Agenda

Hertfordshire

AGENDA for a meeting of the AUDIT COMMITTEE in COMMITTEE ROOM B at County Hall, Hertford on MONDAY, 26 MARCH 2018 at 10.00 AM

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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. If a member has a Declarable Interest they should consider whether they should participate in consideration of the matter and vote on it.

PART I (PUBLIC) AGENDA

1.   MINUTES

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

2.   UPDATE ON PREPARATIONS FOR 2017/18 AUDIT

Report of the Director of Resources

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3. **REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2017/18**

   Report of the Director of Resources

4. **RISK MANAGEMENT QUARTERLY UPDATE AND ANNUAL SUMMARY 2017/18**

   Report of the Director of Resources

5. **RISK FOCUS REPORT – Recruitment and Retention**

   Report of the Director of Resources

6. **INTERNAL AUDIT PROGRESS REPORT**

   Report of the Director of Resources

7. **2018/19 INTERNAL AUDIT PLAN REPORT**

   Report of the Director of Resources

8. **ANTI-FRAUD ACTION PLAN - PROGRESS FOR 2017/18 AND PLAN FOR 2018/2019**

   Report of the Director of Resources

9. **FUTURE WORK PROGRAMME**

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

Tuesday, 15 May 2018: 10.00 am (Meeting to be preceded by training on Risk**)**	• Annual Governance Statement 2017/18 and Code of Corporate Governance- **moved forward from July meeting** • Annual Assurance Statement and Internal Audit Annual Report 2017/18- **moved forward from July meeting** • PREVENT report
Wednesday, 18 July 2018: 10.00 am	• 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 Report 2017/18 • End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18 • Whistle Blowing Annual Report 2017/18

EXCLUSION OF PRESS AND PUBLIC

The Chairman will move:-

"That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

PART II ('CLOSED') AGENDA

1. MINUTES PART II

To confirm the PART II minutes of the meeting held on 1 December 2017.

2. RISK FOCUS REPORT – PREVENT – Radicalisation

Report of the Director of Community Protection and Chief Fire Officer

If you require further information about this agenda please contact Theresa Baker, Democratic Services Officer, on telephone no (01992) 556545 or by e-mail to theresa.baker@hertfordshire.gov.uk

Agenda documents are also available on the internet at:
https://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings.aspx

Minutes

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 DECEMBER 2017

ATTENDANCE

MEMBERS OF THE PANEL

P Bibby, F Button (Chairman), S Gordon (substituted for 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

OTHER MEMBERS

R G Tindall

Upon consideration of the agenda for the Audit Committee meeting 1 December 2017, as circulated, copy annexed, conclusions were reached and are recorded below:

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

PART I ('OPEN') BUSINESS

ACTION

1. MINUTES

1.1 The minutes of the Committee meeting held on 11 September 2017 were confirmed as a correct record and signed by the Chairman.

2. HERTFORDSHIRE FIRE AND RESCUE AUTHORITY STATEMENT OF ASSURANCE 2016/17

[Contact: Darryl Keen, Chief Fire Officer (Tel: 01992 507500),
John Johnstone, Senior Business Support Manager
(Tel: 01992 507537)]

2.1 The Committee considered the Hertfordshire Fire and Rescue Authority (HFRA) draft Statement of Assurance the purpose of which was to provide assurances on financial, governance, operational matters for 2016/17 and to demonstrate due regard to the published Integrated Risk Management Plan (IRMP).

2.2	Members heard that the assurance statement was written in a purely descriptive format to make it accessible to all interested parties and that the data underlying it was published in other reports. Officers agreed to consider the best way to evidence such data to support the next report. Emphasis was given to ensuring balance so that the content of the performance reports were not duplicated; a summary of quantitative outputs and the scrutiny of this data throughout the year could form part of future iterations of the report.	C Bigland O Mapley
2.3	Members were updated that the trial HFRS cardio pulmonary resuscitation (CPR) training session undertaken by 500 children, had been videoed to enable wider dissemination of the message and learning via digital channels; in addition the Safe and Well project was now county wide.	
2.4	Members were advised that the published District Level Plan was one of the documents that contained quantitative data on assurance for every locality. Officers agreed to consider how to share this information with the Committee.	C Bigland
2.5	Officers clarified that Corporate Plan and the Integrated Plan would include measureable objectives for HFRS 'Future Improvements'	

Conclusions:

2.6 The Committee RESOLVED that the draft Statement of Assurance 2016/17 was approved and that for future iterations officers would review the amount of quantitative data it contained.

3. HERTFORDSHIRE COUNTY COUNCIL AND PENSION FUND ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

[Contact: Neil Harris, Associate Partner, Ernst & Young LLP]

3.1 The Committee considered the Hertfordshire County Council and Pension Fund Annual Audit letter 2016-2017 which communicated key issues arising from the work of the external auditors Ernst & Young (EY).

3.2 Neil Harris (NH) clarified that the £5,500 nationally agreed fee, over and above the scale fee of £27,991, was for additional work by EY (the administering body auditor) to provide assurance requested by the admitted body auditors on IAS 19 procedures.

3.3 The Committee were updated that NH's department and their work on Hertfordshire County Council and the Pension Fund had been selected by EY as part of its annual internal quality review programme. A good quality review was anticipated and Members and officers would be made aware of any findings at the next Audit Committee meeting; the County Council would not incur any costs or

loss of officer time from this review.

3.4   The external auditor and officers acknowledged the challenge that faster closure in 2018 presented to both the County Council and EY in particular. EY was addressing this by planning to complete 60 % of their audit before the end of the financial year. From the County Council perspective, on the basis of the 2016-17 trial run for draft account production by 31 May and final audited accounts by 31 July, processes were being implemented to enable assurance to be carried out early where possible; officers had also engaged with other authorities on their approach to this issue and there had been no indications that there would be any problems.

Conclusions:

3.5   The Committee RESOLVED to note the Hertfordshire County Council and Pension Fund Audit Results Letter for the year ended 31 March 2017.

4.   **UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS**

[Contact: Owen Mapley, Director of Resources (Tel: 01992 55601)]

4.1   The Committee considered a report which provided an update on actions taken in response to the 2016/17 Audit Results Report (ARR) and in preparation for the audit of the 2017/18 accounting statements.

4.2   Officers highlighted the strong leadership given to the early closure process by the Head of Accountancy Services (L McLeod) and the potential risk posed to its success by her retirement in March 2018, and that in mitigation succession planning had already commenced.

4.3   Members noted that the detailed draft timetable of Hertfordshire County Council activities, developed in conjunction with EY to meet the 2017/18 audit, included a significant amount of audit work by EY in February e.g. early sampling of transactions, and also early preparation of notes by the County Council.

4.4   Officers acknowledged that the most significant risk to the Council's finances and services was continued reduction in core funding in the context of increasing demand for services. The preparation of the Integrated Plan (IP) and Budget Scrutiny drew together the two areas of risk for 2017/18 and included the outlook for 2018/19-2021/22 including formalising of savings plans to meet the budget gap.

Conclusions:

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4.5   The Committee RESOLVED to note the report and commented upon it.

5.   MID-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2017/18

[Contact: Rob Thurlow, Senior Accountant (01992 555061)]

5.1   The Committee received the Mid–Year Report on treasury management performance and activity against prudential indicators for the period to 30 September 2017.

5.2   The Committee noted the continuing uncertain economic climate and that Arlingclose, the Council's Treasury advisors, had forecast interest rates remaining at 0.50%, whilst the Bank of England was suggesting two further rate increases of 0.25%, in 2018 and 2020; bringing rates to 1.00% at this point. Officers were monitoring this situation.

5.3   Members were updated that the Bank of England had recently conducted a further series of banking stress tests, modelled on a scenario more severe than that during the financial crisis; all UK banks had passed with no further recommendations for strengthening their capital positions.

5.4   To provide a more comprehensive view of the percentage of ultimate recovery for the Council's Icelandic investments a new version of Table 5 (page 8) was tabled, which showed the two closed claims, for completeness, and can be viewed at: Item 5-Mid-year report on Treasury Management Service & Prudential Indicators 17-18, Revised page 8, Table 5 amended

5.5   A typographical error was noted in 10.2, where £155.50 should have read £155.50m.

5.6   The breach of strategy on 4 May 2017, which had enabled £275,000 to be held in the Council's Barclays account over the £10m limit, was attributable to the automatic overnight sweeping mechanism of additional income received after dealing had closed, as opposed to an active investment decision. The data entry process on the treasury management system had now been changed to prevent the limit from being breached again when these sweeps are being recorded.

5.7   Members received assurance that unauthorised active investment decisions outside of programmed limits were prevented by inbuilt controls in the Treasury Management System, programmed in line with the Treasury Management Strategy.

5.8   The more conservative exposure to direct investment in overseas banks was determined by the overall Treasury Management

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Strategy, which was based on officer appraisal of the global financial environment and advice from treasury partners.

5.9 As part of its diversification approach, the Council had indirect overseas investments via its money market funds which invested in a range of financial institutions including appropriately rated overseas banks.

5.10 The un credit-rated investment instruments held by the Council were part of long term pooled funds recommended by the treasury adviser; the security of these investments arose from the diversification for the underlying assets.

5.11 The Committee requested a training session with Arlingclose and that officers determine the most appropriate time.

J Adam
S Pilsworth

Conclusions:

5.12 The Committee RESOLVED to note the Treasury Management mid-year report.

6 RISK MANAGEMENT UPDATE

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

6.1 The Committee received the quarterly Risk Management Update report which included: a summary of corporate risk movements/new risks; a heat map of the 32 Corporate Risks with amendments since the September meeting and a linked icon to the full Corporate Risk Register. Members were directed to Appendix A for risks escalated to the Corporate Risk Register since the September meeting; Appendix B: a summary of the latest risk scores and those reported at each of the three previous meetings of Audit Committee.

6.2 Members' attention was drawn to those risks escalated on the Corporate Risk Register i.e. CP07 and AC10 and those de-escalated to Service level risk i.e. R19.

6.3 The Committee endorsed the direction of risk consideration, in particular the introduction of a 'target' risk assessment and the potential splitting of the Corporate Risk Register and categorisation of the risks into Corporate and Strategic Risks.

6.4 Officers agreed to consider removal of the 'totals' row, which appeared to serve no purpose, in the Corporate Risk Register Summary Risk Status Report.

F Timms

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6.5 Members highlighted various anomalies in risk categorisation which affected their understanding of risk e.g.:

- CSHF0016 where the text did not refer to the service area and could lead to misinterpretation as a corporate risk;
- HR0018 where the 'Impact' of death of a service user was rated at only 8, in contrast to the recent regularisation and higher 'Impact' rating of the death of a service user in Adult Care Services and in Children's Services;

Officers clarified that that the 'Impact' rating was a subjective judgement by the risk owner and emphasised the importance of actually identifying a risk, its causes and mitigation.

6.6 Officers agreed to examine risk targets, risk wordings and definitions with a view to improving them.   F Timms

6.7 In view of the large number of risks on the Council's risk register when compared to similar bodies, Members suggested a possible benefit in combining related risks, e.g. R017 and R01.

6.8 Officers agreed to provide the Committee with higher level risk training on the criteria used to categorise risk, the impact of the methodology and the criteria used to determine if a risk remained on departmental/service risk register or whether it potentially become a Corporate risk, by examination of specific risks and the underlying judgements.   F Timms

Conclusion:

6.9 The Committee RESOLVED:
(i) to note the Risk Management Update report;
(ii) that Risk R01 / HR0021: *'If we fail to retrain, attract and recruit the right people (managers, officer's and volunteers) and the right skills and maintain engagement at all levels, there may be a significant impact on service delivery and major cost implications [Formerly CSCE0007]'* be the subject of the risk focus report for the March 2018 meeting.   S Hopper

7. HOMECARE WORKFORCE IN HERTFORDSHIRE

[Officer Contact: Frances Heathcote, Assistant Director Adult Care Commissioning (Tel: 01992)]

7.1 In relation to the County Council's statutory responsibility to provide homecare, Members received a report which:

- Provided further information on the risk and associated controls recorded on the Corporate Risk Register relating to the recruitment of the homecare workforce;
- Outlined Hertfordshire's approach to mitigating the risks outlined in the report, and the positive steps being taken, in partnership with homecare providers, and Hertfordshire Care Providers association (HCPA) to ensure the County Council was able to

support the homecare market, meet demand, and increase the homecare workforce to ensure people who needed care and support at home were able to access homecare in a timely way, thus improving outcomes for them and reducing pressure on the wider health and social care system in Hertfordshire.

7.2   The committee welcomed the quality and detail of the report.

7.3   Members commented that the entirety of Hertfordshire residents discharged from hospital, including those hospitals located outside of the county boundary, should be included in the homecare picture.

7.4   Further to this, raising of public awareness that social care was not without cost could assist in reducing the total demand, e.g. through publication of data which gave the whole picture by including self-funders and care given by other people e.g. family members.

7.5   A revised version of the report was tabled, incorporating on page 5 an omitted table on Delayed Transfers of Care (DTOC) in the acute hospitals on each side of the county since April 2016, which can be viewed at :
        Audit Committee -1 December 2017-Item 7-Risk Focus Report-Homecare Workforce in Hertfordshire- Revised to include table at 4.3.2
        Members heard that DTOC were the number of hospital 'bed days' lost by people delayed in hospital, when they are medically fit, awaiting a homecare package.

7.6   Officers clarified that the complex geography of Herts Valleys (i.e. towns and rurality), proximity to London and discharge behaviours specific to particular hospitals (e.g. short notice notifications which led to difficulties in sourcing same day care and contact with families) had resulted in higher levels of DTOC in this area.

7.7   Officers clarified that, on the basis of a formula using numbers of care hours given and waiting lists, ACS was currently delivering approximately 96% of homecare need in Hertfordshire for those residents eligible for homecare commissioned by the local authority. Unmet need being met by unpaid family carers was not possible to quantify as it required all such carers to identify themselves. To improve this the County Council had a contract with 'Carers in Herts' and strong links with charities such as Age UK, the British Red Cross and Voluntary Community Service which enabled earlier identification of and support of the increasing number of unpaid and aging carers in the county.

7.8 The importance of minimising travel time was recognised. To minimise travel time the county was divided in to12 zones, including rural, and 70% contact time was bench marked for each visit to prioritise face to face contact. As part of the contract Lead Providers' care workers' travel time payment was contractually linked to Hertfordshire Care Standards and similarly for spot contracts in 2018 when these services are re-tendered.

7.9 Officers clarified that approximately 16% of the homecare Workforce was made up of EU citizens, with the majority being Polish.

7.10 Members heard that 70% of people going into homecare work did so because they were caring people who enjoyed person to person contact. This was being used to improve the image of homecare, and by association recruitment, via a multi-faceted ongoing campaign including personal testimony from care workers, and also social media and links with the colleges to reach younger people. To aid retention the Hertfordshire Good Care Campaign was used to highlight the value of the home care workforce, The home care workforce now also had access to Herts Rewards.

7.11 Care worker pay also affected recruitment and retention; a number of measures had been put in place to increase the hourly rate of home care staff, to enable providers to achieve the National Living Wage (NWL) target ahead of the government's target. Spot checks were carried out on providers to ensure that increases were passed on to the home care workforce. Members noted the competition for home care workers from self-funders who paid an estimated £20 per hour and from some retailers who had brought forward the NLW.

7.12 Officers observed that there was still no agreed timescale for the publication of the green paper on social care. In view of the extremely complex nature of the issue, a long term solution was required and needed to address the needs of working age adults with complex needs as well as older people.

7.13 F Button proposed two additional recommendations (as below) which were seconded by W-J Wyatt –Lowe:

- *'Audit Committee members request that the chairman of Adult Health and Care and the Chairman of Health Scrutiny be made aware of Audit Committee's views and concerns*;
- *That a visit to a Home Care Provider be arranged in order for Audit Committee better to understand the recruitment pressures being experiencing and the plans the Provider has in place to address these pressures.'*

Recommendations:

7.14 The Committee RESOLVED:
1. To note, commented upon and endorsed the overall approach that

the County Council was taking to mitigate the risk and associated controls relating to the recruitment of the homecare workforce in Hertfordshire and to note the actions being taken to improve the recruitment and retention of the homecare workforce in Hertfordshire;

2. To request that the chairman of Adult Health and Care and the Chairman of Health Scrutiny be made aware of Audit Committee's views and concerns;

3. That a visit to a Home Care Provider be arranged in order for Audit Committee better to understand the recruitment pressures being experiencing and the plans the Provider had in place to address these pressures.

8. HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT

[Officer Contact: Darren Williams, Client Audit Manager
(Tel: 01438 844341)]

8.1 The Committee received an internal audit progress report (as at 14 August 2017) on Shared Internal Audit Service (SIAS) delivery of the Hertfordshire County Council Internal Audit Plan for 2017/18; proposed amendments to the approved 2017/18 Audit Plan; 'Limited Assurance' audits issued since the last meeting of the Committee; the implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions, also medium priority recommendations; an update on performance management information.

8.2 Members noted the following updates since the writing of the report:
- Internal Audit Plan Days delivered had risen from 52% to 56%;
- 4 further draft reports would be issued within the coming week;
- Schools Audit Activity (Theme 1) – 26 final reports issued and 1 remaining to finalise;
- Schools Audit Activity (Theme 2) – 12 final reports issued and 5 in draft from;
- Schools Audit Activity (Theme 3) – 7 draft reports issued and 1 visit left to undertake;

8.3 In relation to delivery against the planned days performance indicator, Officers clarified that performance could not be measured on a straight line basis as timing for certain activities was dependent on client or external requirements (e.g. external audit required key financial systems work to take place in December each year). The Committee heard that work was 35 days ahead on delivery, in comparison to the same point last year, and were assured that officers were currently confident the 95% performance target would be reached by 31 March 2018. It was highlighted that, whilst the KPI of 95% related to the amount of work carried to 31 March, the overall assurance opinion was based on work completed

subsequent to that date.

Conclusions:

8.4   The Committee RESOLVED to:
- note the Internal Audit Progress report
- agree the changes to the audit plan;
- agree to the removal of high priority actions now complete.
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9.   HERTFORDSHIRE COUNTY COUNCIL SHARED ANTI FRAUD SERVICE REPORT

[Officer contact: Nick Jennings Counter Fraud Manager
(Tel: 01438 844705)]

9.1   The Committee received a report on Shared Anti-Fraud Service (SAFS) activity in 2017/18, progress against the Council's Anti-Fraud Action Plan 2017/18 and the Transparency Code Data 2016/17 (appendices 1 & 2 to the report).

9.2   For information a 'Councillors Guide to Fraud' was tabled.

9.3   Officers highlighted that a further 2 government and public sector organisation reports had been issued since the report under consideration had been written:
- The CIPFA Anti-Fraud Tracker had identified that fraud in Local Government had changed from high volume low value to low volume high value, however as the response rate to the report had been low it included considerable extrapolation;
- The UK Annual Fraud Indicator 2017, which had a wider scope and looked at broad risk, estimated that the broad risk of fraud losses for local government had now risen from £7m to £7.9m.

Officers agreed to send these reports to the Members.   N. Jennings

9.4   516 allegations of fraud had been received across all partners in the first half of 2017/18 and 89 related to County Council services. Officers detailed the type of fraud being reported in the County Council (Blue Badge fraud begin the most common), who was reporting it and the outcomes of closed cases.

9.5   It was highlighted that the County Council was the main beneficiary of the recovery of sums from Council Tax fraud perpetrated against the District and Borough Councils, currently £80,000 in the first half of 2017/18; members welcomed this relationship.

9.6   Members noted the County Council Transparency Code-Fraud Data.

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9.7   Officers clarified that the Project Aims of 'improving the reach into areas of non-benefit and corporate fraud within the county', encompassed work with those services where fraud was less common / less well known but was still high risk, e.g. Adult Social Care where the high volumes of money paid to individuals were a potential target for fraudsters.

Conclusions:

9.8   The Committee RESOLVED to note the progress against the Anti-Fraud Action Plan 2017/18

9.9   The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 9.10:

9.10   That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II ('CLOSED') AGENDA

1   MINUTES

The Minute of this item of business is set out in the separate Part II Minutes.

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2.   **RISK FOCUS REPORT – PREVENT – Radicalisation**

The Minute of this item of business is set out in the separate Part II Minutes.

9.11   Following discussion on the Part II report and Recommendations, the Chairman moved the meeting back into Part I (Open Session)
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10.   FUTURE WORK PROGRAMME

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

10.1   Monday, 26 March 2018: 10.00am
•   Audit Plan 2018/19 – County Council
•   Audit Plan 2018/19 – Pension Fund
•   Preparation for 2017/18 Accounts
•   Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters' Pension Fund) And Hertfordshire Pension Fund Accounts 2016/17

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- Risk Management Annual Report 2016/17
- **Risk Focus Report R01 / HR0021**
- Internal Audit Progress Report
- Internal Audit Plan 2018/19
- SAFS HCC Anti-Fraud Action Plan 2018/19
- SAFS Annual Report
- PREVENT update report

May 2018,date tbc
- Annual Governance Statement 2017/18 and Code of Corporate Governance- moved forward from July meeting
- Annual Assurance Statement and Internal Audit Annual Report 2017/18- moved forward from July meeting

Wednesday, 25 July 2018: 10.00am
- 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 Report 2017/18
- End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Whistle Blowing Annual Report 2017/18

ANY OTHER BUSINESS

There was no other business

KATHRYN PETTITT
CHIEF LEGAL OFFICER   **CHAIRMAN**_____

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
26 MARCH 2018 AT 10.00 AM

UPDATE ON PREPARATIONS FOR 2017/18 AUDIT

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Report of the Director of Resources

Author: Owen Mapley, Director of Resources (Tel: 01992 555601)

1.   Purpose of the Report

1.1   To update the Committee on actions taken in preparation for the 2017/18 Statement of Accounts.

2.   Summary

2.1   Ernst Young LLP (EY) issued an unqualified opinion on the 2016/17 accounts, and made no specific recommendations. As reported previously, a number of actions are under way to ensure the 2017/18 accounts and audit achieve the same high standards, and to address new timescales. This report provides an update of progress against these actions.

