style-type: none"> <li>• Member Code of Conduct</li> <li>• Code of Conduct for Officers</li> <li>• Register of Members' Disclosable Pecuniary Interests and personal interests as set out in the Code of Conduct for Members – Available on each Member's contact page.</li> <li>• Register of officer interests in contracts</li> </ul>
Develops and maintain shared values including values for both the organisation and Officers and communicate these with Members, Officers, the community and partners;	<ul style="list-style-type: none"> <li>• Values and Behaviours</li> </ul>
Use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<ul style="list-style-type: none"> <li>• Values and Behaviours</li> </ul>
Maintains an effective Standards Committee.	<ul style="list-style-type: none"> <li>• Standards Committee Terms of Reference – Annex 3 of the Constitution</li> </ul>
Has in place effective systems to enable staff and others to identify any potential wrong doing and to protect staff should they raise areas of concern	<ul style="list-style-type: none"> <li>• Whistleblowing policy</li> </ul>



<p>Ensure that professional advice on matters that have legal or financial implications is available in advance of decision making</p>	<ul style="list-style-type: none"> <li>• Senior lawyers and senior finance offices review reports going to member decision making meetings</li> <li>• Lead officers for projects have responsibility to engage with legal services and finance to ensure that legal and finance advice is secured for their projects</li> </ul>
<p>Ensure that all officers are appropriately trained on specific legislative and other requirements for their service areas and also on the key principles of administrative law</p>	<ul style="list-style-type: none"> <li>• PMDS</li> <li>• Training and development programme</li> </ul>

## CODE OF GOVERNANCE PRINCIPLE B

### Ensuring openness and comprehensive stakeholder engagement

This core principle is supported by three supporting principles:

- Openness.
- Engaging comprehensively with institutional stakeholders.
- Engaging with individual citizens and service users effectively.

What The Council Does	How it Demonstrates This
Encourage all sections of the community and other stakeholders to participate in our work through public consultation;	<ul style="list-style-type: none"> <li>• Herts Horizons</li> <li>• The Council's website</li> <li>• Constitution</li> <li>• Petitions Scheme</li> <li>• Citizens Panel</li> </ul>
Produce an annual report on the activities of scrutiny committees;	<ul style="list-style-type: none"> <li>• Overview and Scrutiny Annual Report</li> </ul>
Hold meetings in public unless there is to be discussion of matters of a confidential nature;	<ul style="list-style-type: none"> <li>• Council, Cabinet, Cabinet Panel, Committee and Scrutiny meetings are all held in public unless considering exempt information as certified by the Monitoring Officer.</li> </ul>
Make all information publicly available unless it is exempt by law;	<ul style="list-style-type: none"> <li>• Open Public Data</li> <li>• Constitution</li> <li>• Freedom of Information (FOI)</li> <li>• Environmental Information Regulations (EIR)</li> </ul>
Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure these operate effectively	<ul style="list-style-type: none"> <li>• Herts Horizons</li> <li>• Forward Plan of Key Decisions</li> <li>• Consultation on major policy developments</li> <li>• Annual Report</li> <li>• Residents' Tracker Survey (Citizens' Panel)</li> <li>• Petitions Scheme</li> <li>• Public questions at Council meetings</li> <li>• Annual Report</li> </ul>
Ensure that Officers are regularly consulted and invite comments from Officers on a wide range of issues.	<ul style="list-style-type: none"> <li>• Annual Staff Survey</li> <li>• Consultation with Recognised Trade Unions</li> </ul>

**CODE OF GOVERNANCE PRINCIPLE C**

**Defining outcomes in terms of sustainable economic, social, and environmental benefits**

This core principle is supported by two supporting principles:

- Defining outcomes.
  
- Sustainable economic, social and environmental benefits

<b>What The Council Does</b>	<b>How it Demonstrates This</b>
Define and promote its purpose and vision;	<ul style="list-style-type: none"> <li>• Hertfordshire Corporate Plan 2013-17</li> </ul>
Review annually its purpose and vision to reflect its financial position and other major policy changes;	<ul style="list-style-type: none"> <li>• Integrated Planning Process</li> <li>• Review of Corporate Plan</li> </ul>
Work with its partners on an agreed common vision for all its partners;	<ul style="list-style-type: none"> <li>• Local Strategic Partnership</li> <li>• Herts Forward</li> <li>• Local Enterprise Partnership</li> <li>• Health and Well Being Board</li> <li>•</li> </ul>
Communicate on a regular basis the Council's key performance data, achievements and financial position;	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Quarterly Finance and Performance Reports</li> <li>• Resources, Property and the Economy Cabinet Panel and Cabinet</li> <li>• Public Health, Prevention and Performance Cabinet Panel</li> <li>• Annual Audit Letter</li> <li>• Council Tax Information Sheet and on-line Council Tax Leaflet</li> </ul>
Ensure that each service area reviews on a regular basis its objectives and priorities;	<ul style="list-style-type: none"> <li>• Departmental Service Plans – link to objectives in the Corporate Plan</li> </ul>
Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> <li>• Complaints procedures</li> <li>• Overview and Scrutiny Committee / Topic Groups</li> <li>• Whistle blowing policy/ Reporting Fraud and Corruption</li> </ul>
Use national benchmarking of value for money and needs based evidence to regularly review and shape corporate priorities and supporting financial plans effectively; and	<ul style="list-style-type: none"> <li>• Integrated Planning Process</li> </ul>

Address the environmental impact of its policies, plans and decisions.	<ul style="list-style-type: none"> <li>• Energy reduction targets for the authority</li> </ul>
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<b>CODE OF GOVERNANCE PRINCIPLE D</b>	
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<p>This core principle is supported by three supporting principles:</p> <ul style="list-style-type: none"> <li>• Determining interventions.</li> <li>• Planning interventions</li> <li>• Optimising achievements of intended outcomes</li> </ul>	
<b>What The Council Does</b>	<b>How it Demonstrates This</b>
Define and promote its purpose and vision;	<ul style="list-style-type: none"> <li>• Hertfordshire Corporate Plan 2013-17</li> </ul>
Review annually its purpose and vision to reflect its financial position and other major policy changes;	<ul style="list-style-type: none"> <li>• Integrated Planning Process</li> <li>• Review of Corporate Plan</li> </ul>
Communicate on a regular basis the Council's key performance data, achievements and financial position;	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Quarterly Finance and Performance Reports</li> <li>• Resources, Property and the Economy Cabinet Panel and Cabinet</li> <li>• Public Health, Prevention and Performance Cabinet Panel</li> <li>• Annual Audit Letter</li> <li>• Council Tax Information Sheet and on-line Council Tax Leaflet</li> </ul>
Ensure risk management process into all levels of the organisation;	<ul style="list-style-type: none"> <li>• Risk Management Guide</li> <li>• Annual Report to Audit Committee</li> <li>• Risk Register</li> </ul>
Ensure that each service area reviews on a regular basis its objectives and priorities;	<ul style="list-style-type: none"> <li>• Departmental Service Plans – link to objectives in the Corporate Plan</li> </ul>
Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> <li>• Complaints procedures</li> <li>• Overview and Scrutiny Committee / Topic Groups</li> <li>• Whistle blowing policy/ Reporting Fraud and Corruption</li> </ul>

<p>Ensure resilience with regard to continuity of service in the event of unforeseen events.</p>	<ul style="list-style-type: none"><li>• Corporate and departmental business continuity and disaster recovery plans and arrangements</li></ul>
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## CODE OF GOVERNANCE PRINCIPLE E

### Developing the County Council's capacity, including the capability of its leadership and the individuals within it

This core principle is supported by two supporting principles:

- Developing the County Council's capacity.
- Developing the capability of the County Council's leadership and other individuals.

What The Council Does	How it Demonstrates This
Set out in clear terms how the respective roles and responsibilities of the Executive and of the Executive Members are allocated between the Leader, Cabinet and Council Officers;	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• Protocol for Relationships between Members and Officers – Annex 16 to the Constitution</li> <li>• Scheme of Delegation to Officers– Part 3 of Annex 3 to the Constitution</li> </ul>
Set out in clear terms the general responsibilities of elected Members and senior Officers and how they perform non-executive functions such as development control;	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Code of Practice for Councillors and Officers Involved in the Planning Process– Annex 21 to the Constitution</li> <li>• Forward Plan of Key Decisions</li> </ul>
Set out how decisions are made and which decisions are reserved to the Full Council. Determine a scheme of delegation to Chief Officers, including those decisions which are not included in their delegated powers and are reserved to Council or Cabinet	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation to Officers – Part 3 of Annex 3 to the Constitution</li> <li>•</li> </ul>
Make the Chief Executive responsible and accountable for all aspects of operational management;	<ul style="list-style-type: none"> <li>• Head of Paid Service – Section 9 of the Constitution</li> <li>• Fortnightly meetings with the Leader or Deputy Leader</li> </ul>
Make the -Director of Resources (as section 151 officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;	<ul style="list-style-type: none"> <li>• Section 151 Officer responsibilities – Section 9 of the Constitution</li> </ul>
Make the Chief Legal Officer (as Monitoring Officer) responsible for the Council Constitution and for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	<ul style="list-style-type: none"> <li>• Monitoring Officer responsibilities – Section 9 of the Constitution</li> </ul>

<p>Adopt a protocol for relationships between Members and Officers which ensures proper and effective relationships;</p>	<ul style="list-style-type: none"> <li>• Protocol for Relationships between Members and Officers – Annex 16 to the Constitution</li> <li>• Staff induction</li> <li>• Member Code of Conduct</li> <li>• Code of Conduct for Officers</li> <li>• Political awareness training programme</li> </ul>
<p>Set out the terms and conditions for the remuneration of Members and Officers;</p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Members' allowances scheme</li> <li>• Pay Policy Statement</li> <li>• Pay Practice Guide</li> </ul>
<p>Ensure that service delivery is effectively monitored;</p>	<ul style="list-style-type: none"> <li>• Regular reports to Resources, Property and the Economy Cabinet Panel, Public Health, Prevention and Performance Cabinet Panel and Service Cabinet Panels</li> </ul>
<p>Consult widely on its vision, strategic plans and priorities and take into account the views of the local community and key stakeholders;</p>	<ul style="list-style-type: none"> <li>• Budget consultation</li> <li>• Consultation on major policy developments</li> <li>• Citizens' Panel</li> </ul>
<p>Ensure that when working in partnership that elected Members are clear about their legal responsibilities and liabilities; and</p>	<ul style="list-style-type: none"> <li>• Advice given to Members</li> </ul>
<p>Ensure that where it enters into a partnership there is a written agreement between the parties clearly setting out the roles and responsibilities, including responsibilities for staffing and funding.</p>	<ul style="list-style-type: none"> <li>• Chief Officer / Chief Legal Officer support to partnership arrangements</li> </ul>
<p>Provide induction programmes for Members and Officers;</p>	<ul style="list-style-type: none"> <li>• Members' Development Programme</li> <li>• Members' Online Learning</li> <li>• Staff induction</li> </ul>
<p>Ensure statutory officers have the resources and support to effectively perform their roles;</p>	<ul style="list-style-type: none"> <li>• Section 151 Officer – Section 9 of the Constitution</li> <li>• Monitoring Officer – Section 9 of the Constitution</li> </ul>
<p>Assess the learning and development needs of Officers and Members and make a commitment to meet those needs and develop required skills;</p>	<ul style="list-style-type: none"> <li>• Performance Management and Development Scheme</li> <li>• Members' Development Programme</li> <li>• Members' Online Learning</li> </ul>
<p>Identify leaders of the future;</p>	<ul style="list-style-type: none"> <li>• Leadership and Management Development</li> <li>• Deputy Executive Members</li> </ul>

Provide support for Members and Officers who are Directors of Council companies;	<ul style="list-style-type: none"><li>• Training and advice given as required/necessary</li></ul>
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## CODE OF GOVERNANCE PRINCIPLE F

### Managing risks and performance through robust internal control and strong public financial management

This core principle is supported by five supporting principles:

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

What The Council Does	How it Demonstrates This
Maintain an effective scrutiny function which is aimed at improvement and service delivery;	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Overview and Scrutiny Committee, Health Scrutiny Committee and Topic Groups</li> </ul>
Maintain effective arrangements for recording decisions;	<ul style="list-style-type: none"> <li>• Forward Plan of Key Decisions</li> <li>• Record of Key Decisions</li> <li>• Minutes of Council, Cabinet, Cabinet Panel and Committee meetings</li> <li>• Scheme of Delegation to Officers – Part 3 of Annex 3 to the Constitution</li> </ul>
Put in place arrangements to ensure that decisions are not affected by conflict of interest;	<ul style="list-style-type: none"> <li>• Member and Officer Codes of Conduct</li> </ul>
Maintain an effective Audit Committee that is independent of executive and scrutiny functions	<ul style="list-style-type: none"> <li>• Audit Committee Terms of Reference – Paragraph 2.5 of Annex 3 to the Constitution</li> </ul>
Ensure that an effective and accessible complaints procedure is in place;	<ul style="list-style-type: none"> <li>• Complaints procedures</li> <li>• Management of Unreasonable Complainant Behaviour Policy</li> <li>• Whistle blowing policy / Reporting fraud and corruption</li> </ul>
Ensure that those involved in making decisions are provided with all relevant advice and implications	<ul style="list-style-type: none"> <li>• Section 151 Officer advice – Section 9 of the Constitution</li> <li>• Monitoring Officer advice – Section 9 of the Constitution</li> </ul>

<p>Ensure risk management process into all levels of the organisation;</p>	<ul style="list-style-type: none"> <li>• Risk Management Guide</li> <li>• Annual Report to Audit Committee</li> <li>• Risk Register</li> </ul>
<p>Ensure that whistle blowing arrangements are in place for all employees and those contracting with the authority; and</p>	<ul style="list-style-type: none"> <li>• Whistle blowing policy / Reporting fraud and corruption</li> </ul>
<p>Maintain an effective process for reviewing the requirements of the law, the legality of transaction, decisions and the impact of new laws.</p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Monitoring Officer's responsibilities – Section 9 of the Constitution</li> </ul>

## CODE OF GOVERNANCE PRINCIPLE G

### Implementing good practices in transparency, reporting, and audit to deliver effective accountability

This core principle is supported by three supporting principles:

- Implementing good practice in transparency.
- Implementing good practices in reporting.
- Assurance and effective accountability.

What The Council Does	How it Demonstrates This
Maintain an effective scrutiny function which is aimed at improvement and service delivery;	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Overview and Scrutiny Committee, Health Scrutiny Committee and Topic Groups</li> </ul>
Maintain an effective Audit Committee that is independent of executive and scrutiny functions	<ul style="list-style-type: none"> <li>• Audit Committee Terms of Reference – Paragraph 2.5 of Annex 3 to the Constitution</li> </ul>
Has a robust approach to the provision of Internal and External Audit	<ul style="list-style-type: none"> <li>• Has a dedicated Audit Committee that Approves the Authority’s Internal and External Audit Plans</li> <li>• Progress on Audit Recommendations are presented to the Audit Committee</li> <li>• The work of the Internal Audit Service is independently assessed as complying with the Public Sector Internal Audit Standards</li> </ul>
Make all information publicly available unless it is exempt by law;	<ul style="list-style-type: none"> <li>• Open Public Data</li> <li>• Constitution</li> </ul>
Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure these operate effectively	<ul style="list-style-type: none"> <li>• Herts Horizons</li> <li>• Freedom of Information (FOI)</li> <li>• Environmental Information Regulations (EIR)</li> <li>• Forward Plan of Key Decisions</li> <li>• Consultation on major policy developments</li> <li>• Annual Report</li> <li>• Residents’ Tracker Survey (Citizens’ Panel)</li> <li>• Petitions Scheme</li> <li>• Public questions at Council and Panel meetings</li> </ul>

<p>Ensure that Officers are regularly consulted and invite comments from Officers on a wide range of issues.</p>	<ul style="list-style-type: none"> <li>• Annual Staff Survey</li> <li>• Employee Representatives</li> <li>• Consultation with Recognised Trade Unions</li> </ul>
<p>Hold meetings in public unless there is to be discussion of matters of a confidential nature</p>	<ul style="list-style-type: none"> <li>• Council, Cabinet, Cabinet Panel, Committee and Scrutiny meetings are all held in public unless considering exempt information as certified by the Monitoring Officer.</li> </ul>
<p>Communicate on a regular basis the Council's key performance data, achievements and financial position;</p>	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Quarterly Finance and Performance Reports</li> <li>• Resources, Property and the Economy Cabinet Panel and Cabinet</li> <li>• Public Health, Prevention and Performance Cabinet Panel</li> <li>• Annual Audit Letter</li> <li>• Council Tax Information Sheet and on-line Council Tax Leaflet</li> </ul>
<p>Set out how decisions are made and which decisions are reserved to the Full Council. Determine a scheme of delegation to Chief Officers, including those decisions which are not included in their delegated powers and are reserved to Council or Cabinet</p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation to Officers – Part 3 of Annex 3 to the Constitution</li> <li>• Forward Plan of Key Decisions</li> </ul>
<p>Make the Director of Resources (as section 151 officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;</p>	<ul style="list-style-type: none"> <li>• Section 151 Officer responsibilities – Section 9 of the Constitution</li> </ul>



Agenda Item  
No:

**5**

**Hertfordshire County Council**  
**2016/17 Annual Assurance Statement**  
**and Internal Audit Annual Report**

**7 July 2017**

**Recommendations**

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2016/17

## Contents

1. Purpose and Background
  - 1.1 Purpose
  - 1.2 Background
  
2. Annual Assurance Statement for 2016/17
  - 2.1 Context
  - 2.2 Control Environment
  - 2.4 Review of Effectiveness - compliance with the PSIAS and QAIP
  - 2.10 Confirmation of independence of internal audit and assurance on limitations
  - 2.11 Assurance Opinion on Internal Control
  - 2.12 Assurance Opinion on Corporate Governance and Risk Management
  
3. Overview of Internal Audit Activity at the Council in 2016/17
  
4. Performance of the Internal Audit Service in 2016/17
  - 4.1 Performance Indicators
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5. Audit Charter 2017/18

## Appendices

- A Final position against the Council's 2016/17 Audit Plan

- B Definitions of Assurance Levels and Priority of Recommendations
- C Position against Public Sector Internal Audit Standards as at May 2017
- D Internal Audit Charter 2017/18

## 1. Purpose and Background

### Purpose of Report

#### 1.1 This report:

- Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Hertfordshire County Council's (the Council) control environment. Reference is made to significant matters and key themes
- Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP)
- Summarises the audit work that informs this opinion
- Shows SIAS's performance in respect of delivering the Council's audit plan
- Presents the 2017/18 Audit Charter

### Background

1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.