3.   Recommendations

3.1   The Committee is invited to note and comment upon this report, specifically
   - Noting the preparation for the 2017/18 accounts close and audit, in particular the earlier deadlines to be achieved in 2017/18 for draft accounts and audit conclusion,
   - Noting a potential delay in the internal EY sign off for issuing the 2017/18 audit plan, that this is unfortunate but unavoidable and the EY team are seeking to minimise any delay, and that Herts Finance officers have reviewed the risks arising and are confident that they will not jeopardise the overall timetable,
   - Noting that there are no significant changes required to the accounting policies for 2017/18,
   - Noting the intention to move from 'group entity' to 'single entity' accounts in 2017/18, but to hold this under annual review for future years.

4.   Actions to prepare for 2017/18 and subsequent audits

4.1   Finance has continued to build on the outcomes of the review of the 2016/17 accounts closure and audit process, as it develops its plans for the 2017/18 close.

4.2   From 2017/18, there is a statutory requirement to produce the draft accounts by 31 May and final audited accounts by 31 July. A detailed project plan and timetable was prepared for 2016/17 closure, to provide a 'dry run'. This plan was successfully delivered, and places the Council in a good position to tackle the revised deadline for this year. As last year, a number of tasks have been brought forward to help achieve this, for example earlier delivery of asset revaluations and actuary estimates.

4.3 Herts Finance are also continuing to work with EY on ways of streamlining and bringing forward the audit process. These include early testing of April – December 2017 transactions, and the agreement of accounting policies and changes to the format of accounts before the main audit. There has been an increase in the level of substantive testing being requested by EY, which is in part a response to the higher level of overall risk currently being faced in the local government sector. Herts Finance is responding to this as necessary and keeping the overall workload under review.

4.4 Officers have attended joint CIPFA / EY training covering the 2017/18 accounts. There are no substantial changes to the accounting requirements this year, which will help facilitate the achievement of the earlier deadlines that are required.

4.5 The summary timetable for the preparation of the accounts is set out below. A detailed timetable is held by the finance team and will help monitor progress to the 31 May 2018 deadline.

Action	Date
Outturn Monitor and final Carryforwards due to Corporate Finance	Wed 25/4/18
Outturn Monitor due to SMB (presented on Tues 8th)	Thurs 3/5/18
Draft Statement of Accounts to Director of Resources for review	Thurs 24/5/18
Draft Statement of Accounts final proof read	Tues 29/5/18
Draft Statement of Accounts to EY	Thurs 31/5/18

5.   Audit plan

5.1 It is usual for EY (as the independent external auditor) to bring forward an audit plan at this point in the year covering the audits of both the Hertfordshire County Council accounts and the accounts of the pension fund. The purpose of this plan is to advise the Committee how the EY team will progress audit testing in line with the national deadlines, and to indicate any specific areas of focus. Specific focus may be due to local or national issues.

5.2 The EY audit plan is separate to the Herts Finance plan for delivery of the draft accounts. Neither plan is dependent on the other, although they are inter-related will work to the same deadlines and principles.

5.3 Substantive testing is always done ahead of the formal audit undertaken in April and May. This testing includes reviews of internal audit reports, and of financial system controls and transactions. This 'managed' approach to the audit has proceeded uninterrupted and as usual for the 2017/18 financial year. Substantive testing has been concluded already at a greater level of detail than is usual (as part of a move away from controls based testing to a focus more on substantive testing), generating more work for the Herts Finance team. Outcomes to date have been positive. There

is a strong and ongoing dialogue between the audit and finance teams, and some small changes have been made to the Herts Finance plan to reflect this interim work.

5.4   It is understood by the Herts Finance leads that the EY audit plan has been prepared in a timely way by the EY team. However, two key factors have delayed the internal EY sign off of this plan, with the result that discussion with officers and potentially presentation to the committee has been delayed.

5.5   The factors delaying the formal presentation of the audit plan are

- Selection of the EY audit of Hertfordshire County Council as part of an internal review by EY, part of a review of higher profile engagements (such as Hertfordshire County Council). This work is understood to have been recently completed, and has required some additional checking between EY teams to ensure that any points arising from the review are fully reflected in the audit plan.

- Selection of the EY audit of Hertfordshire County Council by the Financial Reporting Council (FRC), again due to the profile of this account. In accordance with EYs contract with Public Sector Audit Appointments (PSAA), a sample of audit engagements are reviewed every year by the FRC. For 16-17, Hertfordshire County Council was one of the engagements selected. This is an external review of EY by a sector regulator, and at the date of this report, this review is ongoing (we expect a final report will not be issued to the EY audit team by 26 March; it is expected towards the end of April).). Again, the EY audit plan is being cross-referred and quality assured to address outcomes of this review.

5.6   In this context, the formal internal EY approval of the plan has been delayed whilst the necessary cross checks, outlined above, are concluded. Even though the unfortunate coincidence of both an internal and an external review of the same audit engagement immediately prior to presentation of the plan has been frustrating for both teams, it does offer the added assurance that the audit plan, when presented, has been subjected to thorough review and detailed testing. At the 26 March Audit Committee, EYs Engagement Lead can provide an update to the Audit Committee on the current position with the reviews and the scope of the 2017-2018 audit.

5.7   Herts Finance lead officers have reviewed the risks arising from this situation and discussed them with the EY leads. Given the independence of the two plans, and the progress made on the interim testing, it is considered that the delay to the submission of the audit plan is a low risk that is substantially mitigated.

5.8   The additional testing work required and the provision of further evidence and testing by the Herts Finance team has been substantial, but this is now largely concluded. We have sought and received assurances that the overall audit fee will not be affected.

6. Accounting Policies

6.1 Officers have reviewed the Accounting Policies to ensure these remain compliant with relevant accounting standards, and that accounting practice in preparing the accounts is aligned with policies.

6.2 There are no changes in accounting standards or other statutory requirements that impact the Council's 2017/18 accounts, and therefore no changes to accounting policies are proposed. However, we are reviewing disclosures on 'critical judgements' (that is, areas of higher complexity or areas affected by uncertain future events), including our assessment of future funding and resilience.

7. Group accounts

7.1 Further to a review of the critical path required to deliver earlier accounts for 2017/18, it has been identified by the finance team and reviewed by the external auditor that the group accounts prepared in previous years are of limited materiality and do not significantly enhance the quality of the accounts as a whole. As a result, it is intended that single entity accounts are prepared for 2017/18. However, it is a requirement to review the position on group accounts preparation every year, and so this position may be reversed depending on the development of Council activities in the future. Further detail on this is included at appendix A

8. Financial Implications

8.1 There are no additional financial implications.

Appendix A – rationale for adoption of single entity, rather than group, accounts

Assessment of Group Accounts for Hertfordshire County Council

Hertfordshire County Council undertakes an annual assessment to review its investments in companies and determine if a group boundary exists. This review uses the standard determination of group status provided in the national Code of Practice for local government accounts.

Since the inception of Herts Catering (HCL) and Herts for Learning (HfL) in September 2013, the Council has determined that a group boundary exists for both, and consequently has produced Group Accounts (from the 2013/14 financial year), although it has been recognised that this is primarily a technical accounting consideration due to the size of both organisations in comparison with the overall size of the Council.

However, having undertaken a further review of these entities, we are minded to no longer produce Group Accounts. Whilst we are happy in principle with the technical assessment that a group boundary exists, the Council does not believe the adjustments required to produce Group Accounts
1. are material in nature, or
2. enhance the overall value and clarity of the accounts for stakeholders.

The requirement for provision of group accounts is as follows. International Accounting Standard 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Furthermore, within International Financial Reporting Standard 10 - Consolidated Financial Statements, there are requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate other entities it controls.

However, the primary consideration is the principal of materiality. The definition of materiality[1] is:

> "Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

The Code of Practice expands on this further and Paragraph 2.1.2.11 of the Code further states that an authority need not comply with the Code, as to both disclosure and accounting principles, if the information is <u>not material</u> to the true and fair view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

Put simply, providing group accounts for Hertfordshire County Council does not enhance the reader's understanding of the financial position of the Council. So, while providing Hertfordshire County Council accounts in a 'group' format is technically correct, it does not significantly enhance the reader's understanding of the County Council's financial activity, and providing only a single entity statement does not risk misleading a reader of the accounts.

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[1] **From IFRS Practice Statement 'Making Materiality Judgements'**

It is also worth noting that this analysis has been discussed with the Independent External Auditor, and also that the preparation of group accounts is onerous, needing approximately 3 days of work.

As such, we are intending to produce only Single Entity accounts from 2017/18 (although this will be reviewed annually), but also to include a narrative disclosure outlining that a group boundary exists and explaining the rationale for not producing Group Accounts. The detailed supporting this is available.

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
26 MARCH 2018 AT 10.00 AM

<table>
<tr><td>Agenda Item No:

3</td></tr>
</table>

REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2017/18

Report of Director or Resources

Authors: Steven Pilsworth, Assistant Director Finance
                  (Tel: 01992 555737)
                  Patrick Towey, Head of Specialist Accounting
                  (Tel: 01992 555148)

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

1. **Purpose of the Report**

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

2. **Summary**

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

3. **Conclusion**

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

4. **Suggested Resolution**

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

Natalie Clark
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Contact:	Owen Mapley	

Private & Confidential

Date: 2nd March 2018

Dear Ms Clark

Hertfordshire County Council Audit of Accounts 2017/18 – Understanding how the Audit Committee gains assurance from management

Thank you for your letter dated 28th February 2018 sent to me as Chairman of the Audit Committee, concerning your current work on the Council's accounts for 2017/18.

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

1   **Oversight of management's processes in relation to:**

1.1   **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error**

This risk is considered by the Audit Committee as part of its annual scrutiny of the accounts. Internal Audit audits and reports to the Committee on its work, assessing the controls designed to ensure the accuracy and propriety of the financial statements. As a result of this work during 2017/18, I anticipate that the Head of Assurance will report to the Committee that he does not consider that there is a significant risk of material misstatement in the financial statements due to fraud.

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

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

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

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

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

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

The Shared Anti-Fraud Service which began operation in April 2015 is resourced to undertake investigations into suspected fraud, and has undertaken a number of these in 2017/18. The service maintains a record of all fraud referrals and actions taken in response. Anti-fraud work also includes participation in the National Fraud Initiative and the investigation of potential data matches which may indicate fraud.

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

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

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

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

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

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

The Head of Assurance presents the annual Internal Audit Plan to the Audit Committee, and provides the Committee with the opportunity to scrutinise those

elements of the Plan aimed at identifying and responding to the risks of fraud within the Council. The Committee has also been made aware of the Anti-Fraud and Corruption Strategy and the Anti-Bribery policy. The Committee also receive regular update reports on the work of the Shared Anti-Fraud Service.

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

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

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

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

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

The Head of Assurance via the Shared Anti-Fraud Service maintains a fraud register, which provides for the recording of the nature and extent of each suspected fraud, the way in which each case is resolved, and any wider corrective measures. Following the upload of the 2016/17 National Fraud Initiative data the Service has been investigating the resulting data matches throughout 2017/18 the year.

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

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

5   **Compliance with relevant laws and regulations**

The County Council approves the Council's Constitution and any changes to it (most recently November 2017), in which the functions of Monitoring Officer are set out. The Audit Committee members are members of the County Council. It is the role of the Monitoring Officer to ensure that decisions are lawful and fair and, after consultation with the Head of Paid Service and Director of Resources, to report to

the Council (or Executive) if any proposals or decision would give rise to unlawfulness or maladministration.

Formal reports from Monitoring Officers to Council Meeting, at Hertfordshire County Council as elsewhere, are extremely rare. The Monitoring Officer discharges her responsibility by ensuring that Members, including the Audit Committee, are advised as soon as possible about potential unlawfulness or maladministration. There have been no significant issues of non-compliance in 2017/18 reported to the Audit Committee.

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

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

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

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

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

Yours sincerely

Frances Button
Chairman, Hertfordshire County Council Audit Committee

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Contact:	Owen Mapley

Private & Confidential

Date: 2nd March 2018

Dear Ms Clark

Audit of the Hertfordshire Local Government Pension Fund Financial Statements for the year ended 31 March 2018 – Understanding how the Audit Committee gains assurance from management

Thank you for your letter dated 28th February 2018 sent to me as Chairman of the Audit Committee, concerning your current work on the Council's accounts for 2017/18.

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

1   **Oversight of management's processes in relation to:**

1.1   **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error**

       This risk is considered by the Audit Committee as part of its annual scrutiny of the Pension Fund accounts. Internal Audit audits and reports to the Committee on its work, assessing the controls designed to ensure the accuracy and propriety of the financial statements. As a result of this work during 2017/18, I anticipate that the Head of Assurance will report to the Committee that he does not consider that there is a significant risk of material misstatement in the financial statements due to fraud.

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

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

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

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

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

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

The Shared Anti-Fraud Service which began operation in April 2015 is resourced to undertake investigations into suspected fraud, and has undertaken a number of these in 2017/18. The service maintains a record of all fraud referrals and actions taken in response. Anti-fraud work covering the Pension Fund includes participation in the National Fraud Initiative and the investigation of potential data matches which may indicate overpayments or, occasionally, fraud.

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

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

The Pension Fund has published a Communication Policy Statement which explains how it communicates with employers and representatives of employers, scheme members and prospective scheme members. This will be set out within the Pension Fund's 2017/18 Annual Statement of Accounts, and may be found separately at the following website

7

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

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

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

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

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

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

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

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

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

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

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

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

measures. Following the upload of the 2016/17 National Fraud Initiative data the Service has been investigating the resulting data matches throughout 2017/18 the year.

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

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

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

5   **Compliance with relevant laws and regulations**

The County Council approves the Council's Constitution and any changes to it (most recently November 2017), in which the functions of Monitoring Officer are set out. The Audit Committee members are members of the County Council. It is the role of the Monitoring Officer to ensure that decisions are lawful and fair and, after consultation with the Head of Paid Service and Director of Resources, to report to the Council (or Executive) if any proposals or decision would give rise to unlawfulness or maladministration.

Formal reports from Monitoring Officers to Council Meeting, at Hertfordshire County Council as elsewhere, are extremely rare. The Monitoring Officer discharges her responsibility by ensuring that Members, including the Audit Committee, are advised as soon as possible about potential unlawfulness or maladministration. There have been no significant issues of non-compliance in 2017/18 reported to the Audit Committee.

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

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

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

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

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

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

Yours sincerely

Frances Button
Chairman, Hertfordshire County Council Audit Committee

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
26 MARCH 2018 10.00 AM

RISK MANAGEMENT QUARTERLY UPDATE & ANNUAL SUMMARY 2017/18

Report of the Head of Assurance

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 since the last meeting. 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". In addition, it includes an annual summary of the risk management activity throughout 2017/18.

2.   Summary

2.1.   The following items are included in this report:

- The current Corporate Risk Register position
- Details of key risk movements since the last report to Audit Committee

2.2.   Corporate risk appendices accompany this report:

- A risk movement report at Appendix A details the risks with changes since the last report to Audit Committee.
- A risk status report at Appendix B summarises the latest risk scores and risk scores at each of the last 3 Audit Committee meetings.
- The organisational risk matrix is included in Annex A to this paper.
- A summary of key corporate risk movements over the last year is included as Appendix C

3.   Recommendations

- That the changes in the Corporate Risks since the last report to the Committee are noted
- That the Risk Management summary report be noted.
- That the Committee identifies a risk (or risks) to be reviewed at its meeting in July 2018.

4. Corporate Risk Register

4.1. The latest review of the corporate risk register took place during January 2018 and significant changes were subsequently reported to the Strategic Management Board (SMB) within the Performance Dashboard and were similarly reported to the Public Health, Prevention and Performance Cabinet Panel on 12 March 2018.

4.2 The following table summarises the changes in risks since the last report to the Committee

	As at December 2017 Audit Committee	Latest position (Feb -2018)
Red	13	13
Amber	19	20 (+1)
Yellow	1	1
Green		
Total	33	34
Difference +/-		+1

5. Heat maps (matrices) of corporate and strategic risks

5.1. These have been differentiated to show those risks considered 'Strategic' and those that should be considered 'Corporate'. The Corporate Risk Register will therefore be comprised of both these sets of risks. These provide an overview and summary of the risk landscape for the organisation currently and an opportunity for Audit Committee to consider risks across Services.

5.2. Strategic and Corporate Risks

As mentioned in the last report to the Committee, work has been undertaken to divide the risks into "Strategic" and "Corporate" categories

5.3. Criteria used:

5.3.1. Both classifications of risk will still be reported in the Corporate Risk Register and so they will be subject to the current criteria for corporate risks.

5.3.2. These risks are threats to the overall success of council objectives, the vitality and viability of the organisation and:

   i. May significantly impact upon the key resources of the Council (e.g. financial resources, human resources and other key assets).
   ii. May result in significant disruption to a number of the critical services provided by the council.
   iii. May be a significant threat of serious harm or death to service users, officers/members and/or members of the public.

    iv.   The resources needed to manage the risk and deal with the potential impacts could be beyond the capability of the relevant service.

    v.   May result in significant attention from outside the council (e.g. general public/ Media/ Government agencies etc.) and so maintain the potential to cause considerable damage to the Council's reputation

5.3.3.   However, although there will be an element of judgement, the following may be used to differentiate between Strategic and Corporate risks:

5.3.4.   Strategic risks
    i.   Represent, particularly, threats to current strategic drivers for the organisation, e.g. Prevention, Housing, Growth/Infrastructure, the SMART programme
    ii.   Relate to new / innovative approaches and / or changing environmental factors, e.g. legislation, so that our responses and outcomes are less clear
    iii.   Are more time-impacted, relating to a shorter and potentially known timeframe
    iv.   Are likely to reflect more volatility in terms of increases and decreases in the risk in a short to medium timeframe
    v.   May therefore relate to key programmes / projects

5.3.5.   Corporate risks
    i.   Relate to long term, ongoing service delivery
    ii.   Are usually (but do not have to be) at their 'target score' and if so are being accepted or tolerated at that level of risk
    iii.   Most controls will be 'in place / embedded'
    iv.   Are usually (but do not have to be) related to enabling activities and services, i.e. services or activities that enable front-line service activity, and/or the smooth running of the organisation.

5.4.   Strategic and Corporate Risk - Examples:

Strategic Risk – SR21 (PROP0023), Establishment of Herts Living Ltd to maximise returns on land and assets.
  ✓ A threat to current strategic drivers for the organisation
  ✓ Relates to new approaches and / or changing environmental factors; responses and outcomes are less clear
  ✓ Relates to a key programme.

5.4.1.   Corporate Risk – R01 (HR0021), Attract, recruit and retain staff.
  ✓ Relates to long term, ongoing service delivery
  ✓ Most controls are 'in place / embedded'
  ✓ Relates to enabling activities and services, i.e. services or activities that enable front-line service activity, and/or the smooth running of the organisation.

5.4.2.   The result of applying these criteria shows the 34 risks in the Corporate Risk Register broken down as outlined in the heat maps (matrices):

6.   Heat Maps of Corporate Risk Register – March 2018

These provide an overview and summary of the risk landscape for the organisation currently and an opportunity for Audit Committee to consider risks across the Authority and across Services. Key changes from the position reported to the December 2017 Audit Committee meeting are shown.

Each corporate risk has been allocated a simple risk number prefixed by appropriate letters to denote the Department owning the risk. In addition a prefix starting with an S denotes a 'Strategic' risk.