1.3 The assurance opinion in this report is based on the 2016/17 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2017/18 before the audit committee report deadline.

1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2016/17.

## 2. Annual Assurance Statement 2016/17

### Context

#### *Scope of responsibility*

2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.



## **Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council**

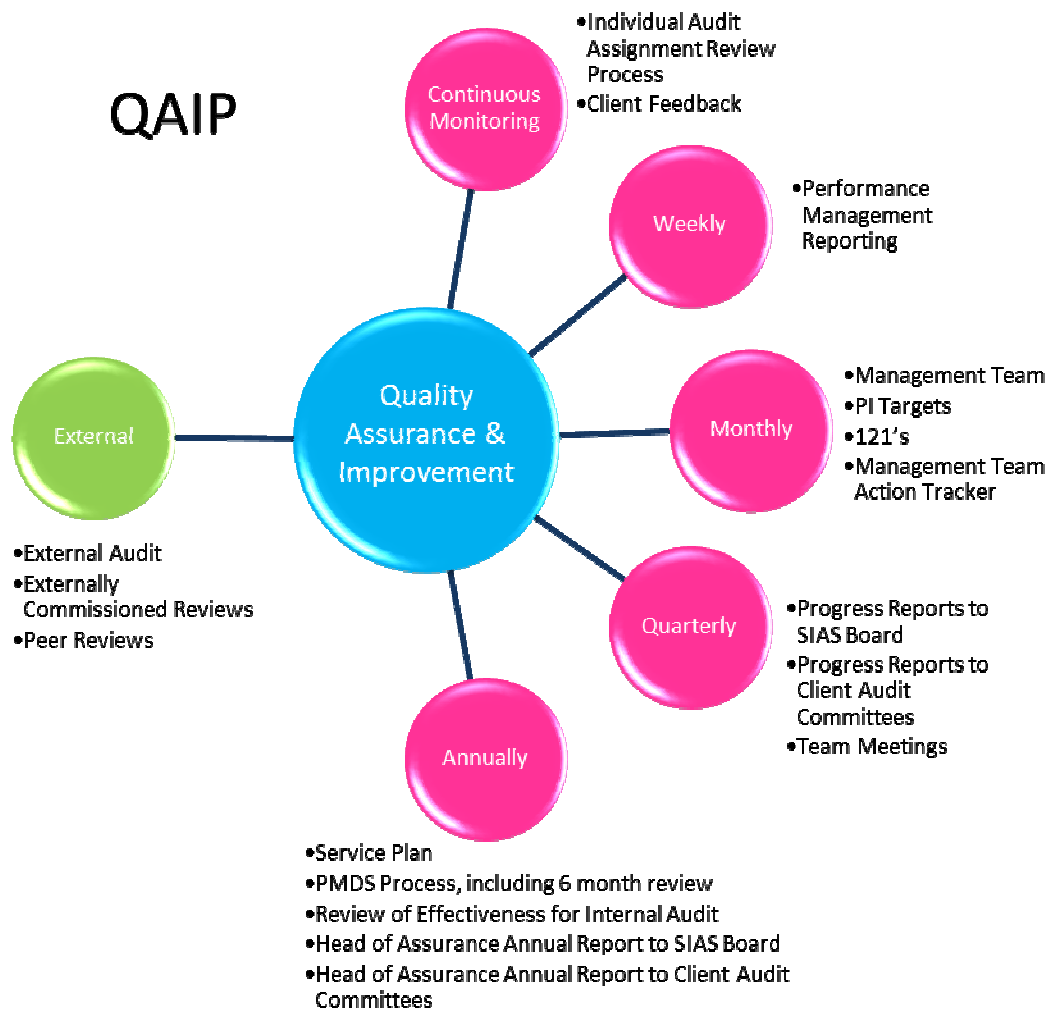
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### *Control environment*

- 2.2 The control environment comprises three key areas: internal control, governance, and risk management. Together these aim to manage risk to an acceptable level but not to eliminate it.
- 2.3 A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

### *Review of effectiveness*

- 2.4 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.5 As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.6 The 2016/17 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix A to the report. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement
- 2.7 The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.
- 2.8 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.
- 2.9 The Head of Assurance confirms that during 2016/17 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.



*Confirmation of independence of internal audit and assurance on limitations*

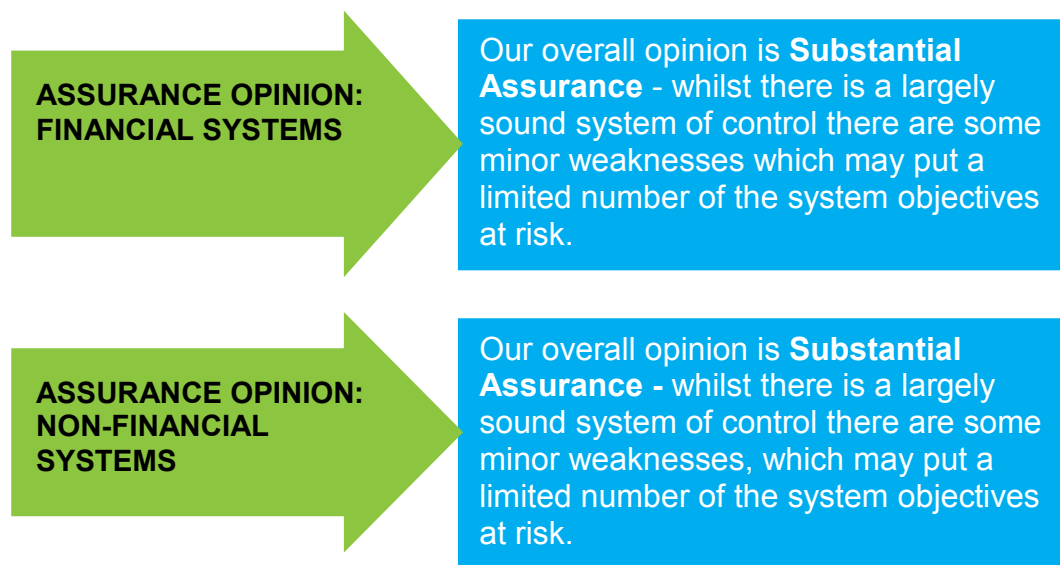
2.10 The Head of Assurance confirms that during the year:

- No matters threatened SIAS's independence; and
- SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2016/17

*Assurance opinion on internal control*

- 2.11 Based on the internal audit work undertaken at the Council in 2016/17, SIAS can provide the following unqualified opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



*Assurance opinion on Corporate Governance and Risk Management*

- 2.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the Chartered Institute of Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2016/17. Although SIAS did not undertake a specific risk management audit in 2016/17, risk management arrangements are considered during annual audit planning and the delivery of individual audit assignments.

**Head of Assurance for the Shared Internal Audit Service  
June 2017**

### 3. Overview of Internal Audit Activity at the Council in 2016/17

- 3.1 This section summarises work undertaken at the Council by SIAS in 2016/17. It highlights significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendations priority is shown in the tables below and compared to 2015/16.

<b>Assurance Level</b>	<b>Number of reports 2016/17 (2015/16 data in brackets)</b>	<b>Percentage of reports 2016/17 (2015/16 data in brackets)</b>
Full	2 (8)	3% (15%)
Substantial	38 (21)	65% (38%)
Moderate	8 (8)	14% (15%)
Limited	1 (1)	2% (2%)
No	0 (0)	0% (0%)
Not Assessed	9 (17)	16% (30%)
<b>Total</b>	<b>58 (55)</b>	<b>100% (100%)</b>

<b>Recommendation Priority Level</b>	<b>Number of recommendations 2016/17 (2015/16 data in brackets)</b>	<b>Percentage of recommendations made 2016/17 (2015/16 data in brackets)</b>
High	5 (4)	3% (3%)
Medium	95 (54)	54% (47%)
Merits Attention	76 (58)	43% (50%)
<b>Total</b>	<b>176 (116)</b>	<b>100% (100%)</b>

- 3.3 **The substantial assurance opinion overall on financial systems** (same as 2015/16) has been concluded from the 10 financial systems audits where an opinion has been given. One received full assurance, eight received substantial assurance and one received moderate assurance.
- 3.4 The one moderate assurance opinion related to the audit of the Council's Creditors system. One high priority recommendation was made within this review relating to the need to review the current allocation of systems responsibilities, removing any combinations of allocations to individuals that may result in an inadequate segregation of duties. In response to this recommendation management agreed to remove conflicting

## Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council

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responsibilities and where this was not possible, strengthen the compensating controls to identify and prevent any misuse of such systems access.

- 3.5 **The substantial assurance opinion overall on non-financial systems** has been concluded from the 39 audits where an opinion has been given. One received full assurance, 30 received substantial assurance, seven received moderate assurance and one audit received a limited assurance opinion. Further detail on the audits where moderate or limited assurance opinions were provided is given in paragraph 3.13 of this report.

### Schools Audit Plan

- 3.6 The schools' audit plan for 2016/17 identified three streams of activity:

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)

Theme 2 – Safe Recruitment – to provide assurance that the sample schools comply with statutory guidance (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 12 schools). Given that the above theme only focused on one element of the wider area of safeguarding, we did not provide formal opinions within reports issued to individual schools. This approach (agreed by the Director of Children's Services) was to avoid any misinterpretation of the audit outcomes by external regulators such as Ofsted. However, recommendations for improvement were made within each report as appropriate.

Theme 3 – Financial Planning – to review the effectiveness of financial planning including early years (sample of 13 schools)

- 3.7 In addition to the above, Children's Services or Individual Schools requested audit visits under the SFVS theme. In total five additional reviews were undertaken using the SFVS approach, with draft or final reports issued to the respective schools.
- 3.8 A summary is provided below of the outcomes from the schools theme reviews undertaken during 2016/17.

<b>Assurance Level</b>	<b>SFVS compliance review</b>	<b>Safe Recruitment</b>	<b>Financial Planning</b>	<b>Follow-up</b>	<b>Total</b>
Full	1	0	2	1	4
Substantial	15	0	11	1	27
Moderate	4	0	0	0	4

**Annual Assurance Statement and Internal Audit Annual Report  
Hertfordshire County Council**

<b>Assurance Level</b>	<b>SFVS compliance review</b>	<b>Safe Recruitment</b>	<b>Financial Planning</b>	<b>Follow-up</b>	<b>Total</b>
Limited	1	0	0	0	1
Not assessed	0	12	0	2	14
Draft Report	3	0	0	0	3
<b>Total</b>	<b>24</b>	<b>12</b>	<b>13</b>	<b>4</b>	<b>53</b>

High Priority Recommendations

- 3.9 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations 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
- 3.10 Five high priority recommendations were made within audits completed during 2016/17, across five different audits. Of these the Audit Committee signed off one as complete during the course of the financial year. In respect of the remainder, three will be reported as complete to the July 2017 Audit Committee for sign off and the remaining recommendation has not currently reached its implementation due date.
- 3.11 Members will continue to receive updates on the implementation progress of high priority recommendations through the SIAS quarterly progress reports to the Audit Committee.
- 3.12 High priority recommendations relating to schools are excluded from the above analysis given both the volume of schools within the County and the relative risk of any single recommendation to the Authority as a whole.

Moderate and Limited Assurance Opinions

- 3.13 Details of the moderate assurance audits for 2016/17 are as follows:
- *Creditors* – we identified weaknesses in the allocation of SAP permissions and associated access that compromised the maintenance of an appropriate segregation of duties; management have agreed a full action plan to address the improvement areas identified;
  - *Hertfordshire Business Services Stock Control* – we identified several areas where existing stock control arrangements could be further strengthened; management have agreed a full action plan to address the improvement areas identified;

## Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council

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- *Adult Care Services - Carers Direct Payments* – we highlighted the potential for misapplication or inconsistency in assessing the eligibility criteria for Carers Direct Payments; management agreed to implement additional guidance, training and monitoring to improve consistency of compliance;
- *Adult Care Services - Cash Handling Procedures* – we identified the need for improved recording of access to the secure area where monies are held; management have subsequently implemented system improvements which significantly strengthen the controls to prevent unauthorised access to monies held;
- *Highways Category One Triage Approach* – we identified opportunities to better demonstrate the benefits of the triage approach through use of quantified targets; management agreed to implement recommendations, to monitor the achievement of key benefits and adjust processes for future projects of this nature;
- *Adult Care Services – Continuing Healthcare Panel Processes* – we highlighted the need to enhance communication between the Council and its partner Clinical Commissioning Groups (CCGs) to ensure that the Council is kept informed of decisions made regarding NHS funded Continuing Healthcare; management agreed to implement improvements in the areas of communication, dispute resolution processes and training;
- *Children's Services – Data Quality* – we identified opportunities to improve staff awareness of the governance structure and content and weaknesses around the amount of modification required by the Analytical and Information Services team in extracting data from the Liquid Logic Children Social Care System for statutory reporting and the monitoring of data input by external users; management agreed to implement the improvement actions recommended;
- *Environment – Home to School Transport (Safeguarding)* - we identified opportunities to strengthen the records recording and summarising the outcomes of compliance spot checks, review the allocation of monitoring resources to meet target Performance Indicators, improve the monitoring records for training and review overriding policies and procedures; management agreed to implement the improvement actions recommended.

3.14 Details of the one limited assurance audit during 2016/17 are provided below:-

- *Hertfordshire Equipment Services Fuel Cards* – The primary purpose of this audit was to assess the adequacy of the internal control environment following the identification of misuse of fuel cards within the Service. We identified significant weaknesses in the management oversight arrangements to confirm the validity and reasonableness of

## **Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council**

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fuel expenditure and usage, security arrangements for fuel cards and improvements required to the underlying systems to provide appropriate information to facilitate management checks; management have subsequently implemented a number of key improvements which will allow more robust monitoring and improved card security.

### Audits to be finalised from the 2016/17 Plan

3.15 The following audits were at draft report stage at the time of writing this Annual Report:

- Council Wide – Working Time Directive & Overtime
- Adult Care Services – Learning Disability Panel Processes
- Adult Care Services – Client Finances Establishment Visits

Detailed management responses and target implementation dates for the recommendations proposed are awaited. The outcomes from these audits have not been taken into account when determining the overall assessment for the Council, although it is considered that none of the issues identified within the above reviews are sufficiently significant to alter the overall opinions reported in paragraph 2.11.

3.16 In addition the following audits were still in the final stages of fieldwork or quality review at the time of this report:-

- Adult Care Service and Childrens Services – Training Records
- ACS – Pre-Paid Cards
- Children’s Services – Ofsted Action Plan Progress
- ES - Ringway Contract – Sector Specific Improvements
- Joint Review (partnership wide) - PREVENT
- Joint Review (partnership wide) - Trading Activities

The progress of both reviews will be reported to the Audit Committee through the quarterly SIAS progress reports.



## 4. Performance of the Internal Audit Service in 2016/17

### Performance indicators

4.1 The table below compares SIAS's performance at the Council against the 2016/17 targets set by the SIAS Board.

<b>Indicator</b>	<b>Target 2016/17</b>	<b>Actual to 31 March 2017</b>
<b>1 SIAS Planned Days</b> – percentage of actual billable days delivered against planned billable days	<b>95%</b>	<b>96.5%</b>
<b>2 SIAS Planned Projects</b> – actual completed projects to draft report stage against planned completed projects	<b>95%</b>	<b>92%</b>
<b>3 External Auditors' Satisfaction</b> – the Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work	<b>Formal Reliance</b>	<b>N/a</b>
<b>4 SIAS Annual Plan</b> – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	<b>Deadline met</b>	<b>Met</b> - 2017/18 Audit Plan presented to the March 2017 Audit Committee
<b>5 Client Satisfaction</b> - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	<b>100%</b>	<b>84%</b> - 19 questionnaires were returned during 2016/17, 3 of which were below the satisfactory level; action has been taken to address matters raised.
<b>6 Head of Assurance's Annual Report</b> – presented at the first Audit Committee meeting of the financial year.	<b>Deadline met</b>	<b>Met</b> - 2015/16 Annual Report Presented to the June 2016 Audit Committee
	<b>95%</b>	

## Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council

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<b>7 Number of High Priority Audit Recommendations agreed</b>		<b>100%</b>
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### Service Developments

- 4.2 During 2016/17 the development activities for SIAS included:
- Responding to the recommendations made by Veritau Ltd in its external peer review of January 2016
  - Developing a satisfaction survey to elicit the views of all key stakeholders
  - Implementing a performance dashboard which allows auditors to measure their performance to date against their annual target on a weekly basis
  - Putting in place a performance management regime which rewards achievement of a billable days stretch target and supports the development of underperforming individuals
  - Commencing discussions on a single assurance service brand
  - Undertaking a peer review at another audit partnership.

## 5. Audit Charter 2017/18

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. The 2017/18 review did not result in any fundamental changes although a number of minor amendments were made. The 2017/18 Charter is attached at Appendix D.

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

**2016/17 Hertfordshire County Council Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Corporate</b>						
Annual Governance Statement 2015-16	N/a				8	Complete
Annual Governance Statement 2016-17	N/a				3	Complete
Head of Assurance Annual Opinion and Annual Report	N/a				5	Complete
Whistleblowing - named contact and quarterly review	N/a				4	Complete
<b>Resources: Finance</b>						
Pensions – Administration	Substantial	0	0	2	30	Final Report Issued
Payroll	Substantial	0	0	2	25	Final Report Issued
Debtors	Substantial	0	0	3	25	Final Report Issued
Creditors	Moderate	1	2	1	25	Final Report Issued
General Ledger	Full	0	0	0	20	Final Report Issued

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Treasury Management	Substantial	0	1	4	15	Final Report Issued
eIncome (suppliers' payments)	Substantial	0	3	2	10	Final Report Issued
Feeder Systems	Substantial	0	0	1	10	Final Report Issued
E-Monitor Process -Consistency of Approach	Substantial	0	2	3	8	Final Report Issued
<b>Resources: Procurement and Performance</b>						
Framework Contracts	Substantial	0	1	0	15	Final Report Issued
<b>Resources: Property</b>						
Asbestos Management	Substantial	0	0	2	15	Final Report Issued
Carbon Reduction Commitment	N/a	0	0	0	15	Final Report Issued
Leasehold Income	Substantial	0	0	4	15	Final Report Issued
Management of Empty Properties	Substantial	0	3	2	15	Final Report Issued

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Resources: Technology</b>						
ICT Support Process and Helpdesk	Substantial	0	5	6	15	Final Report Issued
Systems rationalisation	N/a				0	Cancelled
Intranet	Substantial	0	2	0	15	Final Report Issued
Social Media	Substantial	0	0	0	15	Final Report Issued
<b>Resources: Business Intelligence</b>						
Data Retention	Substantial	0	2	0	20	Final Report Issued
<b>Resources: Human Resources</b>						
Training Records					8	Quality Review
Working Time Directive					15	Draft Report Issued

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Resources: Legal, Democratic &amp; Statutory Services</b>						
Coroner's Service	Substantial	0	3	3	15	Final Report Issued
Resources Queries <3hrs Activities	N/a				20	Complete
<b>HBS</b>						
Stock Control	Moderate	0	4	2	15	Final Report Issued
Fuel Cards (Herts Education Services)	Limited	1	6	3	18	Final Report Issued
Fuel Cards (Hertfordshire Business Services)	Substantial	0	2	1		Final Report Issued
<b>Cross-Cutting Reviews</b>						
Contract Management	Substantial	0	1	2	25	Final Report Issued
Business Cases and Benefits Realisation	Substantial	0	2	2	25	Final Report Issued

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Adult Care Services</b>						
Residential Invoicing (Consultancy)	N/a				5	Complete
Financial Assessments	Substantial	0	2	2	15	Final Report Issued
Statutory Returns	Substantial	0	2	2	15	Final Report Issued
Homecare	Substantial	0	2	1	15	Final Report Issued
Carers Direct Payments	Moderate	1	8	1	15	Final Report Issued
Better Care Fund	N/a				0	Cancelled
Pre-Paid Cards					10	Quality Review
Voluntary Sector Contracts / Grants	Substantial	0	1	0	10	Final Report Issued
Client Finances - Establishment Visits					30	Draft Report Issued
Learning Disability - Panel Processes					10	Draft Report Issued
ACS Cash Handling Procedures	Moderate	1	6	2	5	Final Report Issued
ACS Contract Retention and Contract Management	Substantial	0	3	0	10	Final Report Issued

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
ACS Queries < 3hrs Activities	N/a				10	Complete
<b>Environment Services - Transport</b>						
Home to School and Social Care transport (Safeguarding)	Moderate	0	2	1	20	Final Report Issued
<b>Environment Services – Highways</b>						
Ringway Contract – Sector Specific Improvements					20	Quality Review
Category One - 'Triage' Approach	Moderate	0	1	1	15	Final Report Issued
Redesign of the Highways Service	Cancelled				11	Complete
Customer Enquiries and Complaints	Substantial	0	1	0	15	Final Report Issued
Valuation of Transport Infrastructure Assets	Substantial	0	5	2	15	Final Report Issued
Programme management	Substantial	0	2	1	20	Final Report Issued
Business Continuity	Substantial	0	2	1	20	Final Report Issued



**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Environment Services Queries <3hrs activities	N/a				5	Complete
<b>Children's Services</b>						
Data Quality	Moderate	1	4	1	15	Final Report Issued
Ofsted Action Plan progress					10	Quality Review
Foster Carer Recruitment and Retention	Full	0	0	0	15	Final Report Issued
Controcc – Foster Carer Payments	Substantial	0	0	1	10	Final Report Issued
Unaccompanied Minors and no Recourse to Public Funds	Substantial	0	1	1	15	Final Report Issued
Extended Entitlement to Free Childcare	N/a				5	Audit Deferred
Children's Services establishments	N/a	0	0	0	33	Final Report Issued
Section 17 Payments	Substantial	0	4	1	10	Final Report Issued
CS Queries <3hrs Activities	N/a				10	Complete

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Public Health</b>						
Budget Setting and Budgetary Control	Substantial	0	0	2	15	Final Report Issued
<b>Community Protection</b>						
Resilience	Substantial	0	0	0	15	Final Report Issued
Volunteering	Substantial	0	2	4	10	Final Report Issued
<b>Shared Learning</b>						
Shared Learning Newsletters and Summary Themed Reports	N/a				5	Complete
Joint Review 1 - Delivery of the PREVENT agenda	N/a				2.5	In Fieldwork
Joint Review 2 - Trading Activities	N/a				2.5	In Fieldwork

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Contingencies</b>						
Hertfordshire County Council Contingency	N/a				71	Through Year
<b>Grant Claims</b>						
Herts Chief Finance Officers Society	Unqualified Opinion	0	0	0	1	Final Certification Issued
Hertfordshire Education Foundation	Unqualified Opinion	0	0	0	2	Final Certification Issued
Hertfordshire Charity for Deprived Children	Unqualified Opinion	0	0	0	1	Final Certification Issued
Autism Grant	N/a				1	Audit Closed
Integrated and Structural Maintenance Grant	Unqualified Opinion	0	0	0	3	Final Certification Issued
LEP – Local Growth Fund	Unqualified Opinion	0	0	0	6	Final Certification Issued
SureCare	N/a				0.5	Cancelled
Public Health Grant	N/a				0.5	Cancelled
Personal Social Services Grant	N/a				0.5	Cancelled
Grants Contingency					0	Through Year

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
<b>Other Chargeable</b>						
Monitoring 16/17 Plan	N/a				30	Complete
Recommendations Follow-Up - Q1	N/a				5	Complete
Recommendations Follow-Up - Q2	N/a				5	Complete
Recommendations Follow-Up - Q3	N/a				5	Complete
Recommendations Follow-Up - Q4	N/a				5	Complete
Client Liaison	N/a				10	Complete
Audit Committee Matters & Attendance	N/a				20	Complete
Audit Planning - 17/18	N/a				30	Complete
Performance Data	N/a				6	Complete
External Audit Liaison	N/a				6	Complete
Service Plan Activity	N/a				40	Complete
SIAS Board Meetings and Preparation	N/a				12	Complete
Management of Scrutiny	N/a				5	Complete

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Management of Health & Safety	N/a				5	Complete
Management of Shared Anti-Fraud Service	N/a				5	Complete
Management of Risk Management and Insurance	N/a				5	Complete
Public Sector Internal Audit - Self Assessment 16-17	N/a				10	Complete
National Fraud Initiative - Handover to Shared Anti-Fraud Service	N/a				3	Complete
<b>15-16 Projects requiring finalisation</b>					15	Complete
<b>15-16 Projects requiring completion</b>						
Health and Safety - Community Protection	Substantial	0	1	2	7.5	Final Report Issued
Non Attendance at School	Substantial	0	1	1	9	Final Report Issued
Continuing Health Care - Panel Process	Moderate	0	3	1	10	Final Report Issued
Transport, Access and Safety - Taxi Procurement	N/a – Training Activity				5	Complete

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
- Anti Bribery Controls						
Better Care Fund - Performance and Financial Monitoring	Substantial	0	2	1	8	Final Report Issued
Special Educational Needs and Disability - meeting statutory requirements	Substantial	0	1	2	9	Final Report Issued
Highways Operating Procedures	N/a				2	Audit Cancelled
<b>Schools</b>						
Theme 1 - SFVS	N/a				88.5	Final Reports Issued
Theme 2 - Safe Recruitment	N/a				71.5	Final Reports Issued
Theme 3 - Financial Planning	N/a				48	Final Reports Issued
Reporting 15/16 themes	N/a				9	Final Reports Issued
Follow up schools with high priority recs or moderate assurance	N/a				15	Complete
Other Assurance Visits	N/a				17	Complete

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
SFVS Returns Collation and Collection	N/a				11	Complete
Advice, queries and guidance for schools	N/a				25	Complete
Liaison, awareness raising and training & plan monitoring	N/a				56	Complete
2015/16 Schools Completion	N/a				1	Complete
FOI Request	N/a				3	Complete
Contingency	N/a				0	
<b>Total</b>		<b>5</b>	<b>95</b>	<b>76</b>	<b>1637</b>	

Key to Assurance Level and Recommendation Priority Levels:

N/a = Not Applicable

H = High priority recommendations; M = Medium priority recommendations; MA = Merits Attention priority recommendations

## APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN

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### OUTCOMES FROM SCHOOL ASSURANCE THEMES

<b>Theme 1 - SFVS Review – Reviews of compliance with Schools Financial Value Standard (SFVS)</b>	
Pixies Hill	Draft Report
Cassionbury	Substantial
Moss Bury	Draft Report
St Lukes	Limited
Clore Shalom	Draft Report
Lordship Farm	Substantial
Woolenwick Infants	Moderate
Hertfordheath Primary	Substantial
St Andrews	Full
Cunningham Hill J	Substantial
Cunningham Hill I	Substantial
Commonswood	Substantial
St Philip Howard	Substantial



**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

Cherry Tree	Substantial
Kingsway Infant	Substantial
Nascot Wood Juniors	Substantial
Victoria Cof E First	Moderate
Bushey and Oxhey Infants	Substantial
Bowmansgreen Primary	Substantial
Longmeadow	Substantial
Shephalbury Park	Substantial
St John's Radlett	Substantial
St Rose's Catholic Infants' School and Nursery	Moderate
Little Hadham Primary	Moderate
Theme 2 – Safe Recruitment	
St Marys	
Icknield Walk First	
Nobel	

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

Featherstone Wood	Not Assessed (see paragraph 3.6)
Camps Hill Community	
The Valley	
Manor Fields	
Watton at Stone	
Little Munden	
Little Heath	
Birchwood Nursery	
Galley Hill	
<b>Theme 3 – Financial Management</b>	
Highover	Substantial
Kimpton	Substantial
Reed	Substantial
St Nicholas	Substantial
Sandridge	Full
Ponsbourne St Marys	Full

**APPENDIX A - FINAL POSITION FOR THE 2016/17 AUDIT PLAN**

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Sacred Heart	Substantial
Lakeside	Substantial
Greenway	Substantial
St Pauls	Substantial
Bernards Heath	Substantial
Panshanger	Substantial
Westfield First School & Nursery	Substantial

**APPENDIX B - DEFINITIONS OF ASSURANCE LEVELS AND PRIORITY OF RECOMMENDATIONS**

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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.

## APPENDIX C – PROGRESS AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT MAY 2017 – ACTION PLAN

**Section A: Conformance** - During 2016/17 all areas apart from those identified in Section B below are conforming.

### Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p><b>Purpose, Authority and Responsibility</b></p> <p>Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?</p>	<p>The Director of Resources, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	<p><b>Non-conformance</b></p> <p>No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.</p>
3.1c	<p><b>Purpose, Authority and Responsibility</b></p> <p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>The performance appraisal is carried out by the Director of Resources (HCC).</p>	<p><b>Non-conformance</b></p> <p>No further action proposed. The appraisal process was carried out by the Director of Resources (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given the shared nature of SIAS.</p>

## **Audit Charter 17/18**

### **1. Introduction and Purpose**

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council to achieve its objectives by systematically evaluating and improving the effectiveness and efficiency of risk management, control and governance processes.

### **2. Scope**

- 2.1. This Charter applies to all SIAS clients.

### **3. Statutory Basis of Internal Audit**

- 3.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

### **4. Role**

- 4.1. SIAS internal audit activity is overseen by each council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 4.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case by case basis assessing the skills and resources available. Significant additional consultancy

activity not already included in the audit plan will only be accepted and carried out following consultation with the SIAS Board.

## 5. Professionalism

- 5.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.
- 5.2. SIAS also recognise the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 5.3. SIAS's operations are guided by, as applicable, CIIA Position Papers, Practice Advisories and Guides and relevant council policies and procedures, including compliance with the Bribery Act 2010. These are included in SIAS's operating procedures manual, which is subject to regular review.
- 5.4. Should non-conformance with the Standards be identified, the Head of Assurance will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

## 6. Authority and Confidentiality

- 6.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.
- 6.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known which if not disclosed, could distort a report or conceal unlawful practice.

## 7. Organisation

- 7.1. The Head of Assurance and their representatives, have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive, the Chair of the Audit Committee and the External Auditor. The Head of

Assurance will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.

- 7.2. The Head of Assurance is line managed by the Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

## 8. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 8.1. The Head of Assurance, suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
- hiring, appraising and developing SIAS staff in accordance with the host authority's HR guidance
  - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
  - ensuring that together, SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements.
- 8.2. The Audit Committee, in its role of 'board', is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the setting of performance targets and receipt of regular reports. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery.
- 8.3. Senior Management, defined as the Head of Paid Service, Chief Officers and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.
- 8.4. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, including:
- resourcing and financial performance
  - operational effectiveness through the monitoring performance indicators
  - the overall strategic direction of the shared service

## 9. Independence and Objectivity

- 9.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure



that internal audit maintains the necessary independent and objective mental attitude.

- 9.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 9.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the board any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Board will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 9.4. The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

## 10. Conflicts of Interest

- 10.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 10.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 10.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 10.4. SIAS has procured an arrangement with an external audit partner to provide additional internal audit days on request. The external partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge.
- 10.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

## 11. Responsibility and Scope

- 11.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values. SIAS is also available to assist the Audit Committee in evaluating the quality of performance of external auditors and ensuring a proper degree of coordination is maintained.
- 11.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
  - effectiveness and efficiency of governance, operations and employment of resources
  - compliance with significant policies, plans, procedures, laws, and regulations
  - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
  - safeguarding of assets
- 11.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.
- 11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.
- 11.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Audit Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

## 12. Role in Anti-Fraud

- 12.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.

- 12.2. SIAS shares information with relevant partners, including central government via the National Fraud Initiative and, where applicable, the Shared Anti-Fraud Service if appropriate, to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.
- 12.3. The Head of Assurance should be notified of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

### 13. Internal Audit Plan

- 13.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 13.2. The plan will be accompanied by details of the risk assessment approach used and will make reference to the organisation's assurance framework. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 13.3. The plan will be subject to regular review in year, and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

### 14. Reporting and Monitoring

- 14.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.
- 14.2. A report will be issued on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 14.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant

error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.

- 14.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 14.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement), with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

## 15. Periodic Assessment

- 15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least five yearly.
- 15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

## 16. Review of the Audit Charter

- 16.1. The Head of Assurance will review this charter annually and will present, to the first audit committee meeting of each financial year, any changes for approval.
- 16.2. The Head of Assurance reviewed this Audit Charter in May 2017. It will next be reviewed in May 2018.

### Note:

For readability, the term 'internal audit activity' as used in the PSIAS guidance has been replaced with 'SIAS' in this Charter.



Agenda item  
No:

**6**

## Hertfordshire County Council Internal Audit Progress Report 7 July 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
  - 2.14 Proposed Audit Plan Amendments
  - 2.22 Limited Assurance Audits
  - 2.23 High Priority Recommendations
  - 2.29 Medium Priority Recommendations
  - 2.31 Performance Management

## Appendices

- A Progress against the 2017/18 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 12 June 2017, relating to:
  - a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Hertfordshire County Council Internal Audit Plan for 2017/18
  - b) Proposed amendments to the approved 2017/18 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 2017/18 Hertfordshire County Council Audit Plan was approved by the Audit Committee on 1 March 2017.
- 1.3 The Audit Committee receives periodic progress updates against the Internal Audit Plan and this is the first update report for the 2017/18 financial year.
- 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 12 June 2017, 14% of the 2017/18 Internal Audit Plan days had been delivered (calculation excludes unused contingency days). Appendix A to the report 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 6 February 2017:

<b>Audit Title</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
<b>2016/17 Audit Plan</b>		
<b>Resources</b>		
Pensions – Administration	Substantial	2 Merits Attention
Payroll	Substantial	2 Merits Attention
Debtors	Substantial	3 Merits Attention
Creditors	Moderate	1 High 2 Medium 1 Merits Attention
General Ledger	Full	No Recommendations
Treasury Management	Substantial	1 Medium 4 Merits Attention
Suppliers Payments (PROACTIS)	Substantial	3 Medium 2 Merits Attention
Feeder Systems	Substantial	1 Merits Attention
Hertfordshire Business Services – Stock Control	Moderate	4 Medium 2 Merits Attention
E-Monitor Process - Consistency of Approach	Substantial	2 Medium 3 Merits Attention
Framework Contracts	Substantial	1 Medium
Asbestos Management	Substantial	2 Merits Attention
Leasehold Income	Substantial	4 Merits Attention
Intranet	Substantial	2 Medium
Social Media	Substantial	No Recommendations
Data Retention	Substantial	2 Medium



<b>Audit Title</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
<b>Cross Cutting</b>		
Contract Management	Substantial	1 Medium 2 Merits Attention
Business Cases and Benefits Realisation	Substantial	2 Medium 2 Merits Attention
<b>Adult Care Services (ACS)</b>		
Statutory Returns	Substantial	2 Medium 2 Merits Attention
Homecare	Substantial	2 Medium 1 Merits Attention
Voluntary Sector Grants	Substantial	1 Medium
ACS Contract Retention and Contract Management	Substantial	2 Medium
<b>Children's Services</b>		
Controcc – Foster Carer Payments	Substantial	1 Merits Attention
Unaccompanied Minors and no Recourse to Public Funds	Substantial	1 Medium 1 Merits Attention
Data Quality	Moderate	1 High 4 Medium 1 Merits Attention
Children's Services Establishment Visits	Not Assessed	N/a
<b>Public Health</b>		
Budget Setting and Budgetary Control	Substantial	2 Merits Attention
<b>Environment</b>		
Customer Enquiries and Complaints	Substantial	1 Medium

<b>Audit Title</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Programme Management	Substantial	2 Medium 1 Merits Attention
Business Continuity	Substantial	2 Medium 1 Merits Attention
Home to School Transport (Safeguarding)	Moderate	2 Medium 1 Merits Attention
<b>Community Protection</b>		
Volunteering	Substantial	2 Medium 4 Merits Attention
<b>Grant Claims / Accounts</b>		
Hertfordshire Education Foundation	Unqualified Opinion	No Recommendations

<b>Audit Title</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
<b>2017/18 Audit Plan</b>		
Herts Chief Finance Officers Society	Unqualified Opinion	No Recommendations
LEP – Local Growth Fund	Unqualified Opinion	No Recommendations
Hertfordshire Charity for Deprived Children	Unqualified Opinion	No Recommendations

- 2.3 In addition to the above, the following draft reports have been issued to management for comment and response, all of which relate to assignments from the 2016/17 plan:

<b>Service</b>	<b>Audit Title</b>	<b>Month of Issue</b>
<b>2016/17 Audit Plan</b>		
<b>Resources</b>	Working Time Directive	June 2017
<b>Adult Care Services</b>	Client Finances – Establishment Visits	May 2017
	Learning Disability Panel Processes	March 2017

- 2.4 Taking into account the above there are six uncompleted audits remaining from the 2016/17 plan. These are the reviews of the Ofsted Action Plan Implementation, Pre-Paid Cards, Training Records, Ringway Contract (Sector Specific Improvements) and the SIAS Partnership joint reviews of PREVENT and Trading Activities. It is planned that each of these reviews will either be at draft or final report stage by the September committee meeting.
- 2.5 In respect of the 2017/18 audit plan work has progressed on the quarter one allocation with five audits currently in fieldwork and another six at planning or terms of reference stage.