AC   = Adult Care Services   E   = Environment
CS   = Children's Services   PH   = Public Health
CP   = Community Protection   R   = Resources

6.1.   Heat map of Strategic Risks (10) – March 2018

Almost Certain				SAC01 SE02 ⇧ SE05 ⇧	
Likely				SAC08 SCP07 SR02 SR12	
Possible				SCS02 SE01 ⇧ SR21	
Unlikely					
Rare					
	Negligible	Low	Medium	High	Very High

Likelihood

Impact
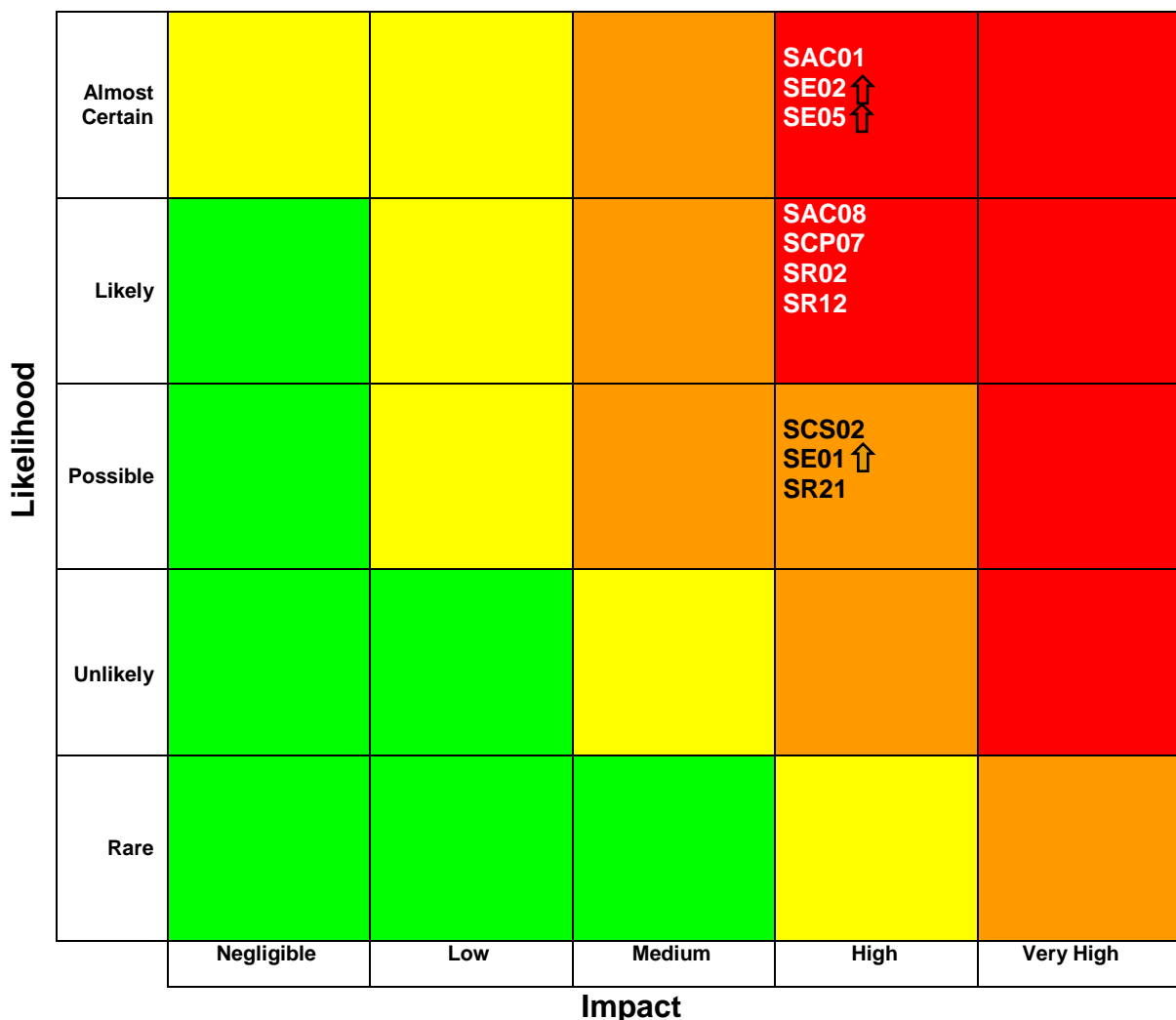
Brief risk descriptions

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:

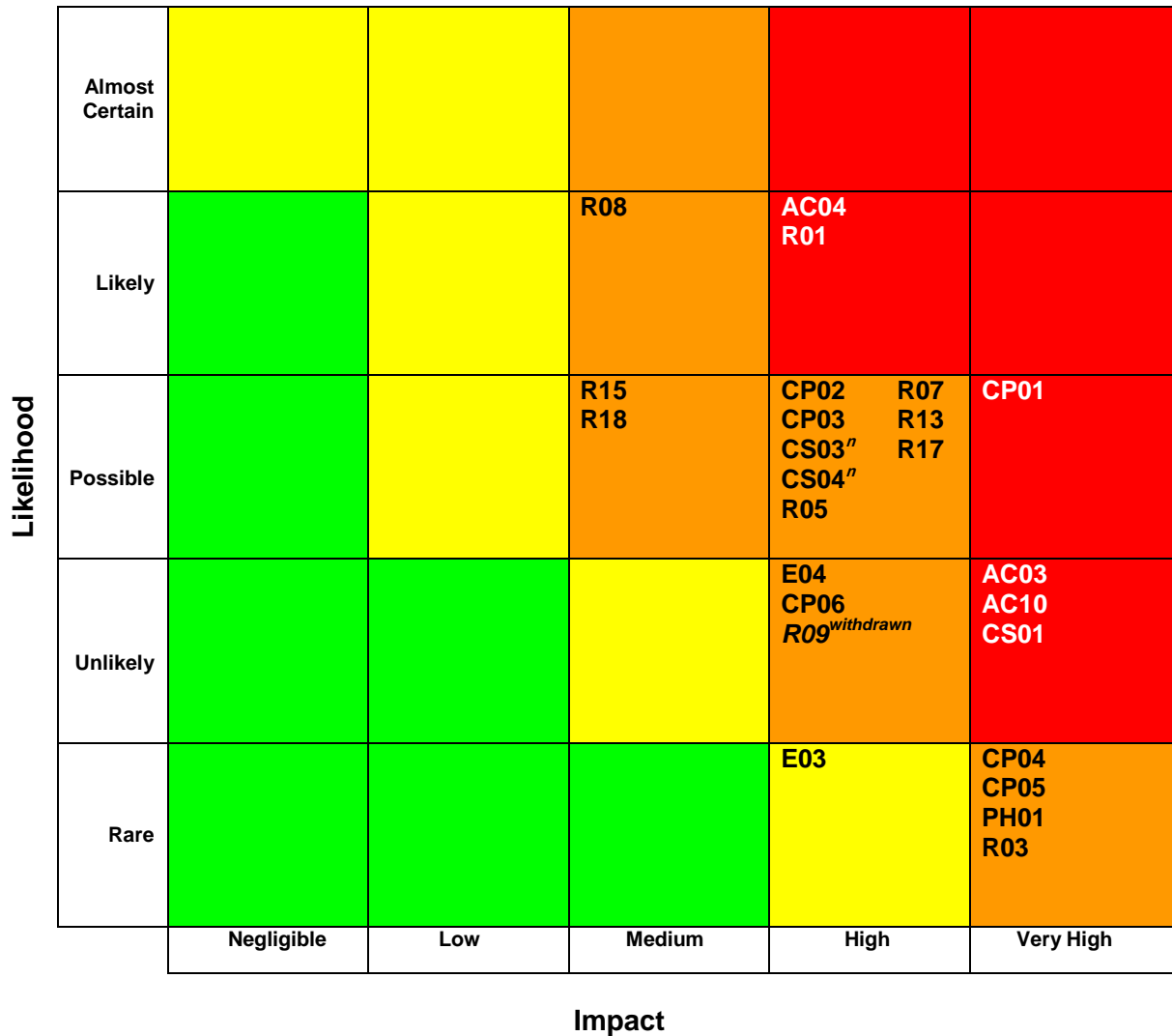| No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
SE02 **40** ↑	Residual Waste Treatment Programme	Simon Aries Assistant Director - Transport, Waste & Environmental Management	Strategic ENV0104	
SE05 **40** ↑	Croxley Rail Link (MLX) cancellation	Rob Smith Deputy Director Environment	Strategic ENV0148	
SAC01 **40**	Homecare workforce - Care Act 2014 non-compliance	Frances Heathcote Assistant Director, Adult Care Commissioning	Strategic HCS0010	23/09/2016 01/12/2017
SCP07 **32**	HFRS transfer to PCC	John Wood Chief Executive & Director of Environment	Strategic CP0005	
SAC08 **32**	Insufficient budget for adult care, Better Care Fund	Helen Maneuf ACS Assistant Director, Planning & Resources	Strategic HCS0016	
SR02 **32**	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Trevor Mose Interim Assistant Director - Property	Strategic PROP0022	20/11/2014 01/03/2017
SR12 **32**	Cyber-attack on HCC's ICT	Dave Mansfield Head of Technology	Strategic TEC0004	07/07/2017
SCS02 **24**	Funding to deliver School's expansion programme and housing demand	Simon Newland Assistant Director (Education Provision & Access)	Strategic CSF0070	25/11/2015
SE01 **24** ↑	Tree Health	Simon Aries Assistant Director - Transport, Waste & Environmental Management	Strategic ENV0142	30/11/2016
SR21 **24**	Establishment of HLL to maximise returns on land and assets	Mike Evans Director – Herts Living Ltd	Strategic PROP0023	

6.2.   Heat map of Corporate Risks (24) – March 2018

Likelihood	Negligible	Low	Medium	High	Very High
Almost Certain					
Likely			R08	AC04 R01	
Possible			R15 R18	CP02 R07 CP03 R13 CS03[n] R17 CS04[n] R05	CP01
Unlikely				E04 CP06 *R09*[withdrawn]	AC03 AC10 CS01
Rare				E03	CP04 CP05 PH01 R03

Impact

Key/Notes

● *withdrawn*   Risk that has been withdrawn from the Corporate Risk Register *(shown to display a change from December 2017)*

● [n]   New risk raised to the Corporate Risk Register

Brief risk descriptions (Corporate risks)

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
CP01 **48**	Unplanned incidents	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	Corporate HFRS0007	22/11/2012 23/03/2016

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
CS01 32	Possible death of a child or young person.	Jenny Coles Director of Children's Services	Corporate CSF0055	30/06/2011 27/03/2014
AC03 32	Failure of care providers - Inadequate care	Frances Heathcote Assistant Director, Adult Care Commissioning	Corporate HCSCP0001	29/09/2011
AC10 32	Safeguarding Vulnerable Adults	Sue Darker Operations Director, Learning Disabilities and Mental Health	Corporate HCSLD0005	
AC04 32	DOLS - Deprivation of Liberty Safeguards	Sue Darker Operations Director, Learning Disabilities and Mental Health	Corporate HCSMH0002	16/09/2014
R01 32	Failure to retain, attract and recruit the right people and right skills	Sally Hopper Assistant Director, Human Resources	Corporate HR0021	21/11/2013 26/03/2018
CP02 24	Radicalisation - Prevent	Guy Pratt Deputy Director of Community Protection	Corporate CP0004	11/09/2017
CP03 24	Extreme Weather	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	Corporate CPRES0009	
CS03 24 new	Partnership funding for Children's Services	Jenny Coles Director of Children's Services	Corporate CSF0082	
CS04 24 new	Welfare, reform and immigration arrangements	Sue Williams Director of Family Safeguarding	Corporate CSF0083	
R17 24	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources	Steven Pilsworth Assistant Director Finance	Corporate CSHF0016	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
	and subsequent impact on services/reserves.			
R07 24	Failure to educate / train employees	Sally Hopper Assistant Director, Human Resources	Corporate HR0018	
R13 24	Loss/inappropriate acquisition/ disclosure of sensitive personal or commercial data	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	Corporate IMP0001	
R05 24	Insufficient skills in commissioning / contract management and competencies	Steven Pilsworth Assistant Director Finance	Corporate SP0005	
R08 16	The Council experiences significant fraud	Terry Barnett Head of Assurance	Corporate 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	Corporate CPRES0001	24/11/2011 23/09/2015
CP05 16	HCC business continuity plans - BCP	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	Corporate CPRES0002	24/11/2011 23/09/2015
R03 16	HCC's pension fund level may not improve sufficiently to cover accrued pension costs	Steven Pilsworth Assistant Director Finance	Corporate CSHF0002	
E04 16	Road maintenance investment	Rob Smith Deputy Director Environment	Corporate ENV0033	
CP06 16	HFRS meeting national training requirements	Steve Tant Assistant Chief Fire Officer	Corporate HFRS0004	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R09 **16** withdrawn	Failure to comply with Safe Staffing legislation	Sally Hopper Assistant Director, Human Resources	Corporate HR0022	
PH01 **16**	Health Protection emergency	Joel Bonnet Deputy Director of Public Health	Corporate PHD0014	21/06/2016
R18 **12**	Risk of not offsetting the Apprenticeship Levy	Sally Hopper Assistant Director, Human Resources	Corporate HR0023	
R15 **12**	Land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place	Mike Evans Head of Estate and Asset Management	Corporate PROP0018	
E03 **8**	Failure of road inspection procedures impacting on the condition of our roads	Rob Smith Deputy Director Environment	Corporate ENV0030	20/09/2013

7. Update on Audit Committee Actions December 2017

7.1. The Audit Committee raised the following points:

- Target assessments (scores) were endorsed and should be considered as part of all risk reviews. The need to consider and compare other risk scores to improve consistency throughout the Risk Register was highlighted, as is the need for clarity in risk wording.
- The differentiation of Corporate risks between 'Strategic' and 'Corporate' was welcomed
- The Committee requested more advanced training in risk scoring and risk management to better understand risks across the organisation

7.2. The Corporate Risk Register has been re-cast to show the risks in the 'Strategic' and 'Corporate' categories. (See sections 5 and 6).

7.3. In addition, officers will be providing further relevant training (proposed for the May 2018 meeting) and are investigating the possibility of providing access to the Risk Management Information System to members of the Committee.

8. **Full Corporate Risk Register – Movement report since December 2017 Audit Committee**

The full register is embedded here.

📌

9. **Corporate Risk Register changes since the report to December 2017 Audit Committee**

9.1. The new risks and changed risks are included in full in Appendix A. The following summarises the new and changed risks

9.2. There are two New Risks

9.2.1. CS03 (Ref. CSF0082, Appendix A, Page 16) – "As a result of national and local efficiencies, there is a risk that partnership funding may be withdrawn or withheld".

9.2.2. CS04 (Ref. CSF0083, Appendix A, Page 16) – "As a result of the new welfare, reform and immigration arrangements, there is a risk of an increase in families becoming homeless and/or requiring support from Children's Services (and other services)".

9.3. There are three changes to Current Risk Scores

9.3.1. SE02 (Ref. ENV0104, Appendix A, Page 13) – "In the event of the Residual Waste Treatment Programme being impacted by one of the following scenarios:

- The Energy Recovery Facility (ERF) at Rye House does not proceed or is delayed
- Unable to secure suitable, cost effective, alternatives for waste disposal should the contract with Veolia (VES) be terminated.

It may result in:
- Increased costs to HCC".

9.3.2. SE05 (Ref. ENV0148, Appendix A, Page 15) – "As a result of the likely cancellation of the Metropolitan Line Extension (Croxley Rail Link scheme), there is a risk of 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".

9.3.3. SE01 (Ref, ENV0142, Appendix A, Page 17) – "Hertfordshire is facing an increasing threat from tree pests and diseases, including ash dieback and Oak Processionary Moth. In this context, there is a risk that current systems and resources for tree management will not be fit for purpose. Failure to manage tree risk may result in significant unplanned costs (including liability claims), danger to the public and or/service users, and impact on landscape and ecosystem services".

9.4. One Withdrawn Risk

9.4.1. <u>R09 (Ref. HR0022)</u> - "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)".

9.5. Other Risk Developments

9.5.1. Risk Focus

The following risk will be the subject of a risk focus report at Audit Committee, 26 March 2018.

R01 (Ref. HR0021) - "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". The risk is currently scored as red 32 (severe).

10. <u>Next Steps</u>

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

Severe	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.
Significant	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.
Material	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.
Manageable	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	• Extremely unlikely or virtually impossible • Less than 5% chance of happening • Unlikely to occur in a 50 year period
2	Unlikely	• Could occur at some point • 6% to 20% chance of happening • Unlikely to occur within a 10 year period
3	Possible	• Fairly likely to occur • 21% to 50% chance of happening • Likely to occur once within a 10 year period
4	Likely	• Will probably occur in most circumstances • 51% to 80% chance of happening • Likely to occur once within a one year period
5	Almost certain	• Expected to occur in most circumstances • More than 80% chance of happening • Likely to occur within 3 months

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

Likelihood

Report Date: 01/03/2018

Date of Previous Risk Score: 26/10/2017

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
ENV0104 *Delivering our Vision* **Old Category:** *Corporate* **Current Category:** *Strategic* In the event of the Residual Waste Treatment Programme being impacted by one of the following scenarios: - The Energy Recovery Facility (ERF) at Rye House does not proceed or is delayed - Unable to secure suitable, cost effective, alternatives for waste disposal should the contract with Veolia (VES) be terminated. It may result in: - Increased costs to HCC	Simon Aries Assistant Director, Transport, Waste & Environmental Management	Following the unsuccessful planning application for the Recycling and Energy Recovery facility at New Barnfield, the County Council requested a Revised Project Plan (RPP) in accordance with the contract. The RPP submitted by VES was for an Energy Recovery Facility (ERF) at Rye House Hoddesdon; following the acceptance of the RPP at Cabinet on 14th March 2016 and conclusion of the necessary legal drafting, Veolia submitted a planning application for the ERF to the waste planning authority in late December 2016. A letter was received from DCLG on the 12th December 2017 restricting the granting of planning permission whilst the Secretary of State decides whether the application should be called in. The Development Control Committee, on 20th December 2017, resolved that they were minded to grant planning permission. A	08/02/2018 **Severe** **32** **Probability** Likely 4 **Impact** High 8	↗	**Severe** **40** **Probability** Almost Certain **Impact** High 8	Material 8 **Probability** Rare 1 **Impact** High 8

APPENDIX A – Risk Changes

Report Date: 01/03/2018

Date of Previous Risk Score: 26/10/2017

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
		letter was received on the 1st February 2018 informing the Waste Planning Authority that the Secretary of State had called in the planning application. A date for the public inquiry has not yet been set, VES are currently considering their options. The risk score probability has now increased to "Almost Certain". Reviewed On: 08/02/2018				

Controls:	**Ref**	**Control Description**		**Status**	**Owner**	
	ENV0104/001	Scenario planning		In Place / Embedded	Simon Aries	
	ENV0104/002	Legal & financial advice		In Place / Embedded	Simon Aries	
	ENV0104/003	Liaison with contractor		In Place / Embedded	Simon Aries	
	ENV0104/004	Management of Political Processes		In Place / Embedded	Simon Aries	

APPENDIX A – Risk Changes

Report Date: 01/03/2018

Date of Previous Risk Score: 26/10/2017

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
ENV0148 *Delivering our Vision* **Old Category:** *Corporate* **Current Category:** *Strategic* As a result of the likely cancellation of the Metropolitan Line Extension (Croxley Rail Link scheme), there is a risk of 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.	Rob Smith Deputy Director Environment	It seems likely that, as a result of no agreement between DfT and TfL on a funding package, the scheme will be cancelled. As a result the probability has been raised to almost certain which raises the risk score to 40. Reviewed On: 23/02/2018	23/02/2018 **Severe 32** **Probability** Likely 4 **Impact** High 8	↗	**Severe 40** **Probability** Almost Certain **Impact** High 8	Significant 16 **Probability** Unlikely 2 **Impact** High 8

Controls:	Ref	Control Description	Status	Owner	
	ENV0148/005	Seek repayment of local funding if scheme fails	Proposed	Rob Smith	
	ENV0148/001	Briefing senior local and national politicians	In Progress / Taking Effect	Rob Smith	
	ENV0148/002	Lobbying the London Mayor and Government	In Progress / Taking Effect	Rob Smith	
	ENV0148/004	Monitor Success of the HIF bid to bridge the funding gap	In Progress / Taking Effect	Rob Smith	

APPENDIX A – Risk Changes

Report Date: 01/03/2018

Date of Previous Risk Score: 26/10/2017

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
CSF0082 Created Date: *22/12/2017* *Opportunity to be Healthy and Safe* **Current Category:** *Corporate* As a result of national and local efficiencies, there is a risk that partnership funding may be withdrawn or withheld.	Jenny Coles Director of Children's Services	Working with both CCGs to align children's commissioning more effectively. The Assistant Director for East and North Hertfordshire Clinical Commissioning Group on secondment to children's commissioning team; De-delegation of DSG (Dedicated Schools Grant) agreed by schools forum for 2018/19 Reviewed On :06/03/2018	22/12/2017 Significant 24 **Probability** Possible 3 **Impact** High 8	↔	Significant 24 **Probability** Possible 3 **Impact** High 8	Significant 12 **Probability** Possible 3 **Impact** Medium 4

Controls:	Ref	Control Description		Status	Owner	
	CSF0082/001	Maintain effective joint working relationships and joint planning		In Progress / Taking Effect	Jenny Coles	

| **CSF0083**   Created Date: *22/12/2017*

Opportunity to Thrive

Current Category: *Corporate*

As a result of the new welfare, reform and immigration arrangements, there is a risk of an increase in families becoming homeless and/or requiring support from Children's Services (and other services). | Sue Williams

Director of Family Safeguarding | Expected increase in LA costs has been realised. There has been a good working relationship set up with district councils and we are developing proposals for a joint targeted team to prevent homelessness and move families as quickly as possible to affordable accommodation where prevention is not achievable
Reviewed On: 06/03/2018 | 22/12/2017
Significant
24

Probability
Possible
3

Impact
High
8 | ↔ | Significant
24

Probability
Possible
3

Impact
High
8 | Significant
12

Probability
Possible
3

Impact
Medium
4 |

Controls:	Ref	Control Description		Status	Owner	
	CSF0083/001	Maintain close working relationships with district councils and Registered Social Landlords		In Progress / Taking Effect	Sue Williams	

Report Date: 01/03/2018

Date of Previous Risk Score: 26/10/2017

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
ENV0142 *Opportunity to be Healthy and Safe* **Old Category:** *Corporate* **Current Category:** *Strategic* Hertfordshire is facing an increasing threat from tree pests and diseases, including ash dieback and Oak Processionary Moth. In this context, there is a risk that current systems and resources for tree management will not be fit for purpose. Failure to manage tree risk may result in significant unplanned costs (including liability claims), danger to the public and or/service users, and impact on landscape and ecosystem services.	Simon Aries Assistant Director - Transport, Waste & Environmental Management	The wording of the Corporate Risk has been amended to emphasis a shift in focus towards reviewing systems for tree inspection and management, incorporating best practice from other Local Authorities and national bodies (where appropriate), to enable an effective (and defendable) response to the increasing tree health threat. As a result, the scoring of the risk has been reviewed and increased from 20 to 24, although remains Significant. Reviewed On :22/12/2017	18/12/2017 Significant 20 **Probability** Almost Certain **Impact** Medium 4	↗	Significant 24 **Probability** Possible 3 **Impact** High 8	Significant 16 **Probability** Unlikely 2 **Impact** High 8

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Date of Previous Risk Score: 26/10/2017

Hertfordshire

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score

Controls:	Ref	Control Description		Status		Owner
	ENV0142/001	Raising awareness of the issues incl Tree Health pages on website; articles in relevant publications; engagement with partners		In Progress / Taking Effect		Tony Bradford
	ENV0142/002	Establishing extent and potential liability of ash tree population on Highways HCC is responsible to manage		In Progress / Taking Effect		Mike Younghusband
	ENV0142/003	Monitoring of the national and local tree health situation and specialist advice to feed into plans and actions		In Progress / Taking Effect		Tony Bradford
	ENV0142/004	Developing a framework for sharing best practice including the county council's internal Tree Health Network		In Progress / Taking Effect		Tony Bradford
	ENV0142/005	Lobbying the government for support and assistance in responding to the tree health issue in the county		In Progress / Taking Effect		Simon Aries
	ENV0142/007	Assess extent and potential liability of tree population on non-Highway HCC land incl Property HCC is responsible to manage		In Progress / Taking Effect		Trevor Mose
	ENV0142/008	Facilitate a coordinated approach across Hertfordshire to deliver a cost effective, proportionate, efficient response		In Progress / Taking Effect		Simon Aries
	ENV0142/009	Appropriate tree inspection regimes on highway land; summer inspections; staff trained to identify symptoms of relevant diseases		In Progress / Taking Effect		Mike Younghusband
	ENV0142/010	Appropriate tree inspection regimes - HCC land; staff trained to identify disease		In Progress / Taking Effect		Trevor Mose

APPENDIX A – Risk Changes

Report Date: 01/03/2018

Notes: References highlighted **Purple** have been added since the 26/10/2017.
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

Date of Previous Risk Score: 26/10/2017

Hertfordshire

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
	ENV0142/011	Raise awareness and share best practice amongst public, staff, schools (Schools Grid), incl employ a 2 year Tree Health Officer.		In Progress / Taking Effect	Tony Bradford	
	ENV0142/012	Ensure all relevant departments in the county council have appropriate tree risk policies and procedures in place		In Progress / Taking Effect	Simon Aries	
	ENV0142/013	Development of a plant procurement protocol for HCC		In Progress / Taking Effect	Patrick Stiles	
	ENV0142/014	Work with partners to plan for restoration of the post-ash dieback landscape		In Progress / Taking Effect	Tony Bradford	
	ENV0142/006	Monitor the financial pressures and secure resources through the Integrated Planning Process where appropriate		Complete	Simon Aries	

Appendix B – Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			06/17	08/17	10/17	02/18	Score
CP01 / HFRS0007	Community Protection Hertfordshire Fire & Rescue	During unplanned incidents, such as terrorist activity, civil disturbance, large scale wide area flooding, or periods of industrial action, there is a risk that HFRS may be over reliant on existing regional or national resources which may lead to reduced fire cover.	48	48	48	48	32
SE02 / ENV0104	Environment	In the event of the Residual Waste Treatment Programme being impacted by one of the following scenarios: - The Energy Recovery Facility (ERF) at Rye House does not proceed or is delayed - Unable to secure suitable, cost effective, alternatives for waste disposal should the contract with Veolia (VES) be terminated. It may result in: - Increased costs to HCC	32	32	32	40	8
SE05 / ENV0148	Environment	As a result of the likely cancellation of the Metropolitan Line Extension (Croxley Rail Link scheme), there is a risk of 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.	32	32	32	40	16
SCP07 / CP0005	Community Protection	The Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables police and crime commissioners to take on responsibility for fire and rescue services. In the event that the Secretary of State determines that the governance of the Hertfordshire Fire & Rescue Service (HFRS) is to be transferred to the Hertfordshire Police and Crime Commissioner (PCC) as recommended in their business case, there is a risk that such a transfer may significantly and negatively impact on service delivery, particularly in relation to the support provided to vulnerable people and the County Council's prevention agenda. In addition it may create significant uncertainty, leading to staff unrest; short term damage to key relationships and budgetary impacts.	24	24	32	32	24
SAC01 / HCS0010	Adult Care Services	If there is a continuing inability to attract the required number of Homecare work force in line with the Adult Care Services Workforce Strategy, there is an increasing risk of non- compliance and a reduction in the ability to provide safe and appropriate care in users own homes which may lead to impacts on their health and wellbeing.	32	40	40	40	8
CS01 / 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

Appendix B

Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			06/17	08/17	10/17	02/18	Score
SAC08 / HCS0016	Adult Care Services	In the event of significant unforeseen demand on health and social care services and a risk of budget overspend and ongoing uncertainty about how these will be addressed nationally, there is a risk of insufficient budget to meet future demands of services. [supersedes risks HCS0011 & HCS0012]	32	32	32	32	16
AC03 / HCSCP0001	Adult Care Services Commissioning For People	In the event of a Hertfordshire Care Provider becoming inadequate or failing, there is a risk that this may result in poor care to clients or a safeguarding issue.	32	32	32	32	32
AC10 / HCSLD0005	Adult Care Services Learning Disabilities	In the event of inadequate safeguarding arrangements, a vulnerable person at risk of harm is not identified and protected appropriately.	16	16	32	32	32
AC04 / 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
R01 / 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
SR02 / PROP0022	Resources Property	As a result of the restrictions introduced in 2015 on the use of S106 for the pooling of developer contributions towards new infrastructure together with the introduction of the Community Infrastructure Levy (CIL), there is a risk that the uptake of CIL, which is the Government's preferred method for pooling contributions, remains slow, and due to the limited influence HCC can bring to bear over the districts on the spending priorities of CIL revenue as a non CIL charging Authority, this may result in there being insufficient money to support infrastructure needs derived from new housing. [Formerly CSCE0023]	32	32	32	32	12
SR12 / 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	32	32	32	32	16
CP02 / 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
CP03 / 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
		Agenda Pack 52 of 145					21

Appendix B

Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			06/17	08/17	10/17	02/18	Score
SCS02 / 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
CS03 / CSF0082	Children's Services	As a result of national and local efficiencies, there is a risk that partnership funding may be withdrawn or withheld.	n/i	n/i	n/i	24	12
CS04 / CSF0083	Children's Services	As a result of the new welfare, reform and immigration arrangements, there is a risk of an increase in families becoming homeless and/or requiring support from Children's Services (and other services).	n/i	n/i	n/i	24	12
R17 / 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. [Formerly CSHF0005 and CSHF0015]	24	24	24	24	16
SE01 / ENV0142	Environment	Hertfordshire is facing an increasing threat from tree pests and diseases, including ash dieback and Oak Processionary Moth. In this context, there is a risk that current systems and resources for tree management will not be fit for purpose. Failure to manage tree risk may result in significant unplanned costs (including liability claims), danger to the public and or/service users, and impact on landscape and ecosystem services.	20	20	20	24	16
R07 / HR0018	Resources Human Resources	If the Council fails to educate, train and provide tools and processes for employees to effectively fulfil their roles (Including compliance with data protection, health and safety, safe staffing legislation, and role specific training) there is a risk that staff are not fully competent or productive. This could lead to service failures such as serious injury or harm, particularly to vulnerable service users (and the public) fines and/or prosecutions, and inefficiency in how work is delivered.	24	24	24	24	16
R13 / IMP0001	Resources Improvement And Technology	There is a risk - of the loss/inappropriate acquisition/disclosure of sensitive personal or commercial data contrary to the requirements of the new General Data Protection Regulation (GDPR) which comes into force from 25 May 2018 - that we may breach the rights of data subjects; which could lead to harm to clients, impact on HCC's reputation, incur legal action and have severe financial consequences (despite applying best practice there is always the possibility of human error). [Formerly CSCE0013]	12	24	24	24	16
		Agenda Pack 53 of 145					22

Appendix B
Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			06/17	08/17	10/17	02/18	Score
SR21 / PROP0023	Resources Property	HCC has established Herts Living Limited to collaborate with a Joint Venture partner to maximise returns on its land and assets. If these arrangements do not perform as anticipated, there is a risk that the financial returns do not deliver the £20m per annum receipt value in the current Integrated Plan. In addition, there may be reputational impacts to HCC (Replaces PROP0020 and PROP0021).	24	24	24	24	16
R05 / SP0005	Resources Strategic Procurement Group	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 IMP0002/CSCE0019]	24	24	24	24	16
R08 / AUDIT0001	Resources Audit (SIAS)	There is a risk that the Council experiences significant fraud	16	16	16	16	16
CP04 / CPRES0001	Community Protection Resilience	In the event of a failure of the Local Resilience forum (LRF) 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
CP05 / 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
R03 / 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	16	16	16	16	16
E04 / 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
CP06 / 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

Appendix B

Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			06/17	08/17	10/17	02/18	Score
PH01 / 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 so may not be able to escalate and take corrective action which may result in higher rates of morbidity or mortality of Hertfordshire residents.	16	16	16	16	16
R18 / 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.	12	12	12	12	8
R15 / 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.	8	12	12	12	8
E03 / 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.	8	8	8	8	8

Hertfordshire County Council

Annual Summary of Risk Management Activity

2017 to 2018

1. Purpose of Appendix C

1.1. This report appendix is an annual item to outline the key risk management activity undertaken since the last annual report presented in March 2017.

2. Corporate Risk Register

2.1. The table below shows the risk movements broken down by risk classification. The movements shown are a continuation from the previous Risk Management Annual Report dated March 2017**.**

|	2016/17 March 2017	2017/18 March 2018*
Red	12	13 (+1)
Amber	22	20 (-2)
Yellow	1	1
Green		
Total	35	34
Difference +/-		-1

* The final column (highlighted in grey) provides risk numbers for the March 2018 report and details movements to date. No change in absolute numbers may hide movement in and out. These will be outlined in the following sections.

As shown, there are now 34 Risks on the Corporate Risk Register. However, the variations and changes to risk categories are indications of the continued active management and scrutiny of risks and controls. These movements also include newly identified risks which is a further indication of the continued activity around identifying future areas of risk and uncertainty.
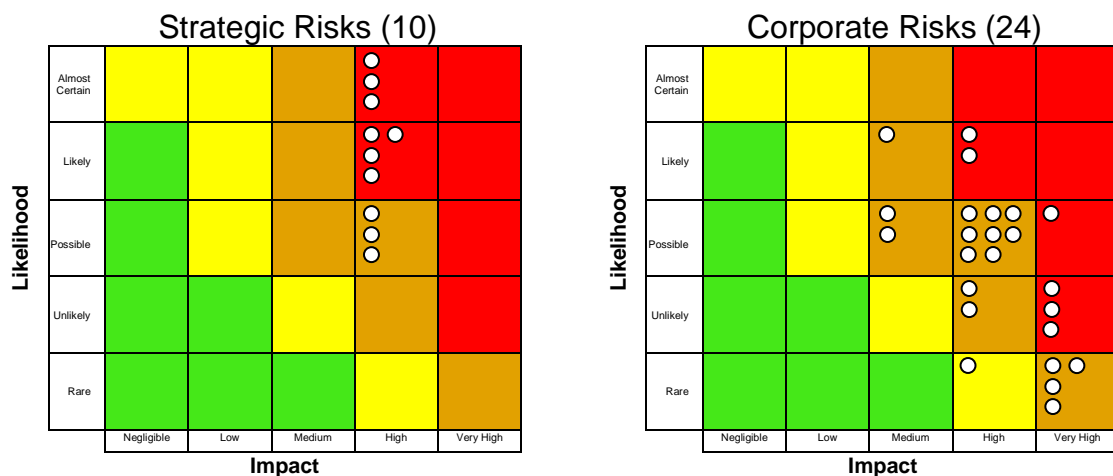
3. Corporate Risk Register changes since March 2017 Audit Committee

3.1. The following risk matrices show the number of risks and their position on the risk matrices/heat maps as at March 2017 compared to March 2018

3.2.   March 2017 Audit Committee. Corporate Risk Register – 35 risks
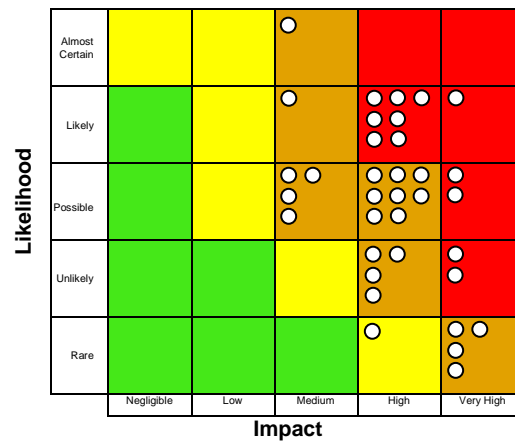
3.3.   March 2018 Audit Committee. Corporate Risk Register – 34 risks

In addition to risks going in and out of the Corporate Risk Register, risk owners have reflected the impact of controls (mitigations) and the changing environment and/or organisational circumstances on the risk scores and there have been a significant number of changes to the current and target risk scores over the year. At times risks may change, e.g. increase and decrease, within the same quarterly period.

During the year, the wording of a number of risks has been amended to reflect either the changing nature of the risks or to better articulate the risk focus. Where this change has not been significant, there has not been an adjustment to the current or target scores.

3.4.   New risks developed in 2017/18

There are six risks that have emerged / been identified and developed in the Corporate Risk Register. These are summarised in the following paragraphs.

3.4.1.   SAC08 (Ref. HCS0016) - "In the event of significant unforeseen demand on health and social care services and a risk of budget overspend and ongoing uncertainty about how these will be addressed nationally, there is a risk of insufficient budget to meet future demands of services".

The risk was raised to replace and update previous risks regarding NHS commissioning and the Better Care Fund (see section 3.7 below). The current risk score is red 32 ('Severe').

3.4.2. AC09 (Ref. HCSOPD0011) – "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 risk was raised to replace previous risks regarding Delayed Discharges and Failure of Care Providers (see section 3.7 below). This risk sought to set out the risk cause and effect chain more clearly.

This risk was created and then withdrawn during 2017/18.

3.4.3. SE05 (Ref. ENV0148) – "As a result of the likely cancellation of the Metropolitan Line Extension (Croxley Rail Link scheme), there is a risk of 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".

The risk was raised as a result of London Underground Limited (LUL) informing Hertfordshire County Council that It cannot: -
*   Deliver the scheme for the agreed funding package
*   LUL will not honour their commitment to cover and costs overruns
*   That the scheme cannot open by the agreed target data of Dec-2020.

The current risk score is red 40 ('Severe').

3.4.4. SR21 (Ref. PROP0023) – "HCC has established Herts Living Limited to collaborate with a Joint Venture partner to maximise returns on its land and assets. If these arrangements do not perform as anticipated, there is a risk that the financial returns do not deliver the £20m per annum receipt value in the current Integrated Plan. In addition, there may be reputational impacts to HCC (Replaces PROP0020 and PROP0021)".

This risk was raised to replace previous risks in respect to market conditions and the proposals regarding joint venture arrangements (see section 3.7 below) and now highlights the agreed strategy to optimise capital receipts in the current market. The current risk score is amber 24 ('Significant')

3.4.5. CS03 (Ref. CSF0082, Appendix A, Page 15) – "As a result of national and local efficiencies, there is a risk that partnership funding may be withdrawn or withheld".   The current risk score is amber 24 ('Significant').

3.4.6. CS04 (Ref. CSF0083, Appendix A, Page 15) – "As a result of the new welfare, reform and immigration arrangements, there is a risk of an increase in families

becoming homeless and/or requiring support from Children's Services (and other services)". The current risk score is amber 24 ('Significant').

3.5.   Escalated risks in 2017/18

The following are the risks moved up from a Service Risk Register to the Corporate Risk Register

3.5.1. AC10 (Ref. HCSLD0005) - "In the event of inadequate safeguarding arrangements, a vulnerable person at risk of harm is not identified and protected appropriately".

Following a number of changes to ACS corporate risks in early 2017, this risk had been managed in the ACS service risk register. However, on reflection, ACS believed it belongs in the Corporate Risk Register and should 'mirror' the Children's Services risk of safeguarding children. It was therefore escalated to the Corporate Risk Register. The current risk score is red 32 ('Severe').

3.5.2. SCP07 (Ref. CP0005) – "The Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables police and crime commissioners to take on responsibility for fire and rescue services. In the event that the Secretary of State determines that the governance of the Hertfordshire Fire & Rescue Service (HFRS) is to be transferred to the Hertfordshire Police and Crime Commissioner (PCC) as recommended in their business case, there is a risk that such a transfer may significantly and negatively impact on service delivery, particularly in relation to the support provided to vulnerable people and the County Council's prevention agenda.   In addition it may create significant uncertainty, leading to staff unrest; short term damage to key relationships and budgetary impacts"

The proposal submitted by the PCC has undergone an independent review by CIPFA, which a number of Hertfordshire County Council officers assisted with. Hertfordshire County Council officers have sought to ensure that all necessary evidence has been submitted to support a balanced analysis of the PCC's business case with Hertfordshire County Council and HFRS officers providing a range of professional advice and opinion.   The Independent Assessment by CIPFA has been submitted to the Secretary of State (Home Secretary) and a decision is expected sometime in March 2018.

Following the submission of the proposal by the PCC this risk was escalated to the Corporate Risk Register. The current risk score is red 32 ('Severe').

3.6.   De-escalated risks in 2017/18

One risk moved down from the Corporate Risk Register to a Service Risk Register.

3.6.1. R19 (Ref. COMS0002) - "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".

Positive feedback had been received from internal audit following checks on how well social media protocols are embedded across the Council. Training and awareness-raising continues and at the request of the Chief Executive, Communications were auditing all social media accounts. The current risk score had reached its target score and following the independent assurance received, the risk owner decided to de-escalate this risk to the Service level.   The current risk score is amber 12 ('Significant').

3.7.   Withdrawn risks in 2017/18

A total of eight risks are no longer deemed a threat to Hertfordshire County Council or have been replaced by existing / new risks.

3.7.1.   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".

This risk together with risk AC06 (HCS0011), were both withdrawn and replaced by SAC08 (HCS0016), see section 3.4 above.

3.7.2.   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".

As above

3.7.3.   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".

This risk together with risk AC05 (HCSOPD0001), were both withdrawn and replaced by AC09 (HCSOPD0011), see section 3.4 above.

3.7.4.   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 HCC input, which may result in financial and reputational consequences".

As above

3.7.5.   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".

This risk together with R16 (PROP0021), were both withdrawn and replaced by risk SR21 (PROP0023), see section 3.4 above.

3.7.6.   R16 (Ref. PROP0021) – "In the event that the review of how HCC disposes of its surplus land and property assets determines that HCC should develop these

sites and assets itself or through joint venture arrangements, there is a risk that such a change to the disposal policy may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan".

As above

3.7.7. R09 (Ref. HR0022) – "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".

Following discussion, failure to comply with safe staffing legislation has now been incorporated into the re-worded corporate risk of general training (R07/HR0018), so this risk has been withdrawn.

3.7.8. AC09 (Ref. HCSOPD0011) – "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 risk was withdrawn following a review of all Corporate level risks by ACS in June/July, 2017. The re-worded and refocused risk AC03 (HCSCP0001) now covers failure of care providers

4. Significant Actions Planned for 2018/19

4.1. The Risk Management and Insurance Team aims to deliver the following key actions in 2018/19.

Description of Action	Deadline
To provide Members of the Audit Committee with further training on risk management as requested in the December 2017 meeting.	2018 dates to be agreed
To review and implement the upgrades to the risk management software (JCAD CORE) that augment the risk management framework.	April 2018
To provide Members with access to JCAD CORE	March 2018
To review and update the Risk Management Policy and Strategy	April 2018

5. Conclusion

5.1. The Council has maintained its risk management practices throughout 2017/18. The outcome from the Council's risk management framework is to have a better understanding of the risks it faces and how they can be best managed or

exploited**.** Employing these techniques ensures the Council is risk aware rather than risk averse.

5.2.   The Annual Governance Statement 2016/17 found, "The Council has a well-developed risk management strategy and embedded risk monitoring processes, which operate at the highest levels of the organisation, and are overseen by the Council's Audit Committee. The risks associated with meeting budget targets are also considered as part of the integrated planning process, and then monitored in quarterly reports to Cabinet."

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
26 MARCH 2018 AT 10.00AM

Agenda Item
No.

5

RISK FOCUS REPORT – Recruitment and Retention

Report of the Director of Resources

Author: Sally Hopper, Assistant Director Human Resources
                                                                (Tel: 01992 556920)

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 risk number HR0021:

        *'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'*

1.2   To seek endorsement to the overall approach that Hertfordshire County
        Council is taking to mitigate this risk (excluding volunteers).