#### Schools' Audit Activity

- 2.6 In respect of the three themes from the 2016/17 plan, themes one (Schools Financial Value Standard (SFVS)), two (Safe Recruitment) and three (Financial Management) have been completed with final reports issued to all schools visited.
- 2.7 In addition to the above planned themes, an additional five schools were visited under the SFVS theme at the request of Children's Services. Two of these reports are now at final stage, with the remaining three at draft stage with SIAS actively engaging with the individual schools to secure a management response.
- 2.8 All other activities within the 2016/17 Schools Plan have been completed.
- 2.9 The schools' audit plan for 2017/18 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 25 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 18 schools)
  - c) **Theme 3** – IR35 – to provide assurance that the sample schools are complying with the new IR35 (off payroll working) regulations that came into force in April 2017 (sample of 7 schools)
- 2.10 In respect of Theme 1, visits to all sampled schools have now been booked and are due to be completed by the end of the summer term.

- 2.11 Planning in relation to theme 2 (Safe Recruitment in Schools) and theme 3 (IR35 compliance) is currently in progress, with fieldwork on both themes due to commence in September 2017 at the start of the autumn term.
- 2.12 At this current point in the financial year we have not received any referrals for inclusion under the two contingency allocations within the schools plan, these being Schools Causing Concern and Schools due to become academies.
- 2.13 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

- 2.14 Proposed amendments to the 2017/18 Internal Audit Plan and the reasons for these are set out below:
- 2.15 Adult Care Services
- At the request of the Assistant Director (Commissioning) an addition to the plan of a 15 day consultancy review on contract commissioning and monitoring. This review will seek to identify good practice and development areas that can be taken forward within the future ACS Market Oversight Programme.
  - At the request of the Team Manager (Herts Valleys Extended Involvement Review Team) a five day review of the arrangements for managing client finances at an external care home has been added to the ACS audit plan.
- 2.16 Environment Services
- At the request of Waste Management team a three day allocation has been added to the Environment plan to provide internal control advice as part of the creation of the specification for the re-tendering of the WAMS system.
- 2.17 Resources
- At the request of the HR Head of Operations an eight day review of the processes for managing DBS checks and risk assessments has been added to the resources plan. The review will provide assurance over the robustness of systems and processes, allowing the Council to identify any potential improvement areas prior to the likelihood of increased compliance monitoring across all Local Authorities by the DBS service.

- At the request of the Finance Team a three day grant certification review of the Local Enterprise Partnership Local Growth Fund has been included within the plan. This activity has now been completed.

#### 2.18 Public Health

- Following discussions with the Deputy Director Public Health, the planned audit of Immunisation in Schools has now been cancelled. This review was primarily a consultancy activity and the service has obtained alternative support and advice internally and from Finance. A total of 9.5 days has been returned to the Council's contingency allocation.

#### 2.19 Schools Plan

At the request of both Human Resources and the Operations Director (Education), a change has been made to the topic of the third schools theme. The theme has now been changed from a review of school website compliance (with regulations), to a review of school compliance with the legislation for IR35 (off payroll workers), which came into force from April 2017. The planned days for the third schools theme remain unchanged.

- 2.20 In respect of the plan changes referred to in paragraphs 2.14 to 2.17, each will be resourced through the Council's audit plan contingency allocation (or in the case of the additional grant, the grants contingency allocation), leaving a remaining contingency balance of 67.5 days.

#### Other Changes

- 2.21 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.

#### Limited Assurance Audits

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

#### High Priority Recommendations

- 2.23 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.

2.24 An update on progress with implementing high priority recommendations is shown at Appendix B to the report. 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
5	3	1	0	1	0
%	60%	20%	0%	20%	0%

2.25 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.

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

2.27 Two new high priority recommendations have been made since our previous progress report to the Committee:

- Creditors –

Issues were highlighted around SAP permissions and associated access, with the potential for access combinations held by some staff reducing the effectiveness of the control environment; management have completed the implementation of the agreed actions in response to this recommendation.

- Data Quality (Children’s Services) - .

Following review of the Data Quality Oversight, Children’s Services document, and the corporate Hertfordshire County Council Data Quality Strategy we identified inconsistencies between the two documents in respect of roles and responsibilities and some references that appeared out of date; management have agreed to review the recommendations made in conjunction with corporate colleagues and Children’s Services Core Board, with an action plan formulated following these discussions. The planned implementation date for the above actions is 31 July 2017.

2.28 The current progress of management in implementing the above actions is reported to the committee within Appendix B of this report.

### Medium Priority Recommendations

- 2.29 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.
- 2.30 The table below details the implementation status of medium priority recommendations that were due for implementation in the period since the last progress report.

<b>MEDIUM PRIORITY RECOMMENDATIONS</b>		<b>Not implemented by Due Date</b>		
Total Number of Recommendations Followed Up in this Period	Implemented	Partially Implemented – Revised Date Agreed	Actions not commenced – Revised date Agreed	No Update Provided by Action Owner
38	20	15	0	3
%	53%	39%	0%	8%

### Performance Management

- 2.31 Annual performance indicators and associated targets are approved by the SIAS Board on an annual basis.
- 2.32 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 2018</b>	<b>Profiled performance at 12 June 2017</b>	<b>Actual performance to 12 June 2017</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	18%	14%
<b>2. Planned Projects *</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	17%	12%
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires	100%	100%	100%**

Performance Indicator	Performance Target for 31 March 2018	Profiled performance at 12 June 2017	Actual performance to 12 June 2017
returned at 'satisfactory' level			
<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 2016/17 that were not at draft report stage by 31 March 2017.

\*\* six completed customer satisfaction surveys have been received during 2017/18, four of which relate to audits completed from the 2016/17 audit plan.

2.33 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** – external audit has been able to draw 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 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

**Hertfordshire County Council Audit Plan 2017/18**

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 2016-17	N/a				8	SIAS	8	Complete
Annual Governance Statement 2017-18	N/a				5	SIAS		Allocated
Head of Internal Audit Opinion 2016/17	N/a				5	SIAS	5	Complete
Whistleblowing - named contact and quarterly review	N/a				4	SIAS	0.5	Through Year
<b>Resources</b>								
Resources Queries < 3hrs Activities	N/a				10	SIAS	2.5	Through Year
<b>Resources: Hertfordshire Business Services (HBS)</b>								
Business Operations					25			Not Yet Allocated
<b>Resources: Finance</b>								

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Pensions - Administration					30	SIAS		Allocated
Payroll					25	SIAS		Allocated
Debtors					25	SIAS		Allocated
Creditors					25	SIAS		Allocated
General Ledger					20	SIAS		Allocated
Treasury Management					15	SIAS		Allocated
eIncome					15	BDO		Allocated
<b>Resources: Property</b>								
Carbon Reduction Commitment					15	SIAS	0.5	In Planning
<b>Resources: Technology</b>								
Segregation of Duties / Access Controls					20	BDO		Allocated

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Cyber Security					15	BDO		Allocated
<b>Resources: Human Resources</b>								
Employee Expenses					15	SIAS	10.5	In Fieldwork
Off Payroll Working (consultancy)					5	SIAS	0.5	Through Year
DBS and Risk Assessments					8	SIAS	5.5	In Fieldwork
<b>Resources: Legal, Democratic &amp; Statutory Services</b>								
LEP - Compliance with Assurance Framework					15			Not Yet Allocated
<b>Resources: Customer Engagement &amp; Libraries</b>								
Blue Badges					10	SIAS	4.5	In Fieldwork

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Council Wide Reviews</b>								
Conflicts of Interest					25	SIAS	1.5	In Planning
Delegated Decision Making					25			Not Yet Allocated
Volunteering					25	SIAS	1	In Planning
Business Continuity					25			Not Yet Allocated
Serious and Organised Crime Audit					25	SIAS	1.5	In Planning
Safeguarding					25			Not Yet Allocated
<b>Cross Service Reviews</b>								
0-25 Integrated Service (Children's Services and Adult Care Services)					20			Not Yet Allocated
Home to school / college transport (Children's Services and Environment)					15	SIAS	1	In Planning
Transport Infrastructure Assets (Resources and Environment)					15	SIAS	1	In Planning

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Adult Care Services</b>								
Deputyship / Appointeeships					15	SIAS	0.5	In Planning
Integrated Commissioning Arrangements					15	BDO		Allocated
Application of Eligibility Thresholds (Older People Service & Adult Disability Service)					20	BDO		Allocated
Data Security and Information Sharing					15			Not Yet Allocated
Direct Payments					15	SIAS		Allocated
Provider Portal (Consultancy Advice)					5	SIAS		Through Year
Data quality - Business Process Compliance – Older People Service					20	BDO		Allocated
Demography & Budget monitoring - Adult Disability Service					20	BDO		Allocated
Payment of homes gross - Consultancy Support					5	SIAS		Through Year
Accommodation for Independence Programme (Adult Disability Service)					15	BDO		Allocated
Adult Care Services Queries < 3hrs Activities	N/a				10	SIAS	2.5	Through Year
Market oversight programme – consultancy activity / advice					10	SIAS	2	In Fieldwork

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
ACS Client Finances (Older People Service)	N/a	0	0	0	5	SIAS	3	In Fieldwork
<b>Environment Services</b>								
Bus Contracts					15			Not Yet Allocated
Dropped Kerbs					12	SIAS	6	In Fieldwork
Highways Service - Highways Act 1980 Section 58					15			Not Yet Allocated
Highways Service - Category 3 Works					15			Not Yet Allocated
Highways Services - PMnet Software Development Project					10	SIAS		Allocated
Development Management - Enforcement					15			Not Yet Allocated
Compliance with CDM Regulations					15	SIAS	0.5	In Planning
Environment Services Queries <3hrs activities	N/a				10	SIAS	2.5	Through Year
WAMS (Waste Management System) - Consultancy Advice					3	SIAS		Through Year

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Children's Services</b>								
Programme / Project Management					20	BDO	Allocated	
Financial Monitoring of Schools					15	SIAS	In Planning	
Family Finding model					5	SIAS	Through Year	
Quality Assurance Systems (Consultancy)					10	SIAS	Through Year	
Customer Service Centre (safeguarding enquiries)					20	SIAS	Allocated	
Children's Services Queries <3hrs Activities	N/a				10	SIAS	2.5	
<b>Public Health</b>								
Commissioning, Contract Management and Contract Payments					20	SIAS	In Planning	
Immunisation in Schools					0.5	SIAS	0.5 Audit Cancelled	
<b>Community Protection</b>								

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Service Performance Management					15	BDO		Allocated
Internal Quality Assurance Arrangements					15	SIAS		Allocated
Trading Standards - Management of Evidence					10	SIAS		Allocated
<b>Shared Learning</b>								
Shared Learning Newsletters and Summary Themed Reports	N/a				5	SIAS	0.5	Through Year
Joint Review					5			Not Yet Allocated
<b>Grant Claims</b>								
Herts Chief Finance Officers Society	Not Assessed	0	0	0	1	SIAS	1	Complete
Hertfordshire Education Foundation					2	SIAS		Allocated
Hertfordshire Charity for Deprived Children	Not Assessed	0	0	0	1	SIAS	1	Complete
Autism Grant					2	SIAS		Allocated



**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
LEP - Local Growth fund	Not Assessed	0	0	0	3	SIAS	3	Complete
Integrated and structural maintenance grant					2	SIAS		Allocated
Building Better Opportunities					3	SIAS		Allocated
Disabled Facilities Grants / Home Improvement Agency					5	SIAS		Allocated
Grants Contingency	N/a				7	SIAS		Allocated
LEP Capital Grant					3	SIAS	0.5	In Planning
<b>Other Chargeable</b>								
Plan Delivery Monitoring	N/a				30	SIAS	5	Through Year
Recommendations Follow-Up - Q1	N/a				5	SIAS	1.5	Complete
Recommendations Follow-Up - Q2	N/a				5	SIAS		Allocated
Recommendations Follow-Up - Q3	N/a				5	SIAS		Allocated
Recommendations Follow-Up - Q4	N/a				5	SIAS		Allocated

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 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		Through Year
Audit Committee	N/a				20	SIAS	5	Through Year
2018/19 Audit Planning	N/a				30	SIAS	1.5	Allocated
Performance Data	N/a				3	SIAS	0.5	Through Year
External Audit Liaison	N/a				2	SIAS		Through Year
SIAS Development	N/a				40	SIAS	13.5	Through Year
SIAS Board Meetings and Preparation	N/a				10	SIAS	1	Through Year
Management of Scrutiny	N/a				5	SIAS	1.5	Through Year
Management of Health & Safety	N/a				5	SIAS	1	Through Year
Management of Shared Anti-Fraud Service	N/a				5	SIAS	1	Through Year
Management of Risk Management and Insurance	N/a				5	SIAS	0.5	Through Year
Public Sector Internal Audit - Self Assessment 17-18	N/a				10	SIAS		Allocated

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>16/17 Projects requiring completion</b>								
16-17 Projects requiring completion	N/a				10	SIAS	10	In Progress
16/17 Social Media					9.5	SIAS	9	Draft Report Issued
16/17 Client Finances - Establishment Visits					11	SIAS	11	Draft Report Issued
16/17 Training Records					5.5	SIAS	5	Quality Review
16/17 Ofsted Action Plan					7.5	SIAS	3	Quality Review
16/17 Overtime / Working Time Directive					6	SIAS	3	Draft Report Issued
16/17 Pre-Paid Cards					4.5	SIAS	4	Quality Review
16/17 Joint Reviews					1	BDO		Quality Review
16/17 Ringway - Service Sector Improvements						SIAS		Quality Review
<b>HCC Plan Contingency Balance</b>					<b>67.5</b>			

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Schools</b>								
Advice, queries and guidance for schools	N/a				20	SIAS	3.5	Through Year
Liaison, awareness raising and training	N/a				25	SIAS	5	Through Year
Theme 1 - SFVS (25 schools)	N/a				95	SIAS	43	In Fieldwork
Theme 2 - Safe Recruitment (18 Schools)	N/a				70	SIAS	2.5	In Planning
Theme 3 – IR35 (7 schools)	N/a				27	SIAS	0.5	In Planning
16-17 SFVS Returns Collation	N/a				10	SIAS	5	Complete
17-18 SFVS Returns Collection	N/a				5	SIAS		Allocated
Reporting 16/17 themes	N/a				10	SIAS	2.5	Quality Review
Follow up schools with high priority recs or moderate assurance	N/a				15	SIAS	1.5	In Fieldwork
Contingency - Schools Causing Concern	N/a				15	SIAS		Through Year
Contingency - Academy Conversions	N/a				10	SIAS		Through Year

**APPENDIX A      PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 12 JUNE 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Plan Monitoring	N/a				10	SIAS	3	Through Year
Completion of 16-17 Audits	N/a				8	SIAS	5.5	In Progress
<b>Schools Plan Contingency Balance</b>					<b>25</b>			
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1637</b>		<b>218.5</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 May 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>Recommendation</b>                      All existing service users that are not currently managed under Appointeeship or Deputyship should be reviewed to ensure that HCC 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>Management Response</b>                      The review of the area of appointeeships and deputyships will form a specific workstream of this project.</p> <p>A key area of review will be determining the responsibilities of HCC 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.</p> <p>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.</p>	<p>Steven Lee-Foster, Assistant Director ACS Provider Services / David Price, Business Development Manager (ACS)</p> <p>30 September 2015</p>	<p><b>May 2017 Update -</b>                      The audit of tenant information and role of In House Services has begun and will focus on the following:-</p> <ul style="list-style-type: none"> <li>• Tenants/Clients referred to Care Management teams for assessment of capacity</li> <li>• Tenants/Clients who have been identified as requiring Appointee/Deputy to confirm status of application and legal process</li> <li>• Tenants/Clients who have Appointee/Deputy in place and confirm practice is appropriate and process active -</li> <li>• Tenants/Clients who have capacity but practice indicates provider is over reaching responsibility and role</li> </ul> <p>All of the above will be summarised in a clear action plan shared with Senior Management, Unit Managers, Care Management Teams and Audit.</p>	<p><b>Partially Implemented</b></p> <p><b>Revised Target Date - End of June 2017 for completion of review and identification of further actions</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 May 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>Recommendation</b> The Hertfordshire Equipment Service (HES) should review and strengthen the existing processes for checking and validating supplier invoices and employee use of fuel cards.</p> <p><b>Management response</b> <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>May 2017 Update –</b> This recommendation is now deemed implemented. In respect of the third part of the management response, whilst the longer term action is to implement a Vehicle Tracker system to facilitate consumption analysis (implementation lead time of up to six months), an interim system has been implemented through the use of a spreadsheet monitoring system, based on the information from driver PDA's. From a review of the spreadsheet by SIAS this is deemed sufficient to allow the required monitoring to be performed. All other elements of the management action have been implemented as originally described.</p>	<p><b>Implemented</b></p>
3	<p><b>Data Quality (Children's Services)</b></p> <p>(Final Report Issued May 2017)</p>	<p><b>Recommendation</b> It was recommended that Children's Services:-</p> <ul style="list-style-type: none"> <li>- Review the Children's Services Data Oversight Strategy to ensure that it is consistent with the corporate Data Quality Strategy</li> <li>- Formally allocate the Senior Information Risk Owner (SIRO) role to a named officer</li> <li>- Ensure that each information system has a named officer for data quality.</li> <li>- Set a clear target date for the implementation of the Master Data Roadmap/Golden Record project</li> </ul>	<p>Jenny Eccles - Head of Business Infrastructure</p> <p>July 2017</p>	<p>N/a</p>	<p><b>Not Yet Due</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 May 2017 (previous commentary added where appropriate)	Status of Progress
		<ul style="list-style-type: none"> <li>- Set up regular data quality meetings across all departments and with external users</li> <li>- Update the Data Quality Strategy to include information on how data quality is reported through the data governance hierarchy.</li> </ul> <p><b>Management response</b>  <b>Meet with Corporate colleagues to review the recommendations and determine the appropriate response from a corporate perspective.</b></p> <p><b>Present a report to Children’s Services Core Board to review the recommendations and agree proposed actions and owners.</b>  <b>Develop an action plan following on from decisions taken at Board.</b></p>			
4	<p><b>Creditors</b></p> <p><b>(Final Report Issued March 2017)</b></p>	<p><b>Recommendation</b></p> <p>The current allocation of SAP roles should be reviewed ensuring that staff responsible for supplier creation / amendment do not also have access to invoice processing functionality and that no member of staff has access to supplier entry, invoice entry and payment run processing functionality.</p> <p>Should the above not be operationally feasible compensating controls should be reviewed in conjunction with HCC, specifically the introduction of a “high value payment exception report” and “vendor bank account changes” report for each payment run.</p> <p>Both reports should be reviewed and signed off by a member of staff that does not have the conflicting</p>	<p>Waqas Munir - Finance Manager (Financial Planning &amp; Accounts) / Sue Cross - Accounts Delivery Manager (Serco)</p> <p>March 2017</p>	<p><b>May 2017 Update –</b></p> <p>Access to key roles (supplier entry, invoice entry, Bacs processing) was restricted as agreed to a limited number of Superusers within Serco</p> <p>Furthermore, the following are in place:</p> <ul style="list-style-type: none"> <li>- checking of all high value payments over £500k as part of the BACS run</li> <li>- sign off of any vendor changes by a second team member</li> </ul>	<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 May 2017 (previous commentary added where appropriate)	Status of Progress
		<p>access responsibilities.</p> <p><b><u>Management response</u></b></p> <p><b>There will be a number of “Super users” that are required to have access to Vendor changes, Invoice Entry and Bacs processing functionality</b></p> <p><b>Bacs processing is already limited to four Superusers, identified within the AP team. These are all senior managers and require access to all three roles to provide cover across the teams. The remaining member of staff will have their access to the following reviewed, to maximise segregation of duties between vendor changes and invoice entry.</b></p> <p><b>The ability to control access is likely to be limited to some extent by the operational requirements of a small team, therefore compensating off system controls will be implemented as recommended. These include the checking of high value payments as part of the Bacs run, and the sign off of vendor changes by a second team member. We also are in agreement with the recommendation to implement a vendor bank changes report and retrospective check</b></p>		<ul style="list-style-type: none"> <li>- all vendor bank changes are checked and signed by an independent party</li> </ul>	

**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 May 2017 (previous commentary added where appropriate)	Status of Progress
5	<p><b>ACS Cash Handling Procedures</b></p> <p>(Final report issued December 2016)</p>	<p><b>Recommendation</b> 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>Management response</b> <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 an HCC 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 now fully implemented with new arrangements incorporated into business as usual.</p>	<p><b>Implemented</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.