2.   National and local Context

2.1   The employment market continues to grow with the number of jobs being
        advertised nationally outstripping the number of individuals who are
        seeking work. The increased competition for workers is affecting
        attraction and retention.

2.2   Employment levels nationally remain high at 75%. In Hertfordshire, this
        figure is higher at 79% giving potential candidates more choice and
        making the employment market more competitive. Proximity to London
        adds an extra dimension to the employment market in Hertfordshire, with
        a large proportion of the working population commuting to the capital for
        employment.

2.3   The impact Brexit will have on employment remains unclear. The
        Chartered Institute of Personnel and Development (CIPD) have noted
        that the competition for well-qualified talent and unskilled labour is set to
        increase and predict further difficulty to recruit over the next 3 years.
        Human Resources (HR) worked with Adult Care Services (ACS) on the

impact of Brexit where it is felt the impact could be particularly prevalent. This work includes a review of workforce planning and responding to the NHS Facing the Facts, Shaping the Future – A Draft Health and Care Workforce Strategy for England until 2027.

3   Workforce and Turnover

3.1   As at December 2017 the Council's Equivalent Working Time (EWT) (excluding schools) was 6,182 (headcount 8,013). Turnover (all leavers) was 15.2%. There was no movement for this figure when compared to the previous period in 2016.

3.2   The Council's turnover is comparable with benchmark data. The Chartered Institute of Personnel and Development (CIPD) report the average turnover in the UK at 16.5% (*CIPD December 2017*) while local authority comparator data is below in table 1

Table 1 – Local Authority Turnover data

Authority	Turnover (all leavers)
Surrey	16.2%
East Sussex	15.5%
Hertfordshire	15.2%
Buckinghamshire	13.7%
Essex	13.9%
Kent	12.4%

3.3   Turnover data is monitored monthly and reported to directorate boards. Where there are specific issues with turnover, targeted retention action plans are developed. This can include activity such as face to face exit interviews (normally these are undertaken on-line) to understand reasons for leaving and market analysis to review the Council's competitiveness in terms of pay and reward.

3.4   Another indication of the Council's healthy turnover position is its engagement index from the staff survey. The Councils' employee engagement index is 67% against the reported UK engagement level of 58% (*Aon Hewitt 2017*).

4.   Workforce Planning and Skills Strategy

4.1   A key priority for 2018-2019 is to review the Council's approach to Workforce Planning. In its simplest terms workforce planning is getting the right number of people with the right skills, experiences, and competencies in the right jobs at the right time. Strategic planning, budget, and human resources are key components of workforce planning. The key drivers for this are:

	Drivers	Justification/key outcome
1	Skills and succession planning	Important to develop and maintain a skills pipeline where skills shortages exist.
2	Financial and HR alignment	Imperative that HR and Finance data link and HR Business Partners are aware of the costs and pressures facing their services.

4.2   The Apprenticeship Levy was introduced on 6 April 2017. The Levy is charged at a rate of 0.5% of an employer's pay bill. The Levy is paid in to a 'pot' and employers drawn down from the pot to fund apprentice qualifications. This levy equates to £932,004 for non-schools Council departments. Hertfordshire County Council's vision for the levy is to optimise it to the benefit of skills and learning throughout the workforce and County; to address existing skill shortages and to be bold in the opportunities the levy brings.

4.3   Hertfordshire County Council is already working closely with Herts Local Enterprise Partnership (LEP) and district councils on sharing the procurement framework, and is building strong links with the Police and NHS colleagues as part of the continued development and growth of Hertfordshire Apprenticeship Alliance (HAA). Members of HAA are involved with learning providers across the county to ensure standards are aligned to the skills we require. This process has a dependency on the standards being signed off by the National Apprenticeship Service.

4.4   As at December 2017 111 employees are either enrolled (or in the process of enrolling) for an apprenticeship against a target of 187 for 2017/18. Further apprenticeship standards including Social Work (Adult & Children combined), rehabilitation workers and Leadership & Management qualifications are expected to come into effect during 2018. The introduction of these new Standards will further support Hertfordshire County Council's commitment to apprenticeships.

5.   Shortage skill and hard to fill posts

5.1   The organisation continues to face recruitment pressures based on its close proximity to London, where salaries are higher and travel into the capital is relatively easy.   Geographic area variations exist across the county where it is hard to recruit e.g. Watford and St Albans. Transport is also an important consideration for potential employees who cannot drive or do not have access to transport to get around the County. There are targeted recruitment and retention strategies in place for the shortage skills and hard to fill posts. Examples of such activity are shown below in table 2.
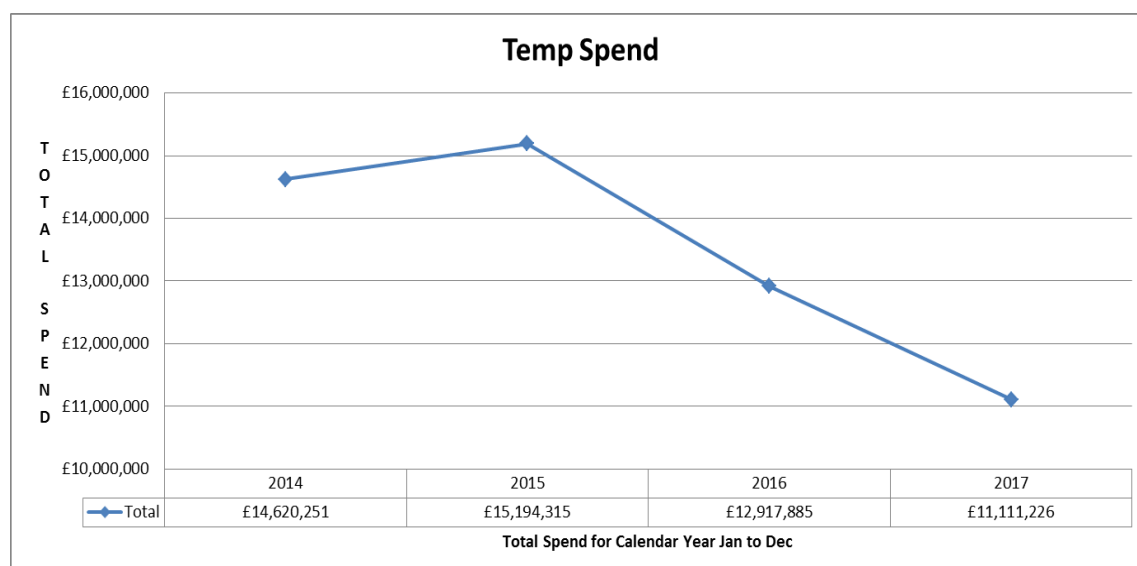
Table 2 Examples of shortage skill attraction initiatives

Dept.	Role(s)	Example Initiatives
Children's Services	Qualified social workers (QSW),	QSW specific recruitment process, exit interviews, strategic workforce plans, improved webpages, activity to convert agency workers onto permanent contracts, partnership working with universities, market forces and welcome payments, wider partnership working with other neighbouring Local Authorities. Attendance at careers events, Department for Education funded Step up to Social work and Frontline programmes.
	Educational psychologists	
Environment	Engineers, Planners	Welcome payment (Planners), career progression scheme redeveloped, focus on diversity advertising, recruitment videos and branding activity.
Adult Care Services	Driver support workers	Recruitment videos and branding activity.
	Rehabilitation officers	Welcome payment & relocation package offered to enhance remuneration package. Attendance at careers events and branding activity
	Community learning disability (CLD) nurses	Social media content for external candidates to gain better understanding of nurse role
	Homecare workforce	Recruitment videos, branding activity and open days.
	Occupational therapists social workers	Targeted recruitment campaigns, Introduction of Market Forces Payments (MFP) for Watford General Hospital roles. Attendance at careers events, professional conferences, OT Show, Community Care Conference. Targeting Universities.
Resources	Legal - childcare litigation, commercial, property	Targeted recruitment campaigns, Introduction of market forces payments
	Finance	Targeted recruitment campaigns and branding activity

5.2   As part of the strategy for Children's and Adults qualified social workers a regional collaboration has been established. This sets out to manage the demand and supply of qualified social workers. Activity includes agreements on capping pay rates, measures to improve the quality of the workers though a fast track development programme specifically targeted at experienced senior practitioners and aspiring team managers.

5.3   As a result of this activity the number of agency Children's social workers have decreased from 59 in December 2015 to 25 in December 2017 and agency spend has decreased from £4.5m in 2015 to £2.1m in 2017.

6.   Agency workers

6.1   An important part of the Council's resourcing strategy is the provision of temporary agency workers via a third party provider. Agency workers play an important role in helping the Council meet short to medium term recruitment requirements. Careful attention is paid to ensuring agency worker spend is at appropriate levels.

6.2   Spend on agency workers has decreased for 2 consecutive years. This indicates the ongoing success of the Council's recruitment and retention activities. Spend (calendar year) in 2014 was £14.6m, 2015 £15.1m 2016 £12.9m and 2017 £11.1m.

Temp Spend

	2014	2015	2016	2017
Total	£14,620,251	£15,194,315	£12,917,885	£11,111,226

Total Spend for Calendar Year Jan to Dec

6.3   The corresponding playbill was £214m (2014) £221m (2015) £230m (2016) and £233m in 2017.

7.   Volunteers

7.1   Volunteers play an important role across the council. Approximately 10,000 people volunteer in a range of different capacities including school crossing patrol, school governors, libraries and archives,

countryside management, and youth work. Volunteering opportunities are promoted via the Council's web site, and approximately 100 expressions of interest are received each month.

8. Branding and attraction

8.1 The Council invests time and effort to ensure it reaches out to diverse audiences. The Council are a disability confident employer and hold an Armed Forces Employee Recognition silver award. In 2017 Black Minority Ethnic (BME) employees represented 13.6% of the workforce, Disabled employees 6% and the 25 and under age category represented 5.5% of the workforce.

8.2 The authority has been recognised for it's proactive work and industry leading practice receiving the following national recognition:

- Winner – Guardian Public services Award – Family safeguarding Project 2017
- Winner – Recruitment Marketing Awards – Best use of Video in Recruitment 2016.
- Winner – CIPD Employee engagement Award 2016
- Glass door – Top 5 Local government employer 2016
- Finalist – CIPD Best in-House recruitment team 2015-16

8.3 The success of the Council's branding and attraction activity is illustrated by its applicant and web site data. During the calendar year Jan 2016-Dec 2017, 1,281 external appointments were made.

8.4 The average number of applications per vacancy was 25, and excluding positions that are constantly being advertised / recruited to (e.g. social workers) only 6% of vacancies had to be re-advertised as a result of failing to appoint.

8.5 The Council's careers pages play a vital role in attracting candidates and creating a strong and positive employment brad. The website receives 70,000 visits per month.

8.6 The Council is at the forefront of Social and digital media activity. Linkedin (9,500 followers), Facebook (7,000 followers) and Twitter (12,500 followers) play an active role in recruitment.

8.7 The Council also has a programme of attendance at jobs fairs and recruitment events. Regular attendance at local and national careers fairs helps the organisation promote its brand and current vacancies.

8.8 The above activity creates a positive employer brand which mitigates the risk of not being able to attract job applicants. This has been achieved alongside a 14.1% reduction in the recruitment advertising budget.

8.9   The Council has sought to be an employee of choice by regularly reviewing the total reward offer.

9.   Recommendation/s

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

9.2   Based on the findings outlined in this report it is recommended the risk score is downgraded from 32 to 24 - (Impact: High (8), likelihood – Possible (3)

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
22 MARCH 2018 AT 10.00 AM

INTERNAL AUDIT PROGRESS REPORT

Report of the Director of Resources

Author: Darren Williams, Client Audit Manager
          SIAS (Tel: 01438 844341)

Recommendations:

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

Appendices

1. Introduction and Background

<u>Purpose of Report</u>

1.1 To provide Members of the Audit Committee with information on the position as at 12 March 2018, 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.

<u>Background</u>

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 fourth 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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1 As at 12 March 2018, 87% 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 15 November 2017 which was the cut off period for the previous report that was brought to the Committee in December 2017:

Audit Title	Assurance Level	Number of Recommendations
2016/17 Audit Plan		
SIAS Joint Review		
PREVENT	Not Assessed	No Recommendations (Joint review covering all SIAS partners)

Audit Title	Assurance Level	Number of Recommendations
2017/18 Audit Plan		
Resources		
e-Income	Substantial	1 Medium
Cyber Security	Moderate	1 High 3 Medium 2 Merits Attention
LEP – Compliance with Assurance Framework	Moderate	18 Medium 4 Merits Attention
HBS – Business Operations	Substantial	2 Medium 6 Merits Attention
Pensions Administration	Substantial	1 Medium 1 Merits Attention
Adult Care Services		
Deputyships / Appointeeships	Moderate	7 Medium 2 Merits Attention
Environment Services		
Dropped Kerbs	Moderate	4 Medium 1 Merits Attention

Highways Service - Highways Act 1980 Section 58	Substantial	2 Medium 2 Merits Attention
Public Health		
Commissioning, Contract Management and Contract Payments	Substantial	2 Medium 2 Merits Attention
Council Wide		
Delegated Decision Making	Substantial	1 Medium 2 Merits Attention
Grant Certification / Accounts / Statutory Submissions		
oneTRANSPORT	Unqualified Opinion (following adjustments)	N/a
Hertfordshire Education Foundation	Unqualified Opinion	N/a

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

Service	Audit Title	Month of Issue
2017/18 Audit Plan		
Resources	Debtors	February 2018
Resources	Creditors	February 2018
Resources	General Ledger	February 2018
Resources	Payroll	February 2018
Resources	Systems Access (SAP)	February 2018
Resources	Feeder Systems	February 2018
Resources	GDPR – Preparedness	March 2018
Environment	Highways Services - PMnet Software Development Project	February 2018
Community Protection	HFRS Service Performance Management	February 2018

Adult Care Services	Market oversight programme – consultancy activity / advice	November 2017
Adult Care Services	Data quality - Business Process Compliance – Older People Service	March 2018
Council Wide Reviews	Volunteering	January 2018
Schools	Theme 3 – Consolidated Report IR35	February 2018

2.4 The remaining uncompleted activity from the 2016/17 audit plan (SIAS Partnership Joint Review of Trading Activities) is scheduled for completion on 16 March 2018, facilitated through a workshop event for all SIAS partners.

2.5 In respect of progress on delivering the remaining audits within the 2017/18 audit plan, five audits are currently at quality review stage, 14 audits are currently in fieldwork and one is at planning stage.

Schools' Audit Activity

2.6 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 27 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 15 schools)

2.7 In respect of Theme 1, visits to all sampled schools have now been completed and 26 final reports have been issued. In respect of the remaining visit, a management response is currently being prepared by the school in response to the draft report.

2.8 In respect of Theme 2 (Safe Recruitment in Schools), this has now been concluded with final reports issued to all schools visited.

2.9   Finally for Theme 3 (IR35 compliance), draft or final reports have been issued to each school visited and a consolidated report, summarising the outcomes from the theme, has been issued to relevant Council Officers.

2.10   To date we have not received any referrals for inclusion under the contingency allocation for schools due to become academies.

2.11   We continue to receive enquiries from schools regarding a range of financial matters and update the Frequently Asked Questions within the Internal Audit page on the Grid accordingly.

Proposed Audit Plan Amendments

2.12   Proposed amendments to the 2017/18 Internal Audit Plan and the reasons for these are set out below:

2.13   Resources

- Following discussions with the Head of Technology, the planned audit on Segregation of Duties & Access Controls has been deferred. This is a result of the Service being unable to support this audit in quarter four due to work in preparation for the Public Service Network re-accreditation. As a result a total of 19.5 days has been returned to the Council's contingency allocation.

- Due to additional work being required on the audit of Adult Care Services Feeder Systems, the budget has been increased by five days to a total of 20 days.

- At the request of the Resources Board, a review of the Council's preparedness for the General Data Protection Regulations has been added to the plan, with these regulations becoming a requirement from May 2018. A total of 10 days have been allocated for this review.

2.14   Grants

- Since the previous progress report SIAS have continued work on the certification of the final grant return for oneTRANSPORT. Following notification from the awarding body that final certification requires a 100% compliance check of expenditure claimed (covering eight previous claims) and the identification of errors in previously submitted claims, the allocation for this review has increased by 7.5 days to 10 days.

2.15   Children's Services

- In agreement with the Children's Services Board, the audit of Programme and Project Management has been cancelled, due to

sufficient assurance over this area being available from the 2016/17 audit of Business Cases and Benefits Realisation.

- In addition, the planned consultancy work on Quality Assurance Systems had been deferred to 2018/19 as the framework supporting this system is currently being reviewed by the Service.

2.16 Schools

- In order to accommodate the further work in relation to IR35 compliance within schools, in particular the issue and analysis of a questionnaire to all maintained schools, the audit budget for this theme has been increased by 17 days to a total of 60 days. A draft report summarising the outcomes from this review has now been issued.

2.17 In respect of the plan additions above these have been resourced from the Council's audit plan contingency allocation, leaving a remaining contingency balance of 44 days for the Council's main plan and 12 days for the Schools audit plan.

2.18 Additional minor changes have been made to the audit plan in order to reflect changes of 3 days or less, where original planned items are no longer required, or new activities have emerged.

Limited Assurance Audits

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

High Priority Recommendations

2.20 Audit Committee 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 the Committee on progress of the implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.21 An update on progress with implementing high priority recommendations is shown at Appendix B to the report. Progress is summarised in the table opposite:

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
3	1	1	0	1	0
%	33.33%	33.33%	0%	33.33%	0%

2.22 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.

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

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

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

Medium Priority Recommendations

2.26 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.

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

MEDIUM PRIORITY RECOMMENDATIONS		Not implemented by Due Date		
Total Number of Recommendations Followed Up in this Period	Implemented	Partially Implemented – Revised Date Agreed	Actions not commenced – Revised date Agreed	No Update Provided by Action Owner
32	8	24	0	0
%	25%	75%	0%	0%

Performance Management

2.28 Annual performance indicators and associated targets are approved by the SIAS Board on an annual basis.

2.29 The actual performance for Hertfordshire County Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Performance Target for 31 March 2018	Profiled performance at 12 March 2018	Actual performance to 12 March 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	90%	87%
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects	95%	88%	85%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%**
4. Number of High Priority Audit Recommendations agreed as %	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.

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

2.30 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.

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				
Corporate								
Annual Governance Statement 2016/17	N/a				8	SIAS	8	Complete
Annual Governance Statement 2017/18	N/a				5	SIAS	5	In Fieldwork
Head of Internal Audit Opinion 2016/17	N/a				5	SIAS	5	Complete
Whistleblowing - named contact and quarterly review	N/a				10	SIAS	10	Through Year
Resources								
Resources Queries < 3hrs Activities	N/a				10	SIAS	10	Through Year
Resources: Hertfordshire Business Services (HBS)								
Business Operations	Substantial	0	2	6	25	SIAS	25	Final Report Issued
Resources: Finance								
Pensions - Administration	Substantial	0	1	1	30	SIAS	30	Final Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Payroll					25	SIAS	24.5	Draft Report Issued
Debtors					25	SIAS	24.5	Draft Report Issued
Creditors					25	SIAS	24.5	Draft Report Issued
General Ledger					20	SIAS	19.5	Draft Report Issued
Treasury Management					15	SIAS	10	Draft Report Issued
Adult Care Services – Feeder Systems					20	SIAS	19.5	Draft Report Issued
SAP Systems Access					15	SIAS	14.5	Draft Report Issued
eIncome	Substantial	0	1	0	15	BDO	15	Final Report Issued
Resources: Property								
Carbon Reduction Commitment	Unqualified Opinion	0	0	0	15	SIAS	15	Final Report Issued
Resources: Technology								
Segregation of Duties / Access Controls					0	BDO	0	Audit Deferred
GDPR Preparedness					10	BDO	9.5	Draft Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Cyber Security	Moderate	1	3	2	15	BDO	15	Final Report Issued
Resources: Human Resources								
Employee Expenses	Substantial	0	0	4	15	SIAS	15	Final Report Issued
Off Payroll Working (consultancy)					5	SIAS	5	Through Year
DBS and Risk Assessments	Moderate	0	2	1	10	SIAS	10	Final Report Issued
Resources: Legal, Democratic & Statutory Services								
LEP - Compliance with Assurance Framework	Moderate	0	18	4	19	SIAS	19	Final Report Issued
Resources: Customer Engagement & Libraries								
Blue Badges	Substantial	0	0	3	10	SIAS	10	Final Report Issued
Council Wide Reviews								
Conflicts of Interest					25	SIAS	20.5	In Quality Review

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Delegated Decision Making	Substantial	0	1	2	25	BDO	25	Final Report Issued
Volunteering					25	SIAS	25	Draft Report Issued
Business Continuity					25	SIAS	18.5	In Fieldwork
Serious and Organised Crime Audit					25	SIAS	14.5	In Fieldwork
Safeguarding					25	SIAS	1	Allocated
Cross Service Reviews								
0-25 Integrated Service (Children's Services and Adult Care Services)					20	BDO	2.5	In Fieldwork
Home to school / college transport (Children's Services and Environment)					15	SIAS	8	In Fieldwork
Transport Infrastructure Assets (Resources and Environment)					1.5	SIAS	1.5	Audit Cancelled
Early Years Payment Run Processes	Not Assessed	0	0	8	5	SIAS	5	Final Report Issued
Adult Care Services								
Deputyship / Appointeeships	Moderate	0	7	2	18	SIAS	18	Final Report Issued
Integrated Commissioning Arrangements					1.5	BDO	1.5	Audit Cancelled

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Application of Eligibility Thresholds (Older People Service & Adult Disability Service)					20	BDO	3	In Fieldwork
Data Security and Information Sharing					15	SIAS	10.5	In Fieldwork
Direct Payments					15	SIAS		Allocated
Provider Portal (Consultancy Advice)	N/a				5	SIAS	2.5	Through Year
Data quality - Business Process Compliance – Older People Service					20	BDO	18.5	Draft Report Issued
Demography & Budget monitoring - Adult Disability Service					20	BDO	1.5	In Fieldwork
Payment of homes gross - Consultancy Support					1	SIAS	1	Audit Cancelled
Accommodation for Independence Programme (Adult Disability Service)					1	BDO	1	Audit Cancelled
Adult Care Services Queries < 3hrs Activities	N/a				10	SIAS	10	Through Year
Market oversight programme – consultancy activity / advice					20	SIAS	20	Draft Report Issued
ACS Client Finances (Older People Service)	N/a				5	SIAS	5	Complete
Environment Services								
Bus Contracts					15	SIAS	5	In Fieldwork
Dropped Kerbs	Moderate	0	4	1	12	SIAS	12	Final Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Highways Service - Highways Act 1980 Section 58	Substantial	0	2	2	15	BDO	15	Final Report Issued
Highways Service - Category 3 Works					15	BDO	2.5	In Fieldwork
Highways Services - PMnet Software Development Project					10	SIAS	9.5	Draft Report Issued
Development Management - Enforcement					0.5	SIAS	0.5	Audit Deferred (see 18/19 Plan)
Compliance with CDM Regulations					15	SIAS	12	In Fieldwork
Environment Services Queries <3hrs activities	N/a				10	SIAS	10	Through Year
WAMS (Waste Management System) - Consultancy Advice	N/a				3	SIAS	3	Complete
Children's Services								
Programme / Project Management					1.5	BDO	1.5	Audit Deferred (see 18/19 Plan)
Financial Monitoring of Schools					15	SIAS	5.5	In Quality Review
Family Finding model					5	SIAS	5	Complete
Quality Assurance Systems (Consultancy)					4	SIAS	4	Audit Deferred (see 18/19 Plan)
Customer Service Centre (safeguarding enquiries)					20	SIAS	6.5	In Fieldwork
GDPR – Transmission of Sensitive Data	Moderate	1	4	3	20	SIAS	20	Final Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Children's Services Queries <3hrs Activities	N/a				10	SIAS	10	Through Year
Public Health								
Commissioning, Contract Management and Contract Payments	Substantial	0	2	2	20	BDO	20	Final Report Issued
Immunisation in Schools					0.5	SIAS	0.5	Audit Cancelled
Community Protection								
Service Performance Management					15	BDO	14.5	Draft Report Issued
Internal Quality Assurance Arrangements					15	SIAS	8	In Fieldwork
Trading Standards - Management of Evidence					10	SIAS	6	In Fieldwork
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports	N/a				5	SIAS	5	Through Year
Joint Review					5			In Planning

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Grant Claims								
Herts Chief Finance Officers Society	Unqualified Opinion	0	0	0	2	SIAS	2	Final Report Issued
Hertfordshire Education Foundation	Unqualified Opinion	0	0	0	5	SIAS	5	Final Report Issued
Hertfordshire Charity for Deprived Children	Unqualified Opinion	0	0	0	1	SIAS	1	Final Report Issued
Autism Grant					2	SIAS		Allocated
LEP - Local Growth fund	Unqualified Opinion	0	0	0	3	SIAS	3	Final Report Issued
Integrated and structural maintenance grant					2	SIAS		Allocated
Building Better Opportunities					3	SIAS	2	In Fieldwork
Disabled Facilities Grants / Home Improvement Agency	Unqualified Opinion	0	0	0	5	SIAS	5	Final Report Issued
LEP Capital Grant	Unqualified Opinion	0	0	0	4.5	SIAS	4.5	Final Report Issued
Bus Subsidy Operators Grant	Unqualified Opinion	0	0	0	2	SIAS	2	Final Report Issued
Pot Hole Action Fund	Unqualified Opinion	0	0	0	1.5	SIAS	1.5	Final Report Issued
Local Transport Capital Block Funding	Unqualified Opinion	0	0	0	1.5	SIAS	1.5	Final Report Issued
oneTRANSPORT	Unqualified Opinion	0	0	0	18	SIAS	18	Final Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Grants Contingency					0	SIAS		
Other Chargeable								
Plan Delivery Monitoring	N/a				30	SIAS	30	Through Year
Recommendations Follow-Up - Q1	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q2	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q3	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q4	N/a				5	SIAS	5	Complete
Client Liaison	N/a				10	SIAS	10	Through Year
Audit Committee	N/a				20	SIAS	20	Through Year
2018/19 Audit Planning	N/a				30	SIAS	30	Complete
Performance Data	N/a				3	SIAS	3	Through Year
External Audit Liaison	N/a				2	SIAS	2	Through Year
SIAS Development	N/a				40	SIAS	40	Through Year

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
SIAS Board Meetings and Preparation	N/a				10	SIAS	10	Through Year
Management of Scrutiny	N/a				5	SIAS	5	Through Year
Management of Health & Safety	N/a				5	SIAS	5	Through Year
Management of Shared Anti-Fraud Service	N/a				5	SIAS	5	Through Year
Management of Risk Management and Insurance	N/a				5	SIAS	5	Through Year
Public Sector Internal Audit - Self Assessment 17-18	N/a				10	SIAS	10	In Fieldwork
16/17 Projects requiring completion								
16-17 Projects requiring completion	N/a				10	SIAS	10	Complete
16/17 Social Media	Substantial	0	0	0	9.5	SIAS	9.5	Final Report Issued
16/17 Client Finances - Establishment Visits	Substantial	0	4	0	12.5	SIAS	12.5	Final Report Issued
16/17 Training Records	Substantial	0	0	3	10	SIAS	10	Final Report Issued
16/17 Ofsted Action Plan	Substantial	0	1	2	7.5	SIAS	7.5	Final Report Issued
16/17 Overtime / Working Time Directive	Substantial	0	0	1	6	SIAS	6	Final Report Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
16/17 Pre-Paid Cards	Substantial	0	2	3	8.5	SIAS	8.5	Final Report Issued
16/17 Joint Reviews	N/a				1	BDO	1	Final Report Issued
16/17 Ringway - Service Sector Improvements	Substantial	0	0	0	1	SIAS	1	Final Report Issued
HCC Plan Contingency Balance					**44**			
Schools								
Advice, queries and guidance for schools	N/a				20	SIAS	20	Through Year
Liaison, awareness raising and training	N/a				18.5	SIAS	18	Through Year
Theme 1 - SFVS (25 schools)	N/a				114	SIAS	114	Final Reports Issued
Theme 2 - Safe Recruitment (18 Schools)	N/a				70	SIAS	70	Final Reports Issued
Theme 3 – IR35 (15 schools)	N/a				57.5	SIAS	57.5	Draft or Final Reports Issued
16-17 SFVS Returns Collation	N/a				10	SIAS	10	Complete

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
17-18 SFVS Returns Collection	N/a				5	SIAS	5	Complete
Reporting 16/17 themes	N/a				10	SIAS	10	Draft Reports Issued
Follow up schools with high priority recs or moderate assurance	N/a				10	SIAS	10	In Fieldwork
Contingency - Schools Causing Concern	N/a				6	SIAS		Through Year
Contingency - Academy Conversions	N/a				6	SIAS		Through Year
Plan Monitoring	N/a				10	SIAS	10	Through Year
Completion of 16-17 Audits	N/a				8	SIAS	8	In Progress
Schools Plan Contingency Balance					0			

Total		**2**	**54**	**50**	**1637**		**1372.5**	

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 October 2017 (previous commentary added where appropriate)	Status of Progress
1	**Data Quality (Children's Services)** **(Final Report Issued May 2017)**	**Recommendation** It was recommended that Children's Services:- • Review the Children's Services Data Oversight Strategy to ensure that it is consistent with the corporate Data Quality Strategy • Formally allocate the Senior Information Risk Owner (SIRO) role to a named officer • Ensure that each information system has a named officer for data quality. • Set a clear target date for the implementation of the Master Data Roadmap/Golden Record project • Set up regular data quality meetings across all departments and with external users • Update the Data Quality Strategy to include information on how data quality is reported through the data governance hierarchy. **Management response** **Meet with Corporate colleagues to review the recommendations and determine the appropriate response from a corporate perspective.** **Present a report to Children's Services Core Board to review the recommendations and agree proposed actions and owners.** **Develop an action plan following on from decisions taken at Board.**	Jenny Eccles - Head of Business Infrastructure July 2017	**October 2017 Update -** A meeting has taken place with Corporate colleagues and an approach has been agreed. A report will be presented to CS Core Board in September 2017 **November 2017 Update –** The above report has been rescheduled to 6th December 2017 for presentation to Core Board **February 2018 Update –** Report presented to CS Core Board on 1st February 2018 outlining the recommendations and the proposed actions. Actions were agreed at this meeting and these will now be developed into a formal action plan.	**Complete**

No.	Report Title / Date of Issue	Recommendation / Original Management Response	Responsible Officer / Due Date	Management Comment as at October 2017 (previous commentary added where appropriate)	Status of Progress
2	**GDPR – Transmission of Electronic Data (Children's Services)** **(Final Report Issued November 2017)**	<ins>Recommendations</ins> It was recommended that Children's Services (with the support of the Information Governance Team):- • reminded staff of the requirement to complete Data Protection iLearn training • positively confirm with managers that all staff have completed the training by a specified date. • Undertake work to verify that all training records held are up to date and accurate, correcting any inaccuracies and implement ongoing monitoring to provide assurance that records remain accurate. • Within the above reviews, include all members of the workforce, extending to areas such as Foster Care. <ins>Management Response</ins> • An email from Jenny Coles has been sent to all managers (July 2017) indicating that all staff must have completed the iLearn training. This will be followed up with managers in November 2017 to confirm completion. • Implementation of a monthly new starters report to be reviewed to enable managers to ensure iLearn module has been completed. • Information Governance Unit to discuss with HR the issues regarding accuracy of iLearn completion data. • A review of DP training provided to foster carers is in progress and methods to communicate more securely with foster carers are being developed with the Corporate Technology Team. • Manual records of attendance on face to face training (which is considered over and above the iLearn mandatory training) prior to SAP to be inputted onto SAP to provide an overall report	Jenny Eccles - Head of Business Infrastructure and Elaine Dunnicliffe - Information Governance and Access Unit Manager 31 January 2018 for completion of all actions (some having earlier completion dates)	**February 2018 Update –** The Survey regarding completion of training by staff is in the process of being issued. This is scheduled to be completed by the end of March 2018. Discussions with HR, in relation to the new starters report and accuracy of i-Learn, are planned to be completed by the end of March 2018. A Specific Foster Carer email system (which will allow secure communication between foster carers and HCC staff) is currently being tested. Manual records of attendance of DP training are still to be added, with the resource required to complete this currently being identified.	**Partially implemented** **Revised target date – 1 April 2018**

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

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

HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE
26 MARCH 2018 AT 10.00 AM**

2018/19 INTERNAL AUDIT PLAN REPORT

Report of the Director of Resources

Authors: Terry Barnett, Head of Assurance
        Services (Tel: 01438 845508);
        Chris P Wood, SIAS Audit Manager
        (Tel: 01438 845513)

Recommendation:

Committee Members are recommended to
approve the proposed Hertfordshire County
Council Internal Audit Plan for 2018/19

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Appendices

1. Introduction and Background

<u>Purpose of Report</u>

1.1 To provide Members with the proposed Hertfordshire County Council 2018/19 Internal Audit Plan.

<u>Background</u>

1.2 The Internal Audit Plan sets out the programme of internal audit work for the year ahead and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements as contained in the Head of Internal Audit annual report.

1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2017 meeting of this Committee, shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of the Audit Committee on 15 May 2018.

1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:

- Outlines how the service will be developed in accordance with the internal audit charter
- Details how the internal audit plan will be delivered
- Evidences how the service links to organisational objectives and priorities

1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

<u>Planning Principles</u>

2.1 SIAS audit planning is underpinned by the following principles:

a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.

c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.

d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource constrained environment, all needs cannot be met.

e) Identification of responsibilities where services are delivered in partnership.

f)   In-built flexibility to ensure that new risks and issues are accommodated as they emerge.

g)   Capacity to deliver key commitments including work undertaken on behalf of External Audit and governance work.

h)   Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

<u>Approach to Planning</u>

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

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:
- key committee reports at each client and identifies emerging risks and issues
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

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

Confirmation of the Council's objectives and priorities

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

2.3   The approach to audit planning for 2018/19 has been characterised by:

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

Risk Assessment

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

Other sources of Assurance

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

Significance

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

Timings

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

b) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the Audit Committee.

c) The proposed 2018/19 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

d) Proposed draft plans are presented to Directorate Boards for discussion and agreement.

e) The consolidated draft audit plan is presented to the Council's Section 151 Officer for final comment and agreement.

f) The plan is shared with the External Auditor.

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

The Planning Context

2.5 The context within which local authorities provide their services remains challenging:

- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead.

- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens.

- Technology ranging from use of mobile devices and applications to predictive analytics is now key to service delivery and offers opportunities along with significant risks.

- Major, national programmes in areas like welfare reform and business rate reform, and increased reliance on partnership working and joint funding with Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.

- Recent high profile failures or difficulties experienced by external service providers increases the importance of contract and financial solvency monitoring, as well as robust business continuity planning.

2.6   The resultant efficiency and transformation programmes that councils are continuing to implement and develop are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

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

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.

- Give assurance which covers the control environment in relation to new developments, using the most appropriate audit approach such as 'control risk self-assessments' or 'continuous assurance' where appropriate.

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2018/19

2.8   The draft plan for 2018/19 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested month for delivery.

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

Purchased audit days	2018-19	2018-19 %
Key Financial Systems	135	9
Operational audits		
Resources	135	9
Health and Community Services	115	8
Environment	55	4
Children's Services	80	5
Public Health	15	1
Community Protection	40	3
Cross-Service	40	3
Council Wide	135	9
Carry forward work 17/18	45	3
Grants	34	2
Joint Reviews	5	0.5
Shared Learning	5	0.5
Governance	23	1.5
IT Audits	30	2
Strategic Support*	164	11
Contingency	72	5
Schools	345	23.5
Total allocated days	**1473**	**100%**

* This covers supporting the Audit Committee, managing the delivery of the audit plan, planning for 2019/20, service development, supporting the SIAS Board and External Audit liaison.

2.10   Following a review by the SIAS Board (attended by the Council's S151 Officer), all partners agreed to reduce their existing audit plans by 10%, thereby allowing cashable savings to be achieved. This represents a total reduction in the Hertfordshire County Council Internal Plan from 1637 days to 1473 days, a reduction of 164 days. A significant proportion of this reduction has been achieved through reducing strategic support activities (43 days), support and advice (20 days) and Key Financial Systems audits (25 days).

2.11   Actual start dates will be confirmed with management for all audits by the end of April 2018. This will help smooth delivery of the plan across the year, give regular assurance to the Committee, and raise awareness of the timing of the reviews to support partnership working between the Council and SIAS. Also included is a reserve list detailing audits which may feature in the event that an audit in the main plan cannot be conducted. Plan changes are brought before this Committee for approval.

2.12   Members will note the inclusion within Appendix A of a provision for the completion of projects that relate to 2017/18. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year-end closure procedures.

2.13   The nature of assurance work is such that enough activity must have been completed in the financial year for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

2.14   In order to achieve an appropriate balance of assurance needs within the audit resources available, the audits shown at Appendix B were excluded from the 2018/19 proposed audit plan based on an assessment of risk by senior management and SIAS. These audits will be revisited throughout 2018/19 should audit resources become available or the risk profile of an audit change which requires it to be substituted into the 2018/19 plan. This committee will be notified of such changes through the update report process. Those audits that remain undelivered at the year-end will be reassessed for inclusion in the 2019/20 audit plan.

Internal Audit Plan 2019/20

2.15   During audit planning discussions with senior managers, areas were also identified as potential audits for 2019/20 and these will be formally risk assessed for inclusion in the 2019/20 audit plan as part of the planning process for that year. Appendix C of this report includes areas identified for carry forward to the 2019/20 Audit Planning Process.

3. Performance Management

<u>Update Reporting</u>

3.1 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2018/19 and any proposed changes will be reported to this Committee four times in the 2018/19 civic year.

3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported to this Committee as part of the update reporting process.

<u>Performance Indicators</u>

3.3 Annual performance indicators were originally approved at the SIAS Board which continues to review them annually. Details of the targets set for 2018/19 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. **Planned Days** percentage of actual billable days against planned chargeable days completed	95%
2. **Planned Projects** percentage of actual completed projects to draft report stage against planned completed projects	95%
3. **Client Satisfaction** percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
4. **Number of High Priority Audit Recommendations agreed**	95%
5. **External Auditor Satisfaction**	External Auditors are able to rely upon the range and quality of SIAS' work
6. **Annual Plan**	Presented to the March meeting

		of each Audit Committee. Or if there is no March meeting, then presented to the first meeting of the new financial year
7.	**Head of Assurance's Annual Report**	Presented to the first meeting of each Audit Committee in the new financial year.

Proposed HCC Audit Plan 2018/19 APPENDIX A

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
CORPORATE			
Annual Governance Statement 2016-17	8	Q1	Review the Council's governance arrangements and support the development of the 2017/18 AGS
Annual Governance Statement 2017-18	5	Q4	Preparation for the development of the 2018/19 AGS
Head of Assurance Annual Opinion and Annual Report	5	Q1	Provide the annual report and deliver the opinion on the Council's control environment
Whistleblowing - named contact and quarterly review	5	Through Year	Act as a named contact for whistleblowing matters; attend quarterly case review meetings
RESOURCES			
Resources Queries < 3hrs Activities	5	Through Year	Advice and support as required throughout year.
HBS			
HBS - Strategic and Financial Planning	15	Q3 / Q4	To provide assurance that HBS has a robust approach to strategic and financial planning, with this demonstrating a "commercial" approach and sufficiently aligning to income contribution targets for the service.
Finance			
Pensions - Administration	20	Q3	Annual Key Financial Systems Audit
Payroll	20	Q3	Annual Key Financial Systems Audit
Debtors	20	Q3	Annual Key Financial Systems Audit
Creditors	20	Q3	Annual Key Financial Systems Audit

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
General Ledger	20	Q3	Annual Key Financial Systems Audit
Treasury Management	15	Q4	Annual Key Financial Systems Audit
Systems Access (SAP)	20	Q3 / Q4	To provide assurance that an appropriate internal control environment is in place to manage new user requests to the system, removing leavers and system owner oversight. In addition the audit will ensure that user profiles (and their subsequent allocation) maintain an adequate segregation of duties within the system.
Local Enterprise Partnership (LEP)	15	Q4	To provide assurance that previous audit recommendations from the 2017-18 review of the LEP have been implemented. In addition, the audit will review the project governance process, specifically the project approval; monitoring and payment processes to provide assurance that projects meet key outcomes and deliver value for money.
Property			
Carbon Reduction Commitment	15	Q1	Annual assurance review on the Council's CRC return (prior to submission) to meet Environment Agency requirements.
Residential Accommodation (Use by Council / 3rd Party Staff)	15	Q2	To provide assurance that an appropriate control framework is in place to govern instances where HCC or other third party provider staff are provided residential accommodation in HCC owned property. The review would include assurance on areas such as existence of appropriate licence / tenancy agreements, robust assessment of eligibility for accommodation, record keeping, invoicing (where contributions are required) and maintenance / repair obligations during and at the end of tenancy.
Property and Estate Management	20	Q2 / Q3	To provide assurance that the control measures to support the management of the Council's Property and Land Estate are in place and operating effectively. The review will include key areas

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
			such as identification and completion of statutory health and safety checks, accuracy and completeness of the property database (to record planned maintenance due and completed) and the operation of the Permit to Work system.
Technology (IT Audits)			
ICT Maintenance	20	Q3	To provide assurance that a sufficiently robust control environment is in place in relation to ICT hardware and software maintenance.
Cyber Security (follow up review)	10	Q3	Following the completion of an audit on Cyber Security in 2017-18, this review will provide assurance that agreed control improvements have been implemented and embedded.
Assurance Services			
Health and Safety	15	Q3 / Q4	To provide assurance that the Council has appropriate controls in place to meet its statutory obligations under the Health and Safety at Work Act 1974 and associated legislation; in particular the audit will cover the requirements of performing the function of the 'competent person' for health and safety within HCC and the effectiveness of the monitoring and advisory role on health and safety issues, including the process in place for escalation of matters for concern.
Risk Management	15	Q2 / Q3	To provide assurance that Council has an effective approach to embedding Risk Management at all levels of the organisation. In addition, assurance will be provided over the effectiveness of the processes that ensure that the risks and the mitigations designed to address them are effectively challenged, and that the escalation of departmental risks to corporate risk status is universally applied.