**END-OF-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2016/17**

*Report of the Director of Resources*

Author: Robert Thurlow, Senior Accountant (Tel: 01992 555061)

Executive Member: David Williams, Resources, Property & the Economy

**1. Purpose of Report**

- 1.1. The CIPFA Prudential Code and CIPFA Code of Practice for Treasury Management in the Public Sector require the Council to set an annual Treasury Management Strategy (TMS) and assess performance indicators and the treasury function throughout the year.
- 1.2. This report fulfils the requirement to provide an End-of-Year report on performance against the prudential indicators which were specified in the Integrated Plan, Part E approved by the County Council on 23 February 2016.
- 1.3. The report provides a summary of treasury management performance and activity for the financial year ended 31 March 2017.

**2. Summary**

- 2.1. The Council has been compliant with the prudential and treasury management indicators set out in the Integrated Plan.
- 2.2. A breach of the TMS occurred on Friday 30 April 2016 as a result of a greater than permitted balance held with Barclays. This did not result in any loss to the authority and actions to mitigate any future occurrence have already been taken by the bank. There are more details around the circumstances of this breach in section 5.
- 2.3. The UK economy has experienced significant uncertainty as a result of the EU membership referendum in June 2016, this is analysed in further detail in section 6.
- 2.4. The Council has continued to operate a diverse investment portfolio. Pooled fund investments are held for the long-term due to capital volatility. Daily liquidity needs are met using a variety of instant-access bank and Money Market instruments, along with short term lending to and from other local authorities.

- 2.5. An additional disbursement from the Administrators of the Icelandic investment with Kaupthing, Singer & Friedlander [KSF] was made in November 2016. No further funds have been received for the Icelandic investments with Heritable. The recovery to date from these particular investments stands at 84.25% and 98.00% respectively.
- 2.6. No new long-term borrowing has been taken and no long-term borrowing has been repaid in the year.
- 2.7. Lender Option Borrower Option (LOBO) loans of £88.1m and a Range LOBO of £18m, all with Barclays Bank were converted into fixed rate commercial loans during the year. These changes are detailed in section 10 and remove a key risk to the authority from potential need to replace such borrowing at short notice, along with a small reduction in annual interest payable.
- 2.8. Short-term borrowing was made on multiple occasions throughout the year to cover cash flow requirements. £30m of short-term borrowing was in place at 31 March.

### **3. Recommendations**

- 3.1. Members are invited to note the Treasury Management End-of-Year report.

### **4. Background**

- 4.1. The Council operates its treasury management function in accordance with the CIPFA Prudential Code and the CIPFA Code of Practice for Treasury Management in the Public Sector. The Codes require the Council to set prudential indicators for its capital expenditure and treasury management activities prior to the start of each financial year.
- 4.2. The Codes also require that regular reports are provided reviewing performance and compliance at the end of each financial year and on a half-yearly basis. In addition to these reports, performance against the prudential indicators and treasury management activities are reported to Cabinet as part of the quarterly budget monitoring report.

### **5. Breach of Strategy**

- 5.1. The breach resulted from a failure within Barclays' online banking platform which meant it was not possible to make payments to investment counterparties within the timescales stipulated by those counterparties. Consequently there was a balance of £34.68m in an interest bearing Barclays account across the Spring Bank Holiday weekend in excess of the £10m TMS limit for the counterparty.
- 5.2. Barclays have accepted full responsibility for this breach and have submitted a written explanation of the circumstances surrounding the failure. Barclays has also offered improved contingency arrangements to ensure payments can be

made in line with the Council's standard operating controls in the event of a failure in the primary online banking platform, which officers are evaluating.

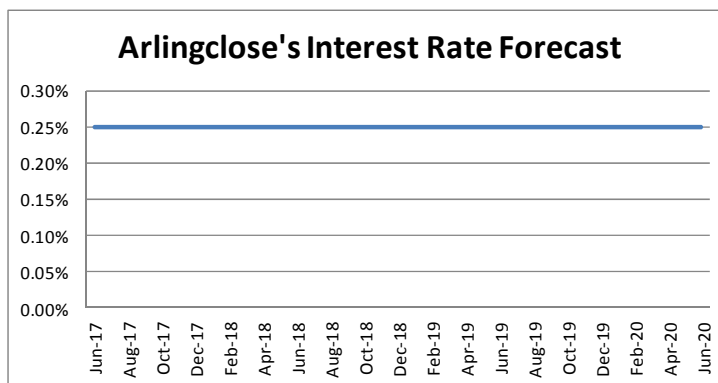
- 5.3. No loss or additional cost was incurred as a result of this issue and the breach was corrected on the first business day after the bank holiday.

## **6. Economic Review**

- 6.1. The Council's Treasury management activities in this period were undertaken in an environment of significant political upheaval with uncertainty over the UK's future relationship with the EU, the outcome of the US presidential election and the slowing of Chinese economic growth in early 2016 all contributing to significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29 March 2017.
- 6.2. Since the vote to leave the EU there has been a significant reduction in the value of Sterling and volatility in equity markets and gilt yields. Markets have now stabilised somewhat, but are expected to remain prone to sudden shocks as a result of political and economic developments.
- 6.3. The outcome of the referendum prompted a decline in household, business and investor sentiment, with forecasts for economic growth being downgraded. Concerns about the possibility of an economic contraction prompted the Monetary Policy Committee of the Bank of England to reduce the official interest rate to 0.25% from 0.50% and increase asset purchases to £445bn, including £10bn of corporate bonds.
- 6.4. As a consequence of central bank interventions and market activity, short-term investment returns have reduced considerably.
- 6.5. Despite the forecast downturn, the UK economy has shown resilience and GDP growth has now been recorded for 16 consecutive quarters, indicating fundamental economic strength, although we note that the growth rate slowed to 0.3% in the three months to 31 March 2017 against 0.7% in the previous quarter.
- 6.6. UK inflation was subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.
- 6.7. The labour market has also shown resilience, with the headline unemployment rate at 4.6% in March 2017. Employee pay has also continued to improve and increased by 2.1% (excluding bonuses) when comparing the three month period to March 2017 against the previous year, although against CPI inflation real wage growth for the period was negative.

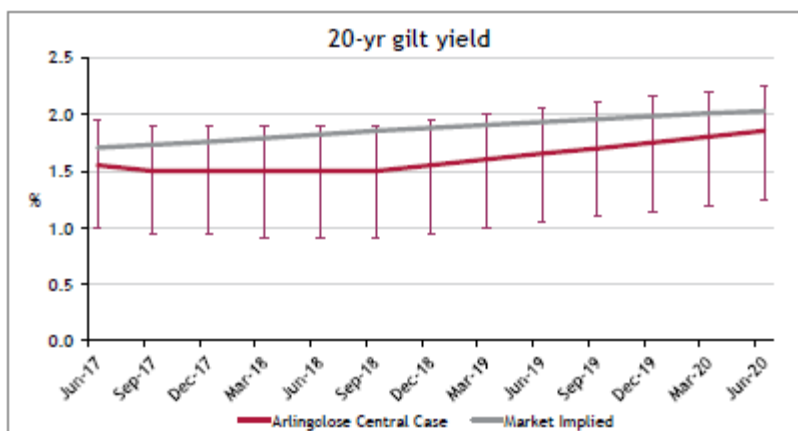
- 6.8. Graph 1 provides the Arlingclose (the Council’s treasury adviser) interest rate forecast for the period June 2017 to June 2020. This indicates their view that rates are likely to remain at historically low levels for the immediate future.

**Graph 1: Arlingclose Interest Rate Forecast for base rate**



- 6.9. Graph 2 provides the Arlingclose forecast for 20-year gilt yields, compared to the market implied forecast. This supports the above view that rates are likely to remain low. It also demonstrates the range of uncertainty and outlook for possible changes to rates for new PWLB borrowing.

**Graph 2: Arlingclose 20-Year Gilt Projection**



**7. Prudential and Treasury Management Indicators**

- 7.1. The Prudential Code requires the Council to set and monitor a range of prudential indicators relating to borrowing. The objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans for local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.
- 7.2. The Council measures and manages its exposure to treasury management risks using a range of indicators related to interest rate exposure, refinancing risk and liquidity risk. In addition, treasury activity is measured against a range of performance indicators related to security, liquidity and yield.

7.3. Appendix A provides evidence of compliance with the prudential and treasury management indicators and reports on treasury activity performance indicators.

## 8. Treasury Management Strategy

8.1. In setting the 2016/17 TMS, the Council approved a Lending Policy that continued to enable flexibility in use of investment instruments whilst maintaining security and liquidity of investments. The 2016/17 Lending Policy was amended to extend the range of investment instruments to include Peer to Peer lending but was otherwise unchanged.

8.2. The Lending Policy continued to reflect the on-going risks in the wider economy and banking institutions. The primary considerations when placing investments continues to be the security and liquidity of the Council's funds and only once both of these factors have been taken into account will the yield on investment be considered. Long term borrowing is only considered when it becomes necessary to avoid a prolonged short term overdraft position.

8.3. Following the referendum vote to leave the EU, Fitch and Standard and Poor downgraded the UK's Sovereign credit rating to AA. The outlook for UK financial institutions was also downgraded. There was no overall impact to the Council's investment portfolio following these changes as all investments met the criteria set out in the Council's TMS and the advice of Arlingclose.

8.4. During the year to 31 March 2017, investments have been held in a range of instruments detailed in Table 1.

**Table 1: Counterparties and investment instruments used  
To 31 March 2017**

Counterparty	Investment Instruments
Local Authorities	Fixed Term
UK Banks / Building Society	Call / Notice Accounts, Fixed Term Deposit, Certificate of Deposit (CD)
Overseas Banks with AA+ Sovereign Rating	Call Accounts, Fixed Bonds, Floating Rate Notes (FRN)
AAA rated Money Market Funds	Call / Notice
Pooled Fund – Property	Notice
Pooled Fund – Bond	Notice
Pooled Fund – Equity	Notice
Pooled Fund – Multi-asset	Notice



- 8.5. Table 2 (overleaf) provides a summary of the value of investment instruments outstanding as at 30 September 2016 and 31 March 2017 and the percentage of investment instruments compared to the overall investment portfolio.

**Table 2: Investment Activity as at 30 September 2016 and 31 March 2017**

Counterparties	Investment Instrument	30/9/2016		31/03/2017	
		£m	%	£m	%
Local Authorities	Fixed Term	5.00	4.5	5.00	4.9
UK Banks / Building Society	Call / Notice	14.28	12.7	16.65	16.2
	CD	4.00	3.6	0.00	0
	FRN	5.00	4.5	0.00	0
	Fixed Bond	8.90	7.9	3.02	2.9
Money Market Funds	Call / Notice	45.00	40.1	47.82	46.7
Pooled Fund – Property	Notice	10.00	8.9	10.00	9.8
Pooled Fund – Bond	Notice	10.00	8.9	10.00	9.8
Pooled Fund – Equity	Notice	6.00	5.3	6.00	5.9
Pooled Fund – Multi-asset	Notice	4.00	3.6	4.00	3.9
<b>TOTAL</b>		<b>112.18</b>	<b>100.0</b>	<b>102.49</b>	<b>100</b>

- 8.6. Table 2 reflects the diversified investment portfolio being operated by the council within the bounds of the TMS.
- 8.7. Table 3 shows the number and value and of maturities and new investments in fixed term instruments during the year.

**Table 3: Value of Maturities and New Investments  
1 April 2016 – 31 March 2017**

Instrument Type	Investment		Maturities	
	No.	£m	No.	£m
60 Day Notice Account			1	(10)
95 Day Notice Account	1	10		
Certificate of Deposit	1	4	1	(4)
Fixed Deposit – Other Authority	2	10	2	(10)
Bond	2	8.9	1	(5.9)
Floating Rate Note	1	5	1	(5)
	7	37.9	6	34.9

- 8.8. A total of £30m continues to be invested over the long term in a number of diversified pooled funds. At 31 March 2017, the net market value of the investment in these funds was approximately £30.55m. This represents an increase of approximately £998k on the valuation at 31 March 2016. The changes in market value are fluid depending on market conditions and are therefore not recognised as gains or losses in the financial statements.
- 8.9. Cash balances have increased by £6.20m between 31 March 2016 and 31 March 2017. The cash balance at 31 March 2017 included £30m of short-term borrowing held to cover cash flow needs across the year end period.
- 8.10. Interest rates for investments have ranged between 0.32% and 0.68% for fixed durations of up to 364 days. Interest rates on variable investments were as high as 0.52% at the start of the year and are now as low as 0.18%. Rates have fallen as a result of the Bank of England decision to reduce the bank rate, market reaction to the EU Referendum result and other geopolitical events.
- 8.11. Table 4 provides a summary of the treasury activity in the year to 31 March 2017.

**Table 4: Treasury Activity - 1 April 2016 to 31 March 2017**

Measure	2016/17
Average size of portfolio (excluding Iceland investments)	£110.72
Weighted average term (fixed term only)	79 days
Average rate earned	1.58%
Interest earned	£1.749m

- 8.12. The overall rate of return reduced to below 1.5% in the second and third quarters, from 1.77% in Q1 and recovering to 1.66% in Q4. The average return for the year was 1.58%.
- 8.13. This reflects a number of factors. In the first and final quarters overall balances were lower, and therefore a greater proportion of the portfolio was invested in higher yielding longer term investments during these periods. The general trend in reducing returns results from lower prevailing market interest rates, offset to some extent by the strong performance of long term pooled-fund investments.
- 8.14. The pooled fund investments continue to make a significant contribution to overall interest income. The return for the year on pooled fund investments was 4.79% per annum compared to 4.74% last year.
- 8.15. The rate of return for the year (1.58%) includes underlying returns of 0.46% for the investment portfolio excluding the pooled fund investments. The 0.46% rate compares to 0.70% achieved in the first quarter and exceeds the 7-day LIBID benchmark of 0.20% by 0.26%.
- 8.16. The total interest earned on treasury investments during the year is £1.749m, which exceeded the budget by £0.091m. Whilst interest rates for short-term deposits have meant weaker returns on liquid investments, this has been offset

by effective use of cash management techniques and the stronger performance of the pooled funds, which are delivering returns exceeding the 4% target level.

- 8.17. The pooled funds have experienced some variations in capital value during the year. This variability is expected as the nature of these types of investments in bond, equity and multi-asset funds means that income yield and fund values are influenced by market movements. It is important to recognise the long-term nature of these investments in mitigating this expected volatility.

As at the 31 March 2016 a small capital loss was reported. As at 31 March 2017 a small capital gain was reported. Appendix A, Section 3 provides more details of how the Council intends to utilise and balance these instruments alongside its existing investments with regards to management of security, liquidity and yield.

- 8.18. All treasury management activity undertaken during the period complied with the approved treasury management strategy, the CIPFA Code of Practice for Treasury Management and the relevant legislative provisions.

## **9. Icelandic deposits**

- 9.1. Of the original four Icelandic banks in which Hertfordshire County Council had deposits, the outstanding Landsbanki claim was sold in 2013/14 resulting in a total recovery of 92%. The outstanding Glitnir claim was resolved in February 2015 resulting in a total recovery of 101% of the amounts originally deposited.
- 9.2. As of 31 March 2017 repayments for the investments in Heritable total 98.0p in the £. The Administrators, Ernst and Young (EY), are not forecasting any additional distribution to creditors. The claim cannot be closed as a reserve has been retained to cover administrator costs and expenses until outstanding legal matters are resolved.
- 9.3. A repayment of 0.50p in the £ was announced by the administrator for the investments in KSF during October 2016 and paid in November 2016. A further dividend of 0.50p in the £ was announced in February 2017 and paid in May 2017.

Ernst & Young (EY) estimate that the total return will be between 86.0 to 86.5p in the £. Recovery as at 31 March stood at 84.25p in the £.

- 9.4. Table 5 (overleaf) provides details of dividends received to 31 March 2017 together with current information about the anticipated value and percentage recovery for Icelandic investments.

**Table 5: Icelandic bank deposits at 31 March 2017  
Outstanding Claims**

Bank	Original Deposit	Accrued Interest	Recovered at 31/03/2017	Total expected distribution		Claim Status
	£m	£m	£m	£m	%	
Heritable Bank	7.00	0.022	6.88	6.88	98.00	Open
Kaupthing, Singer & Friedlander	4.00	0.102	3.45	3.54	86.25	Open
<b>TOTAL</b>	<b>11.0</b>	<b>0.124</b>	<b>10.33</b>	<b>10.42</b>	<b>93.567</b>	

## 10. Borrowing

### Long Term Borrowing

10.1. Table 6 shows total long term borrowing outstanding at 31 March 2017, the future maturity profile of borrowing and an analysis of sources of borrowing shown as a percentage of the total.

**Table 6: Borrowing maturity profile at 31 March 2017**

	Total	Sources of Borrowing					
		PWLB <sup>1</sup>		LOBO <sup>2</sup>		Commercial <sup>3</sup>	
		£m	%	£m	%	£m	%
Borrowing at 31 March 2017	258.8	103.3	39.9	49.4	19.1	106.1	41.0
Maturing in 2016/17	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maturing in 2017/18	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maturing later	258.8	103.3	39.9	49.4	19.1	106.1	41.0
<b>Average interest rate</b>	<b>4.61%</b>		<b>5.36%</b>		<b>4.37%</b>		<b>4.43%</b>

<sup>1</sup> PWLB = Borrowing sourced from the government's Public Works Loans Board

<sup>2</sup> LOBO = Borrowing sourced from commercial banks

<sup>3</sup> Commercial = Fixed rate loans from commercial banks

10.2. At 30 September there was a total of £258.8m long term borrowing outstanding. £103.3m (40%) was sourced from the government's Public Works Loan Board and £155.5 (60%) was sourced from commercial banks.

10.3. The average rate of interest for total borrowing was 4.61%, the average rate for PWLB borrowing was 5.36% and the average rate for borrowing from commercial banks was 4.41%.

- 10.4. The LOBO portfolio of £155.5m at the start of the year included £106.1m of loans from Barclays bank. One of these loans, was a Range LOBO product, a loan with underlying derivatives.
- 10.5. In June Barclays decided to waive its future options to vary the rate on the LOBO loans. Consequently £88.1m of LOBO loans have been reclassified as Fixed Rate commercial loans. There was no change to the interest payable.
- 10.6. Barclays also offered an opportunity to negotiate a change to the terms of the £18m Range LOBO. Agreement was reached to convert this loan to a fixed rate instrument and in doing so the rate of interest payable changed from 4.70% to 4.625% with no penalty. This equates to a reduction in interest payable of £13,500 per annum.
- 10.7. The long term borrowing portfolio is kept under review in consultation with the Council's treasury advisor Arlingclose to identify opportunities to reduce borrowing costs by restructuring existing loans.
- 10.8. The difference between planned capital expenditure and capital funding (from revenue or capital receipts and specific capital grants) is known as the Capital Financing Requirement (CFR), and is met via borrowing. Borrowing can be funded from externally sourced loans, for example from the Public Works Loans Board, or internally from the council's own resources.
- 10.9. Because the cost of long term borrowing remains significantly higher than the return on short-term investments, the Council has made prudent use of its resources to fund an element of its borrowing requirement from surplus cash balances held in respect of its reserves. This has allowed the Council to maintain a lower level of external borrowing, which has in turn minimised the pressure on revenue budgets from interest payments.

## **11. Short Term Borrowing**

- 11.1. Short term borrowing was required on multiple occasions during the year, due to differences in timing between receipts and associated payments. Maximum short term borrowing in place at any one time during the year was £73m, for a duration of 15 days.
- 11.2. This was sourced through direct contact or external brokers, from other local authorities, at rates varying from 0.53% to 0.20% (including brokerage fees of between 0.03% - 0.06%) for durations of 4 to 181 days.
- 11.3. £30m of short term borrowing was in place as at 31March 2017.

## **12. Hertfordshire Police and Crime Commissioner – Treasury Management**

- 12.1. The Police and Crime Commissioner (PCC) contracts with Hertfordshire County Council to deliver its Treasury Management services.

- 12.2. A separate treasury management strategy is maintained for the PCC. Data concerning the Police's cash flow is provided to the Council's treasury officers and any surplus cash flow is invested in accordance with the investment criteria outlined in the PCC's Treasury Management Strategy. The Police's cash flow and investment portfolio is maintained separately from the Council's funds.
- 12.3. The reporting arrangements for the PCC are similar to the Council's. An annual treasury management strategy is prepared before the start of each financial year, with mid-year and end-year reports subsequently delivered on treasury management activities and delivery of the strategy. Quarterly reports are also provided according to the schedule of meeting dates provided by the PCC.

**APPENDIX A: PRUDENTIAL INDICATORS 2016/17 – 31 March 2017**

**1. Capital financing Indicators**

	Indicator	Description	Integrated Plan Ref.	2016/17 Budget	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
	<b>Indicators 1 to 3 demonstrate the affordability and sustainability of the capital programme. The projections for financial years 2016/17 to 2018/19 are set out in the Integrated Plan at the reference shown in the table below.</b>							
1	Capital Expenditure	Monitors capital expenditure for 2016/17 against the projections set out in the Integrated Plan.	2.4 Table 1	£162.26m	£193.32m	£183.49m	£179.65m	£179.86m
2	Capital Financing Requirement (CFR)	Monitors the Council's underlying need to borrow for capital purposes for 2016/17 against the projections set out in the Integrated Plan	2.10 Table 3	£518.81m	£528.95m	£517.21m	£528.78m	£531.51m
3	Ratio of financing costs to net revenue stream	Monitors the percentage of revenue budget set aside to service capital financing costs (borrowing costs net of lending income) for 2016/17 against projections set out in the Integrated Plan.	2.11 Table 4	1.32%	1.35%	1.35%	1.35%	1.30%

	Indicator	Description	Integrated Plan Ref.	2016/17 Budget	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
<p><b>Treasury Position:</b>  The Treasury Management Prudential Indicators are set to contain lending and borrowing activities within approved limits. The indicators are set at a level that will provide enough flexibility for effective treasury management whilst managing the risk of a negative impact on the Council's overall financial position in the event of adverse movements in interest rates or borrowing decisions. The indicators are also used to demonstrate that Net Borrowing does not exceed the Capital Financing Requirement (CFR). The CFR projection for financial years 2016/17 to 2018/19 are set out in the Integrated Plan.</p>								
4A	Net Borrowing	Monitors actual borrowing less actual lending			£184.45m	£160.29m	£174.67m	£177.57m
4B	Net Borrowing Less than CFR	Comparison of net borrowing to CFR			✓	✓	✓	✓
<p><b>Borrowing:</b>  Indicators 5 and 6 control the overall level of borrowing. The limits for 2016/17 to 2018/19 are set out in the Integrated Plan.</p>								
5	Authorised Limit ( <i>against maximum position</i> )	Monitors the borrowing limit for 2016/17 beyond which borrowing is prohibited without Member approval.	6.5 Table 10	£425m	£425m	£425m	£425m	£425m
6	Operational Boundary	Monitors the estimated external debt for the financial year 2016/17. This estimate acts as an indicator to ensure the authorised limit is not breached.	6.5 Table 10	£395m	£395m	£395m	£395m	£395m



## 2. Treasury Management Indicators

	Indicator	Description	Integrated Plan Ref.	2016/17 Budget	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
<b>Interest Rate Exposure:</b> <b>Indicators 7 and 8 limit the Council's exposure to both fixed and variable interest rate movements.</b> <b>The limits for 2016/17 to 2017/18 are set out in the Integrated Plan.</b>								
7	Upper limit on fixed interest rates ( <i>against maximum position</i> )	Monitors the limits set for 2016/17 for the volume and value of the (lending) /borrowing portfolios that may be committed for fixed interest rate investments or borrowing	6.7 Table 11	£325m	£258.77m	£227.86m	£305.74m	£280.76m
8	Upper limits on variable interest rates ( <i>against maximum position</i> )	Monitors the limits set for 2016/17 for the volume and value of the (lending) /borrowing portfolios that may be committed for variable interest rate investments or borrowing	6.7 Table 11	97.50m	(£50.26m)	(£71.28m)	(£124.82m)	(£67.82m)

	Indicator	Description	Integrated Plan Ref.	2016/17 Budget	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
	<p><b>Maturity structure of fixed rate borrowing (against maximum position):</b>  <b>Indicator 9 limits the Council's exposure to large fixed rate sums falling due for refinancing in the same period.</b>  <b>The indicators are set relatively high to give the council enough flexibility to respond to opportunities to repay or reschedule debt during the financial year, while remaining within the parameters set by the indicators.</b></p>							
9A	Under 12 months	6.8 Table 12	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9B	12 months to 2 years	6.8 Table 12	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9C	2 years to 5 years	6.8 Table 12	60.00%	1.22%	1.22%	1.22%	1.22%	1.22%
9D	5 years to 10 years	6.8 Table 12	80.00%	2.13%	2.13%	2.13%	3.28%	
9E	10 years to 20 years	6.8 Table 12	85.00%	9.08%	9.08%	9.08%	7.92%	
9F	20 years to 30 years	6.8 Table 12	90.00%	12.34%	12.34%	12.34%	12.34%	
9G	30 years and above	6.8 Table 12	100.00%	75.24%	75.24%	75.24%	75.24%	
	<p><b>Investments greater than 364 days (against maximum limit):</b>  <b>Indicator 10 measures the Council's exposure to investing for periods greater than one year.</b>  <b>This indicator is required to ensure that the Council is aware of the cash flow implications for long term investments.</b>  <b>This includes deposits at risk in Icelandic Banks.</b></p>							
10	Investments greater than 364 days (Maximum Limit)	6.9 Table 13	50.00m	£30.68m	£30.68m	£30.68m	£30.68m	£30.68m

\*Includes Pooled Fund investments, which can be withdrawn in less than one year but the intention is to hold for the long-term to minimise the risk of capital value volatility, as agreed at Full Council on the 25 November 2014.

### 3. Treasury Management Performance and Activity Measures

Indicator	Description	Integrated Plan Ref.	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
<p><b>The CIPFA Treasury Management Code of Practice requires the Council to set performance indicators to assess the treasury function. Group A measures performance for “Security, Liquidity and Yield” and Group B measures the performance of “Operational Activities”</b></p>						
<p><b>GROUP A: Security, Liquidity and Yield</b></p>						
Average Investment Portfolio	Monitors the average amount HCC has had invested in third parties.	7.3 Table 16	£99.69m	£115.5m	£122.21m	£105.22m
Average borrowing portfolio	Monitors the average amount HCC has as long term borrowing during the quarter	6.3 Table 10	£258.78m	£275.79m	£296.88m	£289.79m
Security Indicator: Average Credit Rating of Investments held	Measured on a 1 to 10 scale, where 1 is a very good Credit Rating, i.e., government guaranteed	Section 6.10	6.70	5.16	4.38	5.30
Liquidity Indicator: Weighted Average Maturity of investments held	Measures the liquidity/accessibility of investments in average days	Section 6.10	27 days	43 days	23 days	23 days
Yield Indicator: Interest Earned	Monitors the interest earned on HCC investments. Shown as both an actual amount in the quarter and a percentage of amount invested (p.a.)	7.3 Table 16	1.77% £0.440m	1.48% £0.427m	1.46% £0.445m	1.66% £0.437
Yield Indicator: Interest Paid	Monitors the interest paid on HCC borrowing. Shown as both an actual amount and a percentage of amount borrowed	7.2 Table 15	4.33% £3.08m	4.59% £3.07m	3.91% £3.14m	4.31% £3.07m

\*includes Pooled Fund investment returns some of which are estimated, see Yield section below for further information for rate excluding Pooled Funds

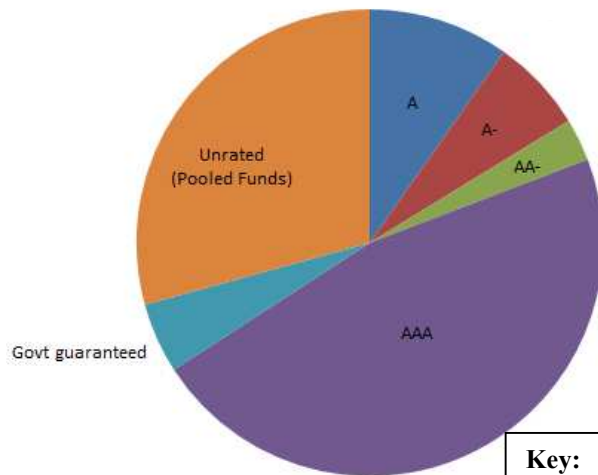
## Security, Liquidity and Yield

### Exposure to Risk

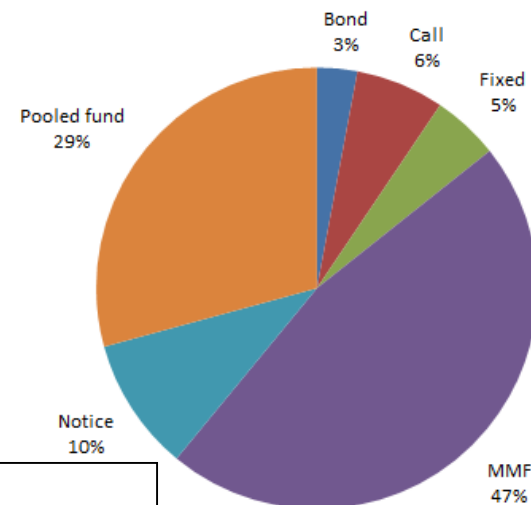
The Treasury Management Strategy was approved on 23 February 2016 as Part E of the Integrated Plan. This maintained the range of investment types approved for use in 2015/16. The approved instruments were last changed in 2014/15 to enable greater diversification of the investment portfolio; these changes introduced greater flexibility in use of investment instruments whilst continuing to maintain security and liquidity of investments.

The following diagrams illustrate the credit rating breakdown of all investment instruments by credit rating grade and investment type for the Council's investment portfolio as at 31 March 2017.

**Diagram 1: Summary of Credit Risk of Investment Portfolio as at 31 March 2017**



**Diagram 2: Summary by Investment type as at 31 March 2017**



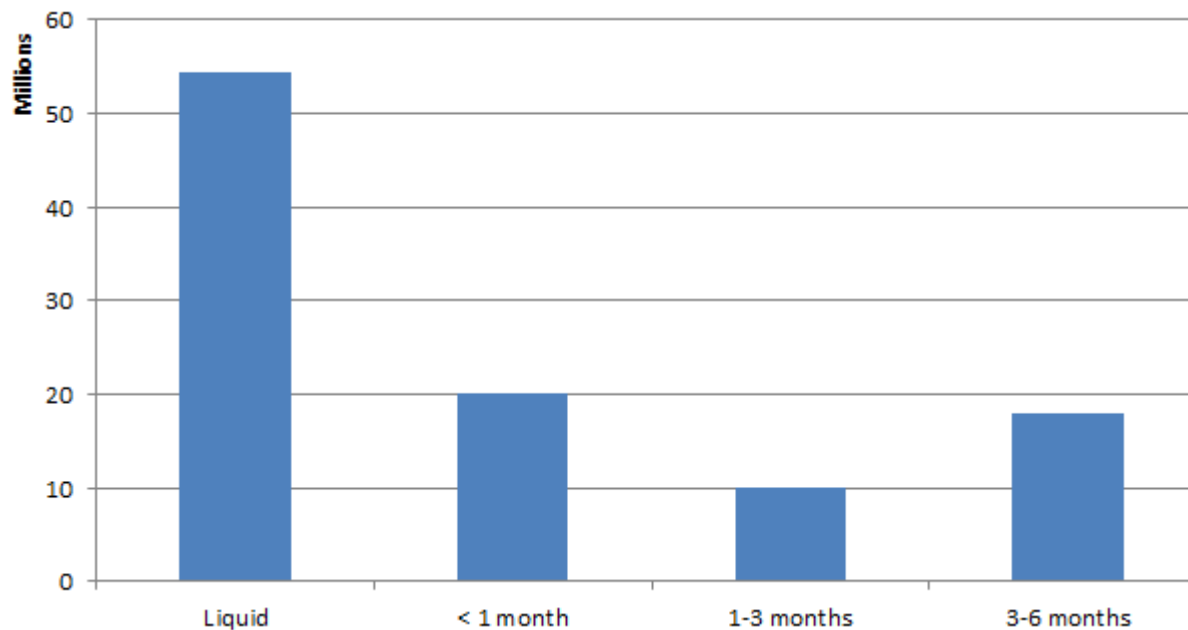
**Key:**  
AAA and AA Very High Credit Quality  
AA-, A+ and A High Credit Quality  
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The greatest percentage of deposits are held in money market funds and call accounts. This reflects the need to ensure adequate liquidity in the management of cash balances to meet daily cash flow requirements. Investments in pooled funds consist of the CCLA Property Fund, two bond funds, two multi asset funds and one equity fund. A new fixed term deposit with Cambridgeshire County Council matured during the period. No new investments were made during the period.

## Liquidity

Reducing investment balances mean that opportunities to make fixed-term investments are more limited than in previous years. The potential capital volatility of the pooled fund investments means that they are intended to be held for 3-5 years, but in the graph below these investments are shown on the basis of their accessibility. These funds are all classified as “liquid”, except the Property Fund which accessible on 30 days’ notice.