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
Human Resources			
Sickness Management and Occupational Health	20	Q4	To provide assurance that the Council's sickness policies are being applied correctly by managers, with MSS prompts for Health Reviews being acted upon promptly. The audit would also provide assurance that, where required, occupational health referrals are progressed by the 3rd party provider in line with the agreed service specifications.
COUNCIL-WIDE REVIEWS			
General Data Protection Regulations (GDPR)	25	Q4	To provide assurance that the Council has implemented sufficiently robust systems, processes and guidance in relation to GDPR and that these are being complied with by a sample of Service Areas (the audit will include key supporting areas, critical to supporting GDPR compliance such as IT Asset Register and Public Services Network Accreditation).
Employment Status (IR35)	25	Q1 / Q2	To provide assurance that the Council has appropriate systems and process in place to comply with IR35 and the general determination of employed vs self-employed status. This would include an assessment of the work undertaken by HR and Finance to identify existing contractors who may fall into the remit of IR35.
Financial Solvency Monitoring and Business Continuity Arrangements – 3rd Party Contractors	20	Q2	To provide assurance the Council has appropriate systems in place to monitor the financial solvency of key 3rd party service providers, as well as maintaining robust business continuity plans to manage unforeseen provider failures.
Debt Management	25	Q4	To provide assurance that an appropriate internal control environment is maintained in relation to debt management, including the existence of clear policies, defining of roles and responsibilities, timely completion of recovery actions, appropriate management oversight and that all reasonable actions have been

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
			undertaken prior to the decision to write off debts.
Lone Working	20	Q1 / Q2	To provide assurance that appropriate policies, procedures and training are in place and applied by teams to safeguard employees who are required to work alone.
Partnership Funding	20	Q4	To provide assurance over the use of partnership funded services / activities across the Council, focusing on the robustness of partnership agreements, exit plans and contingency plans in the event of withdrawal of funding.
CROSS-SERVICE REVIEWS			
Complaints Management (CS and ACS)	20	Q3	To provide assurance that Children's Services and Adult Care Services have a robust framework in place to manage complaints in a timely manner, meet corporate / service policies in relation to the handling of the complaint and use outcomes from complaints received to lever continuous improvement of services.
Section 106 (Environment and Resources)	20	Q2	To provide assurance that the Council has appropriate systems in place to identify and secure S106 contributions available from developers and that systems are in place to ensure that S106 funding received by the Council is used in a timely basis and for appropriate purposes.
ADULT CARE SERVICES			
Quality Assurance and Practice Audits	20	Q1	To provide assurance that robust arrangements are in place to assess the quality of practice within ACS service areas, including the systems to share good practice or learning points across the service.
Budget Recovery and Efficiency Plans	20	Q1 / Q2	To provide assurance that appropriate governance systems exist in relation to budget recovery and efficiency plans. In addition to review the accuracy and relevance of financial information to

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
			support monitoring and finally to provide assurance that recovery / efficiency plans are on track in relation to programmed activities / targets.
ACS Workforce Strategy	15	Q2	To provide assurance that the ACS workforce strategy for both the internal and external workforce is supported by an appropriate control environment to maximise the likelihood of success. This will include the existence of robust governance arrangements, clear plans, appropriate management information and that appropriate contingency arrangements are in place to manage workforce shortages.
Home Improvement Agency	15	Q2 / Q3	To provide assurance that a robust internal control framework is in place to support the delivery of activities and outcomes of the Home Improvement Agency
Specialist Care at Home	20	Q2 / Q3	To provide assurance that effective contract monitoring processes are in place to monitor the effectiveness of delivery of this key activity.
Safeguarding	20	Q3 / Q4	To provide assurance that appropriate governance and monitoring arrangements are in place in relation to safeguarding. This will include the independent file review process, learning and development (in line with any recommendations from the HASB), operational management oversight of safeguarding procedures / action plans, Senior Management oversight arrangements and performance reporting.
ACS Queries < 3hrs Activities	5	Through Year	Advice and Support throughout year.
ENVIRONMENT SERVICES			
Fly Tipping	15	Q2	To provide assurance that appropriate partnership working arrangements are in place with District and Borough Councils to ensure that the Council's complies with it's statutory

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
			responsibilities. This will include areas such as joint working agreements / understanding.
Tree Management	20	Q4	To follow up the previous Tree Management Audit undertaken in 2015-16 to provide assurance that agreed management actions have been implemented and embedded into operating practice.
Enforcement	15	Q3	To provide assurance that HCC has appropriate systems, controls and governance arrangements in place to manage enforcement activities.
ECS Queries <3hrs activities	5	Through Year	Advice and Support throughout year.
CHILDREN'S SERVICES			
GDPR – Electronic Transfer of Sensitive Data (follow up)	20	Q3 / Q4	A follow up review of the 2017-18 Internal Audit (Moderate Assurance) review on GDPR / data protection awareness and training within CS, focused on the electronic transmission of sensitive data. The review will provide assurance that key recommendations have been implemented and have been embedded into business as usual.
Quality Assurance Systems (Consultancy)	5	Q3	To provide assurance that the revised quality assurance framework has been embedded and that this is appropriately used to drive continuous improvement and learning.
School Admissions – Appeals Process	15	Q3 / Q4	To provide assurance that the admissions appeals process operates in accordance with statutory requirements.
Secondary Expansion Programme	15	Q2	To provide assurance over the governance arrangements that support the Secondary Expansion Programme, including providing assurance that the programme is delivering value for money in terms of schemes progressed and that an appropriate strategy is in place to prioritise and secure funding for future projects.

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
HfL – Standard of Commissioned Services	20	Q1 / Q2	For services commissioned by HCC, to provide assurance over the contract management systems in place to ensure that appropriate service levels are maintained and key objectives delivered.
CS Queries <3hrs Activities	5	Through Year	Advice and Support throughout year.
PUBLIC HEALTH			
Public Health LGA – Peer Review Challenge	15	Q4	To provide assurance that the Service has sufficient governance systems in place to monitor the progress of any improvement plans produced as a result of the Peer Challenge. The audit would also provide assurance that actions are only signed off as complete once appropriate evidence has been received to demonstrate they are sufficiently implemented.
COMMUNITY PROTECTION			
Hertfordshire Home Safety Service (HHSS)	15	Q1 / Q2	To provide assurance that an appropriate internal control environment is in place to manage referrals received by HHSS, including a risk assessed approach to prioritising referrals. The audit will also provide assurance that appropriate mechanisms are in place to monitor the performance of the service in terms of meeting agreed targets.
Automatic Fire Alarms (AFAs) and Unwanted Fire Signals (UFS)	15	Q2	To provide assurance that HFRS are applying a consistent approach to investigating false alarms and charging, where appropriate, for such call-outs in line with the agreed policies for AFA's / UFS. The audit could also be expanded to cover the consistency of application of the policies in relation to non-response to perceived false signals.
Sickness Management (also see Council Wide Review)	10	Q3	To review the effectiveness of the new electronic sickness management system (if implemented). The audit will include a review of the effectiveness of sickness management / occupational

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
			health, contingency / workforce planning arrangements (to cover sickness) and also how management information is used to monitor the effectiveness of this area.
SHARED LEARNING			
Shared Learning Newsletters and Summary Themed Reports	5	Through Year	Shared learning newsletter produced at regular intervals during the financial year to highlight key emerging risks and good practice to members of the SIAS Partnership.
Joint Review – Topic to be determined by SIAS Board	5	TBC	A joint audit review conducted across all SIAS partners, with the topic agreed in-year by the SIAS Board Members.
GRANT CLAIMS			
Herts Chief Finance Officers Society	1	Q2	Audit of accounts
Hertfordshire Education Foundation	2	Q4	Audit of accounts
Hertfordshire Charity for Deprived Children	1	Q1	Audit of accounts
Autism Grant	2	Q1	Grant Certification
LEP – Local Growth Fund	3	TBC	Grant Certification
Integrated Structural Maintenance Grant	2	TBC	Grant Certification
Building Better Opportunities Grant	3	TBC	Grant Certification
Disabled Facilities / Home Improvement Agency	5	TBC	Grant Certification
Grants Contingency	15		Time required to cover additional grant certification activities notified in-year

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
OTHER CHARGEABLE			
Monitoring 2018/19 Plan	20	Through Year	Time required to manage delivery of the HCC audit plan
Recommendations Follow-Up - Q1	5	Q1	
Recommendations Follow-Up - Q2	5	Q2	
Recommendations Follow-Up - Q3	5	Q3	Follow-up of all HCC high and medium priority recommendations
Recommendations Follow-Up - Q4	5	Q4	
Client Liaison	15	Through Year	Time required developing and maintaining effective relationships with HCC managers.
Audit Committee Matters & Attendance	20	Through Year	Time required to support the HCC Audit Committee
Audit Planning – 2019/20	20	Q3 / Q4	Undertake planning meetings in respect of the development of the 19/20 HCC audit plan
Performance Data	5	Through Year	Preparation of regular monitoring information required by HCC
External Audit Liaison	2	Through Year	Update meetings with Ernst and Young
Service Plan Activity	25	Through Year	Time required to implement actions in the SIAS Business Plan
SIAS Board Meetings and Preparation	12	Through Year	Time required to support the SIAS Board
Assurance Services – Management Activities	20	Through Year	Management activities, including PMDS, Supervision and general Oversight and Strategic Leadership of the Service.
Public Sector Internal Audit - Self Assessment 2018-19	5	Q4	Completion of the required self-assessment of compliance against the Public Sector Internal Audit Standards.

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
HCC CONTINGENCY	72	Through Year	Time required to cover unanticipated audit requirements
2017/18 PROJECTS REQUIRING COMPLETION	45		Completion of audit activity started in 17/18
SCHOOLS			
Advice, queries and guidance for schools	20	Through Year	Time to respond to queries received from schools
Liaison, awareness raising and training	15	Through Year	Time to attend meetings, provide training and produce information for dissemination to schools and governors
Theme 1 – Schools Financial Value Standard (SFVS)	95	Q1	Sample of 25 schools to be visited to test effectiveness of controls in respect of the SFVS assurance areas
Theme 2 – General Data Protection Regulations (GDPR)	65	Q2	Sample of 15 schools to be visited to test effectiveness of controls in respect of compliance with the GDPR
Theme 3 – IR35	65	Q3 or Q4	Sample of 15 schools to be visited to test effectiveness of controls in respect of compliance with the IR35
SFVS returns process	15	Q1 & Q4	Collation and interpretation of schools' SFVS returns
Follow up of high priority recommendations and schools with moderate assurance	10	Through Year	Reviewing progress in areas where improvement in control is required
Contingency – Schools Causing Concern Referrals	15		Provision of capacity to provide assurance over the adequacy of financial control / governance arrangements for schools where soft concerns have been raised in respect of inappropriate / poor practice or those schools in financial difficulty.

Name of Audit in HCC Plan	Plan Days	Target Quarter	High level scope
Contingency – Academy Conversions	10		Provision of capacity to receive referrals from CS Finance to review the accuracy of a School's financial position and records prior to the Academy conversion process.
Schools' contingency	35		To be used as required
TOTAL HCC AUDIT DAYS 2018/19	**1473**		

APPENDIX B - HCC Audit Plan 2018/19 – Reserve List

Audit title	Audit Scope
Resources	
Workforce Training	To provide assurance that the Council has appropriate systems in place to determine key training, and that appropriate governance systems are in place to provide assurance that this has been completed by staff.
Invest to Transform	To provide assurance that a robust governance framework exists over the assessment and approval of Invest to Transform bids and a review as to whether envisaged benefits are being derived from the fund as a whole (Total Budget for 2017-18 £17.8m)
Libraries – Expenditure and Banking	To provide assurance that Libraries are complying with financial regulations in relation to the collection, recording and banking of income.
Libraries – Income Generation	To provide assurance that Libraries have appropriate strategies to maximise income generation and have made progress to achieve these. The review will include benchmarking against other Local Authorities to identify any additional opportunities not currently explored.
Equality Impact Assessments	To provide assurance that the Council's approach to EIA's aligns to legislative and good practice requirements and that this is embedded through a review of completed activities.
Integrated Planning Process	To provide assurance that the Council has a robust process in relation to the creation of the Integrated Plan. The review would focus on the "officer" side of the process and would extend to reviewing the systems for consultation with the public on outline proposals.
Property Company (Herts Living Ltd)	Embedded (continuous) assurance in relation to the creation of governance and internal control arrangements, or a specific review of the governance overseeing the operation of the property company.
Transport Infrastructure Assets	Subject to the changes in Transport Infrastructure Asset valuations becoming critical to the Council's final accounts process for 18/19, this review will seek to align with External Audit assurance requirements. Areas to be covered would include, Completeness of Asset Registers and method and accuracy of valuations
Adult Care Services	
Asset Based Community Development	To provide assurance that the Asset Based Community Development approach is being applied within the assessment process and is delivering the envisaged outcomes.

Audit title	Audit Scope
Provider Suspensions	To provide assurance that a clear and transparent process is in place for provider suspensions and this is operated effectively in practice.
External Providers – Assessment and Care Management	To provide assurance that appropriate contract management and quality assessment systems are in place to monitor the performance of 3rd party providers that deliver assessment and care management services.
ACS – Charging Policy	To provide assurance that charges raised to service users for care provided (including financial assessments) are in accordance with the revised Adult Care Services Charging Policy.
Programme / Project Management	To provide assurance over governance arrangements in place for the management of key Programmes and Projects within ACS.
Better Care Fund	To review the current assurance arrangements for the better care fund to ensure that sufficient coverage is provided through both HCC and partner agencies.
Children's Services	
Corporate Parenting	To provide assurance that the Council is meeting statutory responsibilities and good practice in relation to the role of 'Corporate Parenting'.
Service Transformation	To provide assurance that key Service Transformation activities have appropriate governance, performance management and quality assurance frameworks in place to maximise the opportunity of perceived benefits being achieved.
Environment	
Fault Reporting Systems (Cat 1 Triage)	To undertake a follow up review on the Category 1 Triage approach (last audited in 2016/17) to provide independent assurance that it continues to deliver the envisaged outcomes.
Schools	
Safe Recruitment	To provide assurance that a sample of 15 schools have appropriate governance and internal control arrangements in place to comply with DfE requirements in relation to the Safe Recruitment of school staff. (Continuation of audit theme undertaken during 2016/17 and 2017/18).

APPENDIX C – Areas Carried Forward to the 2019/20 Internal Audit Planning Process

Audit Title	Audit Scope
Resources	
Budget Monitoring (e-Monitor)	Building on the e-monitor audit undertaken in 2016-17, this review would provide assurance on the robustness of budgetary control systems operated by Budget Managers and Budget Reviewers.
Shared Managed Services Contract	To provide assurance over the contract management arrangements for the SMS Contract. The review will also look to highlight specific areas for consideration during the contract award or operation of future contracts for this area.
Freedom of Information	To provide assurance that FOI requests are handled in accordance with statutory guidance.
Adult Care Services	
Deprivation of Liberty Safeguards (DoLS)	To provide assurance that care management / assessment systems and processes sufficiently incorporate guidance on DoLS and that this has been implemented in practice by fieldcare teams.
Client Finances – Private Sector Providers	To provide assurance, through establishment visits, that external providers have implemented appropriate internal control arrangements to safeguard client monies managed on a service users behalf. The review will extend to a review of the accuracy of financial records, appropriate powers of authority (to act), existence of support / budget plans and appropriateness of expenditure.
Care Act – Information and Advice	The objective of the review would be to assess the progress against the current strategy / delivery plans and confirm that any 3rd party arrangements are working effectively
Children's Services	
Adoption Services	To provide assurance that appropriate internal control systems are in place to maintain the positive direction of travel in relation to Adoption Services and ensure that placements are made in a timely manner and meet regulatory requirements in terms of vetting.
SEND	To provide assurance that the SEND offer meets good practice guidelines, in particular the Local Offer Website. The audit would also provide assurance that all improvement areas identified in the

Audit Title	Audit Scope
	2016 CQC joint area inspection have been addressed.
Community Protection	
Emergency Response Protocols	To provide assurance that revised emergency response protocols are clearly defined, communicated to relevant officers and have been followed in practice.
HFRS Resilience	To provide assurance on the robustness of the HFRS resilience strategies / plans to manage resources due to unplanned incidents (such as terrorist activity, civil disturbance, large scale wide area flooding, or periods of industrial action). The review would include assessing the level of reliance HFRS currently place on regional or national resources to provide fire cover.
Training	To provide assurance that appropriate governance arrangements, systems, processes and records are in place to provide assurance that HFRS staff have received all required mandatory and service required training. The review would include an assessment as to the processes, and application of such processes, in relation to updating the IPDS system with training performed.
Command and Control – Business Continuity	To provide assurance that an appropriate strategy is in place to maintain the I.T systems that support the command and control call handling centre, with regular tests being undertaken and appropriate contingency arrangements are in place to manage any periods of system downtime.
PREVENT	To provide assurance over the Council's approach to PREVENT, in particular reviewing the effectiveness of governance arrangements, training and collaboration with partners.
Public Health	
Safeguarding	To provide assurance that staff have received adequate training and follow this in practice in relation to the processes for identifying and reporting safeguarding issues during the course of Public Health activities. The review would also provide assurance that systems are in place to log and progress concerns reported and the role of Safeguarding leads.
Communications Strategy	To provide assurance that the Public Health Service has a coherent communications strategy and that this is mirrored within the outward communication provided by the Council via intranet sites or communications provided to (or required by) partner organisations.

Audit Title	Audit Scope
Health Visitors Contract	To provide assurance that appropriate systems for contract management and performance monitoring are in place to reduce the risk of underperformance. The review would include assessing the robustness of Quarterly contract and quality review meetings and operational meetings.
School Nursing Contract	To provide assurance that appropriate governance and contract management processes are in place to monitor the delivery of the service provider and increase the level of assurance that key outcomes will be delivered.
Healthy Child Programme	To provide assurance that appropriate controls have been put in place to assure the quality and safety of the Healthy Child Programme and that appropriate governance arrangements are in place to monitor the adequate performance of this programme.
Schools	
Medium Term Financial Planning	To review the effectiveness of financial planning within a sample of maintained Hertfordshire schools.
Governance Arrangements in Schools	To review the effectiveness of governance arrangements within a sample of maintained Hertfordshire schools.
School Websites – Compliance with the School Information (England) (Amendment) Regulations 2016	To review a sample of websites maintained by Hertfordshire schools to evaluate compliance with school Information Regulations.

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
26 MARCH 2018 AT 10.00 AM

ANTI-FRAUD ACTION PLAN -
PROGRESS FOR 2017/18 AND
PLAN FOR 2018/2019

Report of the Director of Resources

Author: Nick Jennings, Head of Counter Fraud
(Tel: 01438 844705)

Recommendations:

> Members are recommended to:
>
> 1. Note progress on the 2017/18 Action Plan
> 2. Review and approve the SAFS/HCC Anti-Fraud Action Plan 2018/2019.
> 3. Read and review the LGA Councillors Workbook on Fraud and Bribery Prevention 2017

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Contents

1   Introduction and Background

Purpose of Report

1.1   To provide Members with information on:

- Progress on the SAFS/HCC Anti-Fraud Action Plan for 2017/2018
- A proposed SAFS/HCC Anti-Fraud Action Plan 2018/2019
- Transparency Code Data

Background

1.2   Reports issued by Government and public sector organisations continue to highlight fraud as a significant risk for local government. These reports continue to be 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 on 2013 data).

- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.

- CIPFAs *Fraud and Corruption Tracker 2017* indicates that identified fraud has increased since 2016 but that the capacity within the sectors counter fraud capacity had reduced, and would continue to do so, placing local government at even greater risk of fraud.

- The Central Government's *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1.3   The Cabinet Office, Department for Communities and Local Government, NAO, and CIPFA have also issued guidance, advice, and best practice directives to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.

1.4   The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and hosts the SAFS Team at its Stevenage Campus. Members have previously received detailed reports about the team's progress and how the service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with all aspects of fraud from deterrence & prevention to investigation & prosecution.

1.5   It is essential that to support SAFS the Council continues to have in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.

1.6   In 2017 the LGA published its Councillors Workbook on Bribery and Fraud Prevention. A copy of the Workbook can be found at **Appendix A** and Members are invited to read and review this document.

2.   Plans and Reports 2018/2019

Anti-Fraud and Corruption Strategy

2.1   The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and includes advice to Members, senior officers, and staff about how to deal with identified fraud and corruption. This document was reviewed in 2017 and it complies with best practice guidance from CIPFA.

Anti-Fraud Action Plan 2017/2018

2.2   The Council's Anti-Fraud Action Plan for 2017/2018, approved by Members in March 2017, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. A report detailing progress against the plan was provided to Members in November 2017 and a final report on performance in 2017/2018 will be provided to this Committee in the summer of 2018.

2.3   In the first three quarters of the current financial year 112 cases were reported to SAFS for investigation (34 from staff, 43 from public and 35 from other sources), including allegations of fraud affecting the following areas/services across the Council:

Service Area	No. reported incidents
Blue Badge	65
Care Service (Children & Adult)	16
Schools	9
Staff/ Payroll	7
Pension	5
Mandate/ Payment	3
Insurance	3
Other	4

2.4   Of 24 cases where action has been taken, and investigations closed to the end of the 3rd Quarter, financial savings in excess of £1.8m and fraud losses of £92k have been identified. A further £178k in Council Tax Revenue has resulted from SAFS anti-fraud work with district councils in the County, of this around £140k will come to Hertfordshire County Council.

2.5   In 8 of the most serious cases the subjects were prosecuted and 2 employees have been disciplined following investigations, one of these matters was also referred to Hertfordshire Constabulary to deal with. As noted above, a full report will be provided to this committee later in 2018 as a number of significant cases are still awaiting financial reporting in the 4th quarter.