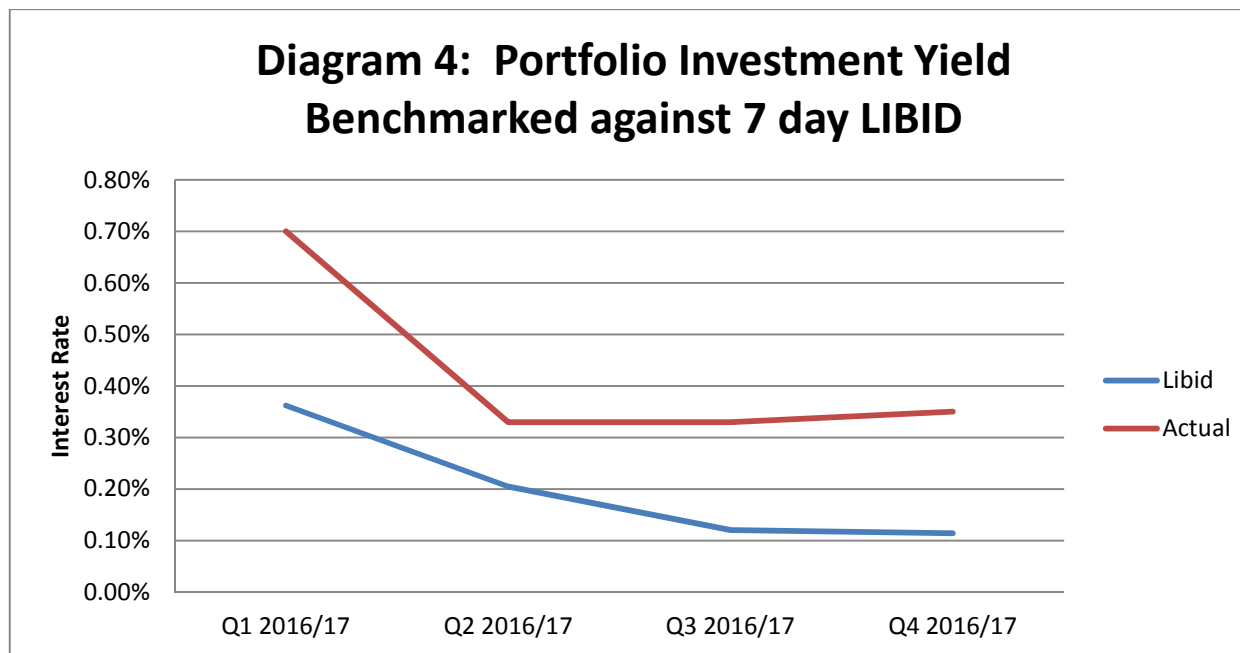
Diagram 3 provides a graph showing the liquidity of the Council’s investments portfolio as at 31 March 2017



## Yield

The benchmark used for assessing the performance of return on lending is the 7-Day London Interbank Bid Rate (LIBID). Diagram 4 shows yield against the benchmark for the last four quarters. In reporting on yield the return on pooled funds has been excluded from benchmarking against 7 day LIBID, any subsequent long duration pooled fund investments will also be excluded, as 7 day LIBID benchmark is more relative to short-term investments.

LIBID fell from 0.37% to 0.12% during the year, reflecting market volatility and the reduction in bank base rate. The return excluding pooled fund interest fell from 0.70% to 0.35% over the year. The reduction in return reflects a combination of lower prevailing rates and the maturity of investments which had been secured at historical higher rates.





Agenda Item  
No:

**8**

## **Hertfordshire County Council Shared Anti-Fraud Service Report July 2017**

### Recommendation

Members are recommended to:

Note the Shared Anti-Fraud Service year-end report for 2016/17

Agree the Anti-Fraud Action Plan 2017/2018

## Contents

Introduction

1. Background
  2. SAFS 2016/17 year-end financial data at Hertfordshire County Council
  3. Summary of SAFS Activity at Hertfordshire County Council
  4. Progress against the 2016/17 Anti-Fraud Action Plan and proposed Plan for 2017/2018
- Appendices 1 & 2

## Introduction

This report provides the Committee with details of performance against the published 2016/17 Anti-Fraud Action Plan for the Council agreed by this Committee in March 2016. The report also provides details of the Council's Anti-Fraud Action Plan for 2017/2018.

Several reports issued by Government and public sector organisations have highlighted fraud as a significant risk for local government. These reports are used by SAFS to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based in 2013 data).



CIPFA Fighting Fraud  
Locally Strategy

- *UK Annual Fraud Indicator* produced by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in schools or care services).



UK National Fraud  
Indicator



## 1. Background

- 1.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), and the Cabinet Office, Public Sector fraud loss across local government in England exceeds £2billion each year with some reports indicating levels considerably above this.
- 1.2 The Cabinet Office, Department for Communities and Local Government, the NAO, have issued advice, and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse, the Chartered Institute of Public Finance and Accounting (CIPFA) have also produced a Code of Practice. This advice and guidance includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.



CIPFA Code for  
Fraud & Corruption

- 1.3 It is therefore essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 Hertfordshire County Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and the Host Authority for the service. Members received a detailed report in September 2015 about the creation of SAFS and how this service would work closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution.

## 2. Year End Report 2016-2017

- 2.1 The following data breaks down the financial benefits to Hertfordshire County Council of the SAFS activity in 2016/17 and details the types of savings associated with the work of the Service and the related amounts. The 'value' of identified fraud falls broadly into three categories.

### a) Fraud Loss

This is the value of actual fraud losses that Hertfordshire County Council can take action to recover; it includes:

- Staff fraud/theft (this includes pension fraud)
- Financial fraud committed by third parties (this includes 'payment scams')
- Contract/Procurement Fraud

b) Cashable Savings

This is the value/funds not paid out as a result of investigations or where fraud has been prevented at point of 'application'.

c) Non-Cashable Savings

This is the value of prevented loss where there may be notional rather than real savings. This could relate to a Procurement Fraud where an irregularity is discovered but a contract is subsequently awarded, to another party, at the same value. The risk of reputational damage in this area is not evaluated or recorded.

**2016/2017 Fraud Identified by category**

<b>Fraud Loss (a) £,000</b>	<b>Cashable Savings (b) £,000</b>	<b>Non-Cash Savings (c) £,000</b>	<b>Total £,000</b>
180	33	14.5	227.5

2.2 Hertfordshire County Council has also benefitted from the work that the SAFS provides to its district partners which includes investigations into Council Tax Discount fraud. In 2016/2017 the SAFS recorded fraud which resulted in re-billing of Council Tax totalling £165k. The Council receives approximately 80% of Council Tax levied so will receive approximately £132k in revenue from this activity.

2.3 In 2016/2017 Hertfordshire County Council's contribution to SAFS was £105k and this investment delivered:

- £180k in fraud losses that can be recovered
- £47.5k in savings to Hertfordshire County Council revenue
- £132k council tax revenue.

2.4 Across all SAFS Partners fraud losses and savings in excess of £1.4m were recorded in 2016/2017.

**3. SAFS Activity 2016/2017**

Staffing

3.1 The SAFS team was originally made up of nine staff this has expanded to fourteen from late 2016 when the Partnership was joined by Luton Borough Council, Aldwyck Housing Group and B3 Living Housing. The Service is based at the County Council offices in Stevenage although staff work at various locations across Hertfordshire and Bedfordshire.

- 3.2 Each SAFS Partner receives dedicated support and response from the SAFS Team. At present the most effective way to do this is by allocating officers to work exclusively for each Partner. These officers act as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.

*Fraud Awareness and Reported Fraud*

- 3.3 SAFS ensures that fraud can be reported by both staff and the public and the Council's website and intranet both have mechanisms for reporting suspected fraud which link to the SAFS webpage.
- 3.4 The SAFS webpage – [www.hertfordshire.gov.uk/fraud](http://www.hertfordshire.gov.uk/fraud) includes an online reporting tool and is being further developed as part of the County Council's new website. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – [fraud.team@hertscgcsx.gov.uk](mailto:fraud.team@hertscgcsx.gov.uk). These contact details have been added to Hertfordshire County Council's own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures.
- 3.5 In 2016/17 842 allegations of fraud were received across all SAFS Partners, 144 of these related to County Council services. The service also carried forward 49 live cases from 2015/2016. The SAFS resolved 158 of these allegations in 2016/2017 and 35 cases were still under investigation at year end.
- 3.6 The details of reported fraud and outcomes at Hertfordshire County Council are shown in the tables below:

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

Payroll /Pension Fraud	Blue Badge Fraud	Financial Fraud*	Schools Fraud	Other Fraud **	Total
11/3	98	9	12	11	144

\* This includes cyber-enabled fraud

\*\* Includes contract/procurement fraud/Insurance

**Table 2. Who is reporting Fraud (in Year)?**

Fraud Reported by Staff	Reports from Public*	SAFS Team/ Data Matching	Other	Total
46	64	22/5	7	144

\*includes reports following 'Cheater' Campaign

**Table 3. Outcomes of cases closed (*in Year*):**

Closed No Action Required/ Passed to another Agency	Closed Not Fraud Proved	Closed Fraud Proved/ Advice Provided	Closed 'No Fraud' but a Warning Letter issued	Total
51/10	3	27/27	40	158

- 3.7 Of those cases closed with a positive outcome, seven included Hertfordshire County Council employees who were dismissed or disciplined following investigation. Seven people were prosecuted for Blue Badge abuse across the County. Cases closed with a Warning Letter often relate to allegations of Blue Badge which cannot be substantiated and are sent to remind the 'keepers' of the rules of use.

*SAFS Projects at Hertfordshire County Council*

- 3.8 The SAFS has developed excellent working relationships with the Council's HR-Business Partners, Legal and Education Services. The relationship with the Blue Badge Team, part of Customer Services, has been particularly beneficial with the SAFS helping to deliver a more robust service at point of application to prevent fraudulent applications. This in turn has been supported by SAFS activity with our District Partners.
- 3.9 The National Fraud Initiative data upload and submission to the Cabinet Office was completed by the SAFS for the Council in October 2016. The Service is now reviewing all matches (30,000 across the Council) with relevant services including Concessionary Bus Passes, Blue Badge, Operation 'Amberhill', Payroll & Pensions and others, to ensure the Council's requirements to complete this exercise in 2017 is complied with.
- 3.10 SAFS have completed the procurement of a contract, to provide a county-wide data matching exercise, to identify Council Tax fraud, particularly around discounts and exemptions, empty homes, and council tax support schemes. This has now been introduced for all districts, and will be funded by Hertfordshire County Council, the Police and Crime Commissioner and participating districts. This exercise is predicted to deliver between £250k and £500k additional revenue to Hertfordshire County Council each year over the 4 years of the contract.
- 3.11 SAFS have arranged for the delivery of specialist free training to partners on matters including Anti-Money Laundering and service specific activities such as Direct Payment, Schools SAFE-Recruiting and School Transport. SAFS work very closely with Hertfordshire County Council's HR Service providing

assistance in disciplinary matters. SAFS have also worked with HR Recruiting to enhance anti-fraud measures as part of the Councils recruiting process.

#### **4. Progress against the 2016/2017 Anti-Fraud Action Plan**

4.1 The Council has in place an Anti-Fraud and Corruption Policy. This document lays out the Council's position, and includes advice to Members, senior officers and staff about how to deal with identified fraud. This document pre-dates the formation of the SAFS and will be reviewed in 2017; at present it complies with best practice guidance from CIPFA/NAO/CLG.

4.2 In March 2016 this Committee approved an Anti-Fraud Action Plan for 2016/2017. This Plan covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its own responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. The Plan also includes a requirement that the Council receive a positive return on its investment in the SAFS Partnership.

4.3 Progress against the plan to the end of March 2017 is shown at **Appendix 1** to the report.

#### **Proposed Anti-Fraud Action Plan 2017/2018**

4.4 Although the format and delivery of the 2016/2017 plan worked well the plan for 2017/2018 uses an improved format which is focussed on SAFS providing a more business as usual service. See **Appendix 2** to the report for a copy of the plan.

4.5 Adherence to the proposed plan for 2017/2018 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the Government, NAO, and CIPFA.

#### **SAFS Reports 2017/2018**

4.6 SAFS will provide a full report to this Committee in late summer 2017 on performance against the 2017/2018 plan. This will include the numbers of, and types of, cases investigated with outcomes and the financial savings identified from all anti-fraud activity. In March 2018 SAFS will provide a revised Anti-Fraud Action Plan for 2018/2019.

4.7 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council.

**Appendices.**

1. Summary of performance against Plan 2016/2017



SAFS Performance  
2016 2017

2. SAFS/HCC Anti-Fraud Action Plan 2017/2018



HCC Anti-Fraud  
Action Plan 2017 2018

**Hertfordshire County Council  
Anti-Fraud Plan  
in partnership with  
Hertfordshire Shared Anti-Fraud Service  
2017/2018**

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Appendix A- SAFS Resources for HCC 2017/2018

Appendix B- SAFS KPI for HCC 2017/2018

Appendix C- SAFS Standards of Service for HCC



## Introduction

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

The Council's Anti-Fraud and Corruption Strategy states:

*The Primary aim of this Strategy is to make it absolutely clear to the Citizens and stakeholders of Hertfordshire County Council that, as an organisation and individuals, we are committed to honesty, openness, and propriety, in all of our dealings. Simply put, **fraud and corruption will not be tolerated.***

*We will do our utmost to foster a culture in which fraud and corruption can find no foothold, and any attempt to conduct illegal activity, either internal or external, against the Council will be met with a united and resolute front.*

This plan includes objectives and key performance indicators to measure the Councils effectiveness against its Strategy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office, the Chartered Institute for Public Finance and Accountancy and The European Institute for Combatting Corruption and Fraud.

## National Context.

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

The five key principles of the code are to:

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

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

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

The Anti-Fraud Action plan for Hertfordshire County Council adheres to these three principles

Appendix A

SAFS/ HCC Anti-Fraud Action Plan 2017 2018					
Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility
ACKNOWLEDGE	<b>ACKNOWLEDGEMENT</b> The risk of fraud and the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy Membership of SAFS Internal Audit Member Support	Have in place an Anti-Fraud and Corruption Strategy & Develop and Fraud Risk Assessment Tool for HCC and individual services Retaining Board Membership of SAFS Have in place an effective IA Plan and Audit Committee Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Head of Assurance S.151 Officer Audit Manager Head of Legal
	<b>FRAUD AWARENESS</b> Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Local News Media Promote Fraud Team Fraud Awareness Training Internal Awareness	Issue a press release for every successful prosecution in 2017/2018 Promotion of internet fraud pages (SAFS) and local media exposure Deliver ten fraud training awareness training sessions to Council Staff, or tailored training as requested by services Conduct an E-Survey of fraud awareness across officers	SAFS/Comms SAFS/Comms SAFS SAFS
	<b>CUSTOMER SERVICE</b> Service performance is managed to the highest standards so that agreed levels of service are met	Ensure customers and staff are informed about counter fraud work	Customer Service Work across all Services SAFS and SIAS Reports to Audit Comms	Issue customers with information leaflets when attending interviews HCC S.151 and Head of Assurance Review SAFS Activity SAFS and SIAS Mgrs Meetings and SAFS Mgr with Head of Assurance 2 Reports to Audit Committee	SAFS s.151/ Head of Assurance SAFS/Audit Managers SAFS
	<b>PERFORMANCE</b> Maximize performance through robust risk assessment and quality investigation work.	Be recognised as a high performing and successful fraud team.	Quality Fraud Referrals Individual Targets Data Matching Fraud Referrals Performance Report	100% risk assessment on all fraud referrals received SAFS CFO- Set PMDS Targets to match HCC KPIs NFI Data Matches 2017 to be reviewed in year Monitor source of fraud referrals each quarter Issue a performance report in April 2018	SAFS SAFS SAFS SAFS SAFS
PURSUE	<b>QUALITY INVESTIGATIONS</b> Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Interview Under Caution Sanction Files Witness Statements Legal Services	SAFS management checks on all sanctions issued File management checks on live caseload 100% check on witness statements used in prosecution cases Develop relationship with HCC Legal and High Street Solicitors for best service to SAFS and HCC	SAFS SAFS SAFS SAFS/ Head of Legal
	<b>SANCTIONS/PROSECUTIONS</b> Instigate legal sanctions to counter criminal behaviour	Ensure the 'prosecution' of fraud and dishonesty in appropriate cases	Prosecutions/ Sanctions Disciplinary/Professional Civil Recovery Legal Service Liaison	Ensure all cases suitable for sanction are reviewed in line with Policy Ensure that where fraud/corruption/bribery involves HCC staff this is dealt with in line with all relevant Policies Ensure that where HCC suffers a loss this is recorded and services encouraged to recover this from the debtor Continue to work with Legal and maximise recovery of costs and compensation to HCC	SAFS SAFS/Head of HR SAFS/S.151 SAFS/ Head of Legal

## **Appendix B**

### **SAFS Resources 2017/2018**

#### **Budget**

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018. This restructure would result in an increase in fees for all Partners. The Board agreed that the annual fee for Hertfordshire County Council, would be fixed to £110,000 +VAT. The Board also received assurance from financial modelling that the service would be sustainable, in its current form for 5 years with an increase in fees each year at 1% from 2019 onwards.

It has been agreed that the service would be allowed to build up a small operating reserve but should this be exhausted all Partners agree to meet any shortfall in Budgets equally.

#### **Staffing**

The full complement of SAFS now stands at 14.5 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Business Support who are funded from SAFS Budgets.

For staffing – Hertfordshire County Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on the SAFS Manager & Assistant Manager for quarterly liaison meetings, management meetings and two Audit Committees reports per annum. SAFS also have access to an Accredited Financial Investigator (AFI) and criminal litigation services. SAFS will also work alongside specialist teams such as HR, Comms, Litigation and Commercial Law and Trading Standards.

Appendix C

SAFS

KPIs for HCC 2017/2018

KPI	Measure	2017/2018 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at the Council (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff	100% of all	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Council's financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£200k From fraud identified and savings/prevention	£50k	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	25	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	50%	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	100%	Create a data hub for Hertfordshire.

## Appendix D

### SAFS - Standards of Service.

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

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Assistance in the design of Council policies processes and documents to deter/prevent fraud.
4. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
5. SAFS will provide a proactive data-matching solution (data-warehouse) to identify fraud and prevent fraud occurring.
  - The data-warehouse will be funded by SAFS and located in accordance with Data Protection Act requirements.
  - The data-warehouse will be secure and accessible only by named SAFS Staff. Data will be collected and loaded in a secure manner.
  - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree to as they choose. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
  - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load into the data-warehouse and determine the frequency of these.
  - SAFS will work with Partners to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
6. All SAFS Staff will be qualified, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
7. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA\* and all relevant policies of the Council.
8. Reactive fraud investigations.
  - All reported fraud will be actioned by SAFS within 10 days.
  - The Council will be informed of all reported fraud and how SAFS are going to deal with this.
  - SAFS will allocate an officer to each investigation.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
  - SAFS Officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
  - Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
9. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. Decisions on imposition of any sanction will lay with the Council but the issue of any penalty will be resolved locally on a case by case basis.
10. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.

11. SAFS will provide Alerts to Hertfordshire County Council, of suspected fraud trends or reports/guidance from government and public organisations to assist in the prevention of fraud.