2.6   For Hertfordshire County Council 'Fraud Loss' is where a debt has arisen as a direct result of a fraudulent act that the Council can recover through civil/statutory routes. 'Fraud Savings' reflects an incident or attempted fraud that has been prevented, or an ongoing 'Fraud Loss' that has been stopped preventing further loss.

Area of Fraud Loss	Value of Loss £,000
Pensions	63
Staff	9
Care	20
Total	**92**
Area of Fraud Savings	**Value of Savings £,000**
Pensions	56
Staff	6
Insurance	9
Blue Badge	1,420
Concessionary Travel Passes	282
Mandate/ Financial	55
Total	**1,828**

2.7   The tables above include the savings identified from the work undertaken with the Council's Customer Service team to remove nearly 10,000 out of date Blue Badges and Concessionary Bus Passes that were still in circulation and potentially in use. The Cabinet Office places a value on this work in excess of £1.6m for Hertfordshire County Council and local authorities across Hertfordshire.

2.8   Work at Hertfordshire County Council in the latter half of 2017/2018 has been focused on ensuring that the Council meets its requirement to comply with the National Fraud Initiative. This exercise is delivered every two years by the Cabinet Office and involves data supplied by the Council being matched to every other Council in England, certain data from the NHS, the Home Office and the National Office of Statistics to identify fraud and error. In all, more than 30,000 potential errors were identified affecting services provided by Hertfordshire County Council and SAFS have worked very closely with the affected services to resolve these discrepancies many of which are technical issues rather than frauds. Savings identified from this work are not fully recorded at this time.

2.9   In 2017/2018 prosecutions brought against offenders have included the following:

> A man from Buckinghamshire who made a claim on his son's behalf for damage caused by a drain cover in Welwyn Garden City was prosecuted for two offences under the Fraud Act and ordered to pay fines and costs of £2,500 to HCC.
>
> The man had claimed damages of £1,300 that were caused to his son's car by providing a false invoice for works that were never undertaken. His claim was refused and following this an investigation by SAFS revealed the extent of his offending.

> A Harlow woman was prosecuted for displaying her father's blue badge in a pay and display car park in Bishop Stortford when her father was not with her. On the day that the woman parked her car officers from SAFS where patrolling in the vicinity with the local parking enforcement team.
>
> The woman was fined and ordered to the pay the Council's costs, of £1,300, in full.

2.10   SAFS have worked with Hertfordshire County Council Adult Care Services in the last few months following reports from CIPFA that reported fraud in adult social care had increased significantly in 2016/2017. This work has identified several cases of suspected fraud involving significant potential losses to Hertfordshire County Council and SAFS work plan for 2018/2019 now include

Anti-Fraud Action Plan 2018/2019

2.11   The plan for 2018/2019 uses a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.

2.12   Adherence to the proposed plan for 2018/2019 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the CLG, NAO, LGA, and CIPFA.

Transparency Code Data 2017/2018

2.13   SAFS will also provide data to meet the requirements of the Transparency Code for publication by the Council in May 2018 on its activity on Counter Fraud for the whole of 2017/2018.

Appendices

LGA Workbook

A.   LGA Councillors Workbook.

HCC Anti-Fraud Plan 2018/2019

B.   Proposed SAFS/ HCC Anti-Fraud Plan 2018/2019-

Hertfordshire County Council
Anti-Fraud Plan 2018/2019

in partnership with

The Shared Anti-Fraud Service

Contents

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 appropriate 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 that support the Councils 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 and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government is large, but difficult to quantify with precision.

In its 2015 publication *Code of practice on managing the risk of fraud and corruption* CIPFA highlighted the five principles for public bodies to embed effective standards for countering fraud and corruption in their organisations. These principles support good governance and demonstrate 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 CIPFA *Local Government Counter Fraud and Corruption Strategy (2016-2019)* included a summary of reported fraud losses across councils in England totalling £307m per annum but that hidden and unreported fraud risks could exceed £2bn each year. The strategic response for local government to respond to the threat of fraud threats provides three key principles **'Acknowledge/Prevent/Pursue'**. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board.

In addition, local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes (6C's) identified in the CIPFA Strategy:

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

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy.   The AFI estimated fraud losses for local government as follows.

- Total loss across local government - £7.8bn
- Tenancy Fraud- £1.8bn
- Procurement Fraud - £4.4bn
- Payroll Fraud - £1bn
- Other - £0.6bn

The AFI does not include housing benefit fraud or council tax fraud as a loss to local government but estimates the loss of these combined at around £1.1bn.

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2017/2018 is founded on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk or that where fraud does occur there are plans to manage and mitigate any losses.

SAFS Resources 2018/2019

Budget

In December 2016 the SAFS Board agreed that the annual fee for the County Council would remain fixed at £110,000. 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.

In February 2018 the Adult Care Services Board commissioned a report from the Shared Anti-Fraud Service to review the risks of fraud in care services across the County and to cost additional resources to assist in the early detection of fraud committed by service users & their representatives, third party care providers and HCC & agency staff. Following this report the ACS Board agreed to provide an additional £59,000 to fund further anti-fraud activity to protect ACS finances.

Fees for Hertfordshire County Council in 2018/2019 will be £169,000 + VAT.

Staffing

The full complement of SAFS now stands at 15.5 FTE's; 1 Manager, 2 Assistant Managers, 9 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Intern who are funded from SAFS Budgets.

For staffing – Hertfordshire County Council will have exclusive access to 3 FTE staff, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and can call on SAFS management for liaison/ management meetings and two Audit Committees reports per annum.

 SAFS also have access to an Accredited Financial Investigator (AFI), specialist IT and financial and forensic expertise through third party providers and criminal litigation services.

SAFS - Standards of Service.

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

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to assist in the early identification of fraud and fraud prevention
   - The data-warehouse will be funded by SAFS
   - The data-warehouse will be secure and accessible only by nominated 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 annually. 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.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
   - All reported fraud will be actioned by SAFS within 5 days, on average.
   - The Council will be informed of all reported fraud affecting its services.
   - SAFS will allocate an officer to each investigation.
   - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
   - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
   - Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

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

HCC / SAFS Action Plan 2018/2019

CIPFA Principles	SAFS Objectives	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	**Ensure ongoing effectiveness and resilience of anti-fraud arrangements**	Fraud is acknowledged as a Risk for the Council *CULTURE*	The Council has in place Anti-Fraud and Corruption Strategy	Head of Legal
			The Council has a Fraud Response Plan and this Action Plan	s.151 Officer
			Audit Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements	Director of Resources
			The Council conducts Fraud Risk Assessments	Head of Counter Fraud/ Risk Manager
			The Council has in place Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime	Head of Legal
	Improve the reach into areas of 'corporate' fraud across all Partners	The Council has a robust communication policy demonstrating its commitment to prevent fraud *COMMUNICATION*	The Councils Communication Team will publicise prosecutions and anti-fraud campaigns conducted by it and SAFS	Head of Comms
			SAFS will provide access to fraud reporting tools (web/phone/email)	SAFS
			The Council and SAFS will make availble fraud awareness or specific anti-fraud training across all Council services	SAFS & Head of HR
			Provide fraud alerts to appropriate officers/staff/services.	SAFS & Head of HR
			SAFS will provide an E-Learning Packages for staff/members	SAFS & Head of HR
PREVENT	**Create a data hub for Hertfordshire**	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. *COLLABORATION*	Develop existing SAFS Data Hub to improve the use of Data to prevent/identify fraud	Head of Counter Fraud
			Review data sharing agreements/protocol between internal and external partners	Head of Legal / Head of Counter Fraud
			Work to develop 'Flexible NFI' & 18/19 NFI Matches	SAFS
			Work with ACS to deloiver JW with DWP as part of the 2018 National Roll-Out	Head of Counter Fraud
			Work with other organisations, including private sector, to improve data-sharing	SAFS
	Develop services which can be marketed to external bodies	Have the highest levels of professional standards *COMPETENCE*	All SAFS staff will be fully trained and accredited	Head of Counter Fraud
			All investigations will be undertaken in compliance with relevant legisaltion and Council Policies	Head of Counter Fraud
			SAFS will work with bodies such as CLG/LGC/CIPFA to develop local anti-fraud strategies at a national level	Head of Counter Fraud
			SAFS will work with Council Services to make best use of 3rd party Providers such as NAFN, PNLD etc	SAFS
PURSUE	**Deliver financial benefits in terms of cost savings or increased revenue**	Ensuring the Counter-Fraud Measurs are appropriate to the range of fraud risk. *CAPABILITY*	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of Counter Fraud
			SAFS will record and report on all fraud referred, investigated and identified	SAFS
			SAFS will review fraud trends and new threats and report on these to Council Managers	SAFS
			SAFS and the Council Legal and Debt teams will seek to 'prosecute' offenders and recover losses	SAFS Mgr /Head of Legal/ Head of Finance
	Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally	Develop the right level of resources to deal with the level of fraud risk *CAPACITY*	The Council will review its ROI from SAFS Membership	S.151
			SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually	Head of Counter Fraud
			Reports to Senior Mgt and Audit Committee on SAFS and Council activity	Head of Counter Fraud
			Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement	S.151

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SAFS

KPIs 2018/2019

KPI	Measure	2018/2019 Target	Achieved 2017/2018 To 31.1.2018	SAFS Partnership Aims
1	Provide an Investigation Service	3 FTE on call at HCC (Supported by SAFS Intel/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to NAFN for relevant HCC Staff Fraud training events for staff/Members	1 FTE on call at HCC (Supported by SAFS Intel/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to NAFN for relevant HCC Staff Fraud training events for staff/Members	Ensure ongoing effectiveness and resilience of anti-fraud arrangements
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£450k (Additional £150k in ACS) From fraud identified and savings/prevention	£1.8m (+ £150k in Council Tax) (Target £300k)	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	112 (100Target)	Improve the reach into new areas of fraud risk across all Partner services
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	80% *(24 of 30 cases proved)* (50% Target)	Create a recognised centre of excellence that is 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.	NFI complete, CTax FW in place. Data-Warehouse operational	Maintain & develop the existing fraud/data-hub for Hertfordshire.

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Minutes

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
26 MARCH 2018

ATTENDANCE

MEMBERS OF THE PANEL

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

OTHER MEMBERS

Upon consideration of the agenda for the Audit Committee meeting 26 March 2018, 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 6

Chairman's Announcements:
i.   Charlotte Hogg had resigned from the Council & thus Audit Committee;
ii.   Members' visits to homecare providers had been of value in understanding the pressures faced and highlighted the staff passion for care of their clients.

PART I ('OPEN') BUSINESS

ACTION

1.   MINUTES

1.1   The minutes of the Committee meeting held on 1 December 2017 were confirmed as a correct record and signed by the Chairman.

2.   UPDATE ON PREPARATIONS FOR 2017/18 AUDIT

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

2.1   The Committee received an update on actions under way in preparation for the 2017/18 Statement of Accounts and to address the earlier statutory closedown time scale i.e. draft accounts by 31 May and final audited accounts by 31 July.

2.2   N Harris (EY) apologised for the delay in delivering the external audit plan and explained that this stemmed from the coincidence of both an internal and an external review of the County Council audit engagement, however it offered additional assurance that the audit plan, when presented, would have been subjected to thorough review and detailed testing. It was anticipated that the final audit plan would be issued in mid-April and brought to the May meeting of the Committee. Members expressed their disappointment but understood the pressures EY faced.

2.3   No substantial changes were required to the accounting requirements. Members expressed concern at the recommendation to move to single accounts from group accounts particularly with the increase in the number of trading companies being set up by the Council. They stressed this decision was for this year only, and expected to review the position for the following year.

2.4   Although the increase in materiality from 1 to 2% reflected the County Council's good track record, the 1% represented fluctuations within a range of £16m of public money that would not be reported. N Harris clarified that gross materiality described the level of test required on income expenditure and not the balance sheet; other areas of the council were subject to lower levels of materiality. For transparency members requested figures rather than percentages.   N Harris

       Conclusions:

2.5   The Committee RESOLVED to
       • Note the preparation for the 2017/18 accounts close and audit, in particular the earlier deadlines to be achieved in 2017/18 for draft accounts and audit conclusion,
       • Note a potential delay in the internal EY sign off for issuing the 2017/18 audit plan, that this was unfortunate but unavoidable and the EY team were seeking to minimise any delay, and that Herts Finance officers had reviewed the risks arising and were confident that they would not jeopardise the overall timetable,
       • Note that there were no significant changes required to the accounting policies for 2017/18,
       • Note the intention to move from 'group entity' to 'single entity' accounts in 2017/18, but to hold this under annual review for future years
       and commented as above.

3.   **REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2017/18**

       [Officer Contact: Steven Pilsworth, Assistant Director Finance (Tel:

01992 555737); Patrick Towey, Head of Specialist Accounting (Tel: 01992 555148)]

3.1   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.

3.2   Members heard that EY were looking to avoid misstatement and that if materiality dropped below 2% it would be looked at individually.

Conclusions:

3.3   The Committee RESOLVED that, subject to any adjustments or amendments required as a result of the work still outstanding, the letters of representation to EY be approved for signature by the Chairman of Audit Committee.

F Button
O Mapley

4.   RISK MANAGEMENT QUARTERLY UPDATE AND ANNUAL SUMMARY 2017/18

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

4.1   The Committee considered the quarterly update on risk management activity and the annual summary for risk management activity since March 2018

4.2   The report now differentiated between strategic and corporate risk via separate heat maps and separate definitions, the corporate risk register comprising both sets of data. The Committee acknowledged the volume of officer work undertaken to achieve this.

4.3   There was a wide-ranging discussion on various risks.

4.4   Corporate risk R05 'Insufficient skill in commissioning / contract management and competencies' was suggested as the risk to be reviewed at Audit Committee in July 2018.

Conclusions:

4.5   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 summary report be noted;
    iii. Risk R05 *"Insufficient skill in commissioning / contract management and competencies'* be reviewed at its next meeting in July 2018.

S Pilsworth

5.   RISK FOCUS REPORT – Recruitment and Retention

[Contact: Sally Hopper, Assistant Director Human Resources
(Tel: 01992 556920)]

5.1   The Committee considered a report which provided further information on the risk (and associated controls) Corporate Risk Register number HR0021 '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', and sought endorsement of the overall approach the Council was taking to mitigate this risk (excluding volunteers).

5.2   Members noted the daily practical challenges the County Council faced in recruitment and retention and the known shortage skills and hard to fill posts. Workforce planning included a commitment to optimise the Apprenticeship Levy so that the skills required and opportunities for learning aligned with the skills shortage. The significant geographic variations across Hertfordshire were noted.

5.3   The Committee heard that the benefits of the Hertfordshire social work academy, in conjunction with regional agreements on capping pay rates, made Hertfordshire very attractive to social workers. Members noted that social workers leaving permanent employment with the County Council now could not return as a locum within 1 year of leaving.

5.4   The reduction in spend on agency workers from £15.1m in 2015 to £11.1m in 2017 was welcomed, evidencing the ongoing success of the Council's recruitment and retention activities.   There was a wide discussion about the increasing competition for well-qualified talent and unskilled labour.

Conclusions:

5.5   1. The Committee's comments on the information provided within the report were noted.

2. The Committee supported the officer recommendation to downgrade the risk score from 32 to 24 nem. con. with two abstentions.

6.   HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT

[Officer Contact: Darren Williams, Client Audit Manager
(Tel: 01438 844341)]

S J Taylor declared a non-prejudicial interest in relation to item 6 of

the agenda as she is a member of the LEP Board. She remained in the room and participated in the debate and vote.

6.1   The Committee received an internal audit progress report (as at 12 March 2018) on Shared Internal Audit Service (SIAS) delivery of the Hertfordshire County Council Internal Audit Plan for 2017/18; proposed amendments to the approved 2017/18 Audit Plan; 'Limited Assurance' audits issued since the last meeting of the Committee; the implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions, also medium priority recommendations; an update on performance management information.

6.2   Members noted the following key updates within the progress report:
- Audit Plan 2017/18: 15 final reports and 13 draft reports had been issued since the 1 December 2017 committee update;
- Remaining Activity from the 2016/17 Audit Plan: SIAS Partnership Joint Review of Trading Activities had been completed on 16 March 2018;
- Delivery of remaining audits within the 2017/18 audit plan: 17 projects were outstanding and 9 due for completion by the end of March;
- Schools Audit Activity since the 1 December 2017 committee update:
  - All school visits for 2017/18 had been completed and most reports finalised;
- Plan Amendments since the 1 December 2017 committee update: 7 plan amendments had been reported, including 2 cancelled / deferred audits and 1 new audit;
- Limited Assurance Audits: none since 1 December 2017 committee update;
- High Priority Recommendations Follow Up's since 1 December 2017: 1 had been implemented and recommended for removal and 1 with a revised implementation date had been reported.
- Performance Management: performance indicators were on track to achieve the 31 March 2018 target, with the exception of planned projects which would reach 93 or 94% against a target of 95%.

6.3   It was observed that the Members' role in GDPR should be taken into account during the proposed assurance work.

Conclusions:

6.4   The Committee RESOLVED to:
- note the Internal Audit Progress report
- agree changes to the audit plan;
- agree to the removal of high priority actions now complete.

7.   2018/19 INTERNAL AUDIT PLAN REPORT

[Officer Contact: Terry Barnett, Head of Assurance Services
(Tel: 01438 845508);
Chris P Wood, SIAS Audit Manager (Tel: 01438 845513)]

7.1   The Committee received a report on proposed Hertfordshire County Council Internal Audit Plan for 2018/19, which sets out the programme of work for the year ahead and forms part of the Council's wider assurance framework.

7.2   Members' attention was drawn to the reduction of all SIAS partners' existing Audit Plan days by 10%, allowing cashable savings to be achieved. For the County Council this equated to a reduction in Internal Plan days from 1637 days to 1473 days (164 days) with a significant proportion achieved through reducing strategic support activities (43 days), support and advice (20 days) and Key Financial Systems audits (25 days).

7.3   Officers clarified that:
- The reduced plan maintained focus on the key risks and whilst the amount of audit required to provide sufficient assurance was a judgment call, the assurance process was rigorous. Through the year, quarterly visits were made to each Service to discuss any emerging risks, and each Service was sighted on their portion of the plan, the contingency ensured that late changes could be made to respond to the unexpected issues that may arise.
- In the event of an audit being cancelled, items on the reserve list are moved to the actual plan and Members are informed of these changes via the update reports. Items remaining on the reserve list and on the actual plan itself are carried through to the following year if officers believe there remains a need for them to be covered by the audit process.

Conclusions:

7.4   The Committee Members RESOLVED to approve the proposed Hertfordshire County Council Internal Audit Plan for 2018/19

8.   HERTFORDSHIRE COUNTY COUNCIL ANTI FRAUD ACTION PLAN - PROGRESS FOR 2017/18 AND PLAN FOR 2018/19

[Officer contact: Nick Jennings Counter Fraud Manager
(Tel: 01438 844705)]

8.1   The Committee received a report which provided information on progress on the SAFS / HCC Anti-Fraud Action Plan for 2017/18, a proposed SAFS / HCC Anti-Fraud Action plan for 2018/19 and Transparency Code data.

8.2	Members heard that the 112 case of fraud reported to SAFS exceed the target of 100, most incidents being Blue Badge fraud. Financial savings in excess of £1.8m and fraud losses of £92k had been identified in the 24 cases where action had been taken and investigations closed to the end of quarter 3. In addition, of the total £178k in Council Tax Revenue fraud identified by SAFS with the District Councils, £140k would come to the County Council.	
8.3	Members heard that the Council's financial contribution to antifraud services was £110k in relation the total financial benefit (see 8.2) accruing to it from SAFS antifraud activity.	
8.4	Officers agreed to provide Members with the full version of the SAFS / HCC Anti-Fraud Action Plan 2018/2019 (Appendix B to the report) for review and approval, as an attenuated version had mistakenly been provided with the original report. Members were requested to email any questions to N Jennings.	N Jennings T Baker
	Conclusions:	
8.5	The Committee RESOLVED to: 1. Note the progress on the 2017/18 Action Plan; 2. Review the corrected version of the SAFS / HCC Anti-Fraud Action Plan 2018/2019, with a view to belated approval at the May 2018 meeting; 3. Read and review the LGA Councillors' Workbook on fraud and Bribery Prevention 2017	Audit Committee Members
8.6	The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 8.7:	
8.7	That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	

PART II ('CLOSED') AGENDA

1   MINUTES

The Minute of this item of business is set out in the separate Part II Minutes.
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2.   RISK FOCUS REPORT – PREVENT – Radicalisation

The Minute of this item of business is set out in the separate Part II Minutes.

8.8   Following discussion on the Part II report and Recommendations, the Chairman moved the meeting back into Part I (Open Session)

9.   FUTURE WORK PROGRAMME

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

9.1   <u>Tuesday, 15 May 2018: 10.00am</u>
(Meeting be preceded by 'Lite Bite' training on Risk Scoring)
- **Audit Plan 2018/19 – County Council**
- **Audit Plan 2018/19 – Pension Fund**
- Annual Governance Statement 2017/18 and Code of Corporate Governance - moved forward from July meeting
- Annual Assurance Statement and Internal Audit Annual Report 2017/18- moved forward from July meeting
- **PREVENT - final report**

<u>Wednesday, 18 July 2018: 2.00pm</u>
- Internal Audit Progress Report
- Risk Management Update Report
- Risk Focus Report: Corporate risk R05 '*Insufficient skill in commissioning / contract management and competencies