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

**HERTFORDSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE  
FRIDAY 7 JULY 2017 AT 10.30 AM**

**WHISTLEBLOWING ANNUAL REPORT 2016/17**

*Report of the Director of Resources*

Agenda Item No: <b>9</b>
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Author: Kathryn Pettitt, Chief Legal Officer (Tel: 019952 555527)

**1. Purpose of Report**

- 1.1 To provide members with an overview of the disclosures made through the Council's whistleblowing process and the operation of the Whistleblowing Procedure in the year 2016/17.
- 1.2 To seek members' approval to recommend to Council the revised Whistleblowing Procedure as attached at Appendix A to this report.

**2. Summary**

- 2.1 The Council's Whistleblowing Procedure provides that a report will be made annually to the Audit Committee on the operation of the Procedure and on the whistleblowing allegations made during the period covered by the report.
- 2.2 The number of concerns raised under the Whistleblowing Procedure in 2016/17 was six and of these allegations two proceeded to an investigation.
- 2.3 The Council's Whistleblowing Procedure was last updated in May 2013 and has been refreshed during the course of the year. As a result of the review some minor revisions and clarifications are proposed.

**3. Recommendations**

The Committee is invited:

- 3.1 to note the contents of the report and the on-going work to raise awareness and provide assurance on the effectiveness of the Council's whistleblowing arrangements
- 3.2 to recommend to full Council that they adopt the revised Whistleblowing Procedure attached to this Report for inclusion in the Constitution



#### **4. Background**

- 4.1 The Council's Whistleblowing Procedure is intended to provide a means for employees and others (including agency workers, contractors working for or providing services to the County Council) to raise concerns about any suspected serious misconduct, wrong doing, financial irregularity or possible unlawful action in a way that will ensure confidentiality and protect those who raise such concerns in the reasonable belief that it is in the public interest to do so from being victimised, discriminated against or disadvantaged.
- 4.2 The Whistleblowing Procedure provides that a report will be made annually to the Audit Committee on the operation of the Procedure and on the whistleblowing allegations made during the period covered by the report.
- 4.3 The Chief Legal Officer in her role as Monitoring Officer has overall responsibility for the Whistleblowing Procedure. The Chief Legal Officer meets regularly with the Head of Assurance and the Assistant Director – HR Services (all three of whom are 'Reporting Officers' as defined in the Whistleblowing Procedure) to monitor the effectiveness of the Whistleblowing Procedure, any allegations made under it and learning from the allegations/process.
- 4.4 During the year 2016/17 the campaign to raise awareness of the Whistleblowing Procedure ('Speak Out') has continued with regular publicity through payslips, on the intranet and by the use of posters in the Council's offices.

#### **5. Whistleblowing Allegations 2016/17**

- 5.1 The Chief Legal Officer maintains a register of whistleblowing allegations that are made through the Whistleblowing Procedure. The number of allegations that are included in the register for 2016/17 is 6. The numbers for the preceding 2 years are:
- 2014/15 - 5
  - 2015/16 - 3
- 5.2 Of the 6 allegations received in 2016/17 five were from employees and one was from an agency worker. The allegations concerned:
- a) Poor management practice (2 allegations relating to one service area)
  - b) Quality of induction procedures and staff handover and impact on service users
  - c) Potential fraud by a manager (2 separate allegations relating to different service areas )
  - d) Adult safeguarding

- 5.3 Investigations were undertaken into one of the allegations of potential fraud and the allegation relating to adult safeguarding. The investigation into the allegation of potential fraud was not able to establish with certainty that the matter alleged occurred. It did, however, highlight practice issues for the relevant service area which senior managers have taken forward. The adult safeguarding allegation was not upheld. A senior manager in Adult Care Services, however, is keeping the situation under review.
- 5.4 The remaining allegations were not investigated. The second allegation of fraud (which related to an alleged incident several years ago) on discussion with the employee was identified as a bullying and harassment allegation which the employee could pursue through that procedure. The other allegations were referred to senior managers to be considered through appropriate management procedures.

## **6. Whistleblowing Procedure**

The Council's Whistleblowing Policy was last updated in May 2013 and has been refreshed during the course of the year. The key changes are:

- a) Inclusion of a section which advises on the approach to be taken by school based staff when raising a concern in their workplace
- b) Updating the details of the Reporting Officers (i.e. the officers responsible for operating the Whistleblowing Procedure)
- c) Updating the procedure concerning how the Reporting Officers consider whistleblowing allegations when first made
- d) The inclusion of a section identifying those external bodies to whom a worker can raise concerns and still obtain protection under the Public Interest Disclosure Act 1998
- e) Inclusion of specific provision for feedback from the person making the whistleblowing allegation on the process

## **7. Work Programme in 2017/18**

- 7.1 The Chief Legal Officer, Head of Assurance and the Assistant Director - HR will continue to meet in 2017/18 to review the effectiveness of the Whistleblowing Procedure at the Council and in particular will:
- a) continue to look at ways of raising awareness of the Council's whistleblowing procedures amongst all staff;
  - b) review the intranet and the Council's website to ensure accessibility of the Whistleblowing Procedure

### ***Background documents***

Public Interest Disclosure Act 1998 and associated guidance

## 1. Key Points

The Whistleblowing Procedure sets out the framework for dealing with allegations of illegal and improper conduct.

## 2. Introduction

Hertfordshire County Council is committed to the highest standards of transparency, probity, integrity and accountability.

This procedure is intended to provide a mechanism for making serious allegations about standards, conduct, financial irregularity or possible unlawful action. It does so in a way that will ensure confidentiality and protect those making such allegations in the reasonable belief that it is in the public interest to do so from being victimised, discriminated against or disadvantaged. This procedure is intended to ensure that the County Council complies with its duty under the Public Interest Disclosure Act 1998.

## 3. Scope

This procedure applies to:

- all County Council employees (with the exception of school based employees as referred to below)
- agency workers working for the County Council,
- contractors working for or providing services to the County Council
- a person providing goods or services to the County Council under a contract, including anyone providing goods or services on their own or a third party's premises
- County Councillors

This procedure **does not** replace other County Council policies or procedures including:

- the Grievance Policy
- the Harassment and Bullying Policy
- Safeguarding Adults at Risk Policy
- those relating to Safeguarding Children

You should only consider raising concerns through this procedure if:

- you have genuine reasons why you cannot use the above policies and procedures
- you have reason to believe that these policies are failing or are not being properly applied
- there is a public interest aspect to your concern

This procedure applies to, but is not limited to, allegations about any of the following:

- Conduct which is an offence or breach of the law
- Alleged miscarriage of justice
- Serious Health and Safety risks
- The unauthorised use of public funds
- Possible fraud and corruption
- Witnessing sexual, physical or verbal abuse, or bullying or intimidation of employees, customers or service users
- Abuse of authority
- Other unethical conduct

### ***Schools***

This procedure does not apply to schools, to whistleblowers based in schools or to others acting on behalf of the County Council based in schools other than in the circumstances mentioned in the next paragraph (*Maintained Schools*).

### ***Maintained Schools***

Individuals employed or working in maintained schools (e.g. community schools, community special schools, pupil referral units, voluntary controlled schools and maintained nursery schools) should raise their concerns with the school using the school's own whistleblowing policy and reporting arrangements rather than directly with the County Council. If the employee, however, has a concern which they feel they cannot discuss with the management of the school or have good reason to consider that their complaint or disclosure will not be properly handled, then they may report their concerns direct to the County Council or prescribed regulator.

If the concern relates to a child protection issue this should be reported to the Local Authority Designated Officer (LADO) and in line with the specific guidelines outlined in the school's safeguarding policy.

### *Foundation and Voluntary Aided Schools.*

This policy does not extend to staff employed in these schools as in these schools the governing body is the employer not the County Council. It is therefore the responsibility of the governing body to adopt a whistleblowing policy. In a foundation or voluntary aided school it is for the governing body to decide how, within its policy, employees and workers may make a qualifying disclosure which they do not feel able to share with the Head Teacher or Chair of Governors.

### *Academies, Sixth Form Colleges, Further Education Establishments and Free Schools*

The Council has no legal powers to investigate a disclosure made in respect of academies, sixth form colleges or free schools (except for disclosures made in respect of safeguarding issues and Special Educational Needs). If the County Council receives any disclosures relating to these institutions we will acknowledge these and seek to advise on an appropriate course of action on the matters raised.

### *Generally*

In respect of disclosures of serious misconduct or wrong doing relating to safeguarding children or adults at risk and/or Special Educational Needs the Council has a legal obligation to investigate and will do so irrespective of the status of the school.

## **4. Contact Details for Reporting Officers**

In this procedure reference is made to Reporting Officers. The following County Council officers are Reporting Officers:

- The County Council's Monitoring Officer (the Chief Legal Officer)
- The Assistant Director of HR
- The Head of Assurance Services

The contact details for the Reporting Officers are as follows:

### **The Monitoring Officer (Chief Legal Officer)**

<b>Kathryn Pettitt</b>	
Postal Address:	Room 212, County Hall, Hertford, SG13 8DE
Postal Point:	CHO 241

Telephone:	01992 555527
Comnet:	25527
E-mail:	<a href="mailto:whistle@hertfordshire.gov.uk">whistle@hertfordshire.gov.uk</a>

*This is a dedicated e-mail address for whistleblowing complaints to which only the Monitoring Officer and her two nominated Deputy Monitoring Officers will have access.*

### **Assistant Director of HR**

<b>Sally Hopper</b>	
Postal Address:	Room 202 County Hall, Pegs Lane, Hertford, SG13 8DE
Postal Point:	Postal Point CH0243
Telephone:	01992 556653
Comnet:	26653
E-mail:	<a href="mailto:sally.hopper@hertfordshire.gov.uk">sally.hopper@hertfordshire.gov.uk</a>

### **The Head of Assurance Services**

<b>Terry Barnett</b>	
Postal Address:	First Floor, Robertson House, Six Hills Way, Stevenage, SG1 2FQ
Postal Point:	SROB 105
Telephone:	01438 845508
Comnet:	55508
E-mail:	<a href="mailto:terry.barnett@hertfordshire.gov.uk">terry.barnett@hertfordshire.gov.uk</a>

The County Council's employee assistance service, Carewell, is available to support and counsel whistleblowers or those considering using the Whistleblowing Procedure. While this service can provide useful support in what can be a difficult and worrying process, it cannot be used to make an allegation (the way to do this is set out in section 'Procedure for making an Allegation' below).

Carewell contact numbers are: 0800 731 0905 (minicom 0800 854 739).

## 5. Safeguards

The County Council recognises that the decision to make an allegation can be a difficult one to make. However, whistleblowers who make serious allegations in the reasonable belief that it is in the public interest to do so should be reassured that they are doing their duty either to their employer and/or to those for whom they are providing a service.

The County Council will take appropriate action to protect a whistleblower who makes a serious allegation in the reasonable belief that it is in the public interest to do so from any reprisals, harassment or victimisation.

## 6. Confidentiality

All allegations will be treated in confidence and every effort will be made to not reveal a whistleblower's identity unless the whistleblower otherwise requests or unless there is a legal requirement to do so.

If the matter is subsequently dealt with through other County Council procedures such as the Disciplinary Procedure, the whistleblower's identity may have to be revealed in accordance with that procedure if the matter is to be effectively dealt with. Similarly, if the allegation results in court proceedings then the whistleblower may have to give evidence in open court if the case is to be successful.

A Reporting Officer will not, without the whistleblower's consent, disclose the identity of a whistleblower to anyone other than another Reporting Officer or to a person who has been asked by a Reporting Officer to investigate the allegation. A Reporting Officer, who intends to ask another person to carry out an investigation, will, as far as is practicable, inform the whistleblower before disclosing the whistleblower's identity to the person to be asked to carry out the investigation. Any person asked to carry out an investigation by a Reporting Officer and to whom a whistleblower's identity has been disclosed, will not further disclose that identity to any person without the whistleblower's consent.

Reporting Officers will take the utmost care to ensure that the identity of a whistleblower is not inadvertently disclosed. In particular, Reporting Officers will ensure that they only communicate with a whistleblower through means agreed with the whistleblower and will also ensure that the content of any communication to a third party about the allegation could not lead to inadvertent disclosure of the identity of a whistleblower.

## 7. Anonymous Allegations

This procedure encourages whistleblowers to put their name to an allegation wherever possible as anonymous allegations may often be difficult to substantiate/prove.

Allegations made anonymously are much less powerful but anonymous allegations will be considered at the discretion of the Monitoring Officer.

In exercising discretion to accept an anonymous allegation the factors to be taken into account by the Monitoring Officer would include:

- The seriousness of the issue raised
- The credibility of the allegation; and
- Whether the allegation can realistically be investigated from factors or sources other than the complainant

## 8. Untrue Allegations

No disciplinary or other action will be taken against a whistleblower who makes an allegation in good faith genuinely believing it to be true even if the allegation is not substantiated by an investigation. However, disciplinary action may be taken against a whistleblower who makes an allegation without reasonable belief that it is in the public interest to do so (e.g. making an allegation frivolously, maliciously or for personal gain where there is no element of public interest).

## 9. Procedure for Making an Allegation

It is preferable for allegations to be made to an employee's immediate manager, if the whistleblower is an employee, or to the County Council employee to whom they report if the whistleblower is not an employee. However, this may depend on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if the whistleblower believes that management is involved it would be inappropriate to raise the matter directly with them. The whistleblower may then make an allegation direct to any one of the three Reporting Officers.

If an officer who is not a Reporting Officer (e.g. the whistleblower's line manager) receives an allegation he/she will discuss the allegation with the whistleblower. If, following discussion, the whistleblower wants to proceed with the allegation, the officer who received the allegation will inform the Monitoring Officer who will then deal with the allegation under this Procedure as if the allegation had been made direct to the Monitoring Officer.



An allegation may be made to a Reporting Officer orally or in writing. If an allegation is made orally the Reporting Officer to whom it is made may ask that it be confirmed in writing. Whether a written or oral report is made it is important that relevant information is provided including:

- The name of the person making the allegation and a contact point. As referred to above it will be more difficult for the County Council to pursue issues if allegations are made anonymously;
- The background and history of the allegation (giving relevant dates and names and positions of those who may be in a position to have contributed to the allegation);
- The specific reason for the allegation.

Although someone making an allegation will not be expected to prove the truth of any allegations, they will need to provide information to the Reporting Officer to establish that there are reasonable grounds for the allegation.

The earlier the allegation is made the easier it is to take action.

Someone making an allegation may be accompanied by another person of their choosing during any meetings or interviews in connection with the allegation. However, if the matter is subsequently dealt with through another County Council procedure the right to be accompanied will at that stage be in accordance with the relevant procedure (e.g. the Disciplinary Procedure gives the right to be accompanied by a trade union representative or work colleague).

## 10. Action on receipt of an Allegation

The Reporting Officer will record details of the allegation using the pro-forma record form approved by the Monitoring Officer. If not the Monitoring Officer, the Reporting Officer will, within 5 working days of receipt of the allegation, inform the Monitoring Officer in writing that the allegation has been made and forward to the Monitoring Officer copies of:

- The record of the allegation;
- The acknowledgement of the allegation;
- Any documents supplied by the whistleblower.

The Reporting Officer will ask the whistleblower for his/her preferred means of communication and contact details and use these for all communications with the whistleblower in order to preserve confidentiality.

The Reporting Officer who received the allegation will notify the other Reporting Officers and work with them to determine whether the allegation should be investigated and, if so, the best way of investigating the allegation. If the Allegation relates to fraud, potential fraud or other financial irregularity the Head of Assurance Services will determine whether the allegation should be investigated and the method of investigation.

If the allegation discloses evidence of a criminal offence the Monitoring Officer, will discuss the matter with the other Reporting Officers and a decision will be made as to whether to inform the Police.

If the allegation concerns suspected harm to children, the Monitoring Officer will consult the Local Authority Designated Officer (LADO). If the issue is around suspected harm to vulnerable adults, the Monitoring Officer will consult with the Head of Adult Safeguarding (Health & Community Services).

Some allegations may be resolved by agreed action without the need for investigation. Where this is the case the Reporting Officer(s) will document the justification for this decision.

The Reporting Officer to whom the allegation has been made will acknowledge the allegation in writing within 10 working days by sending the whistleblower an acknowledgement in the standard format approved by the Monitoring Officer and containing the following information:

- An indication of how the County Council propose to deal with the matter
- An estimate of how long it will take to provide a final response
- An indication of whether any initial enquiries have been made
- Information on whistleblower support mechanisms, and
- Indicating whether further investigations will take place and if not, why not

Where the allegation has been made anonymously, obviously the County Council will be unable to communicate what action has been taken.

The amount of contact between the Reporting Officer and the person making the allegation will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the County Council will seek further information from the person making the allegation.

The County Council will take steps to minimise any difficulties which may be experienced as a result of making an allegation. For instance, if a whistleblower is required to give evidence in criminal or disciplinary proceedings the Council will

arrange for them to receive advice about the procedure and advise on the support mechanisms that are available.

The County Council accepts that whistleblowers need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform those making allegations of the outcome of any investigation. On conclusion of any investigation feedback will also be requested from the whistleblower on the process set out in this procedure for considering their allegation.

## **11. Responsibility for the Procedure**

The Monitoring Officer has overall responsibility for the operation of this Procedure and for determining the administrative processes to be followed and the format of the records to be kept.

## **12. The Register of Whistleblowing Allegations**

The Monitoring Officer will maintain a Register of whistleblowing allegations made under this procedure.

The Register will be in a format determined by the Monitoring Officer and will record the following details:

- The name and status (e.g. employee) of the whistleblower
- The date on which the allegation was received
- The nature of the allegation
- Details of the Reporting Officer who received the allegation
- Whether the allegation is to be investigated and, if yes, by whom
- The outcome of the investigation
- Any other details determined by the Monitoring Officer

The Register will be confidential and only available for inspection by another Reporting Officer.

The Monitoring Officer will report annually to the County Council's Audit Committee on the operation of the Procedure and on the whistleblowing allegations made during the period covered by the report. The report will be in a form which does not identify whistleblowers and will normally be considered by the Audit Committee in public.

### 13. Raising your concerns externally

Whistleblowers are encouraged to raise their concerns internally. The Public Interest Disclosure Act (PIDA) 1998 provides protection to workers from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure **to their employer** considered to be in the public interest. Protection is also available to workers who report a disclosure to a '**prescribed person/body**'. The list of prescribed persons/bodies is available on the gov.uk website <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies> and includes the NSPCC in relation to child welfare and protection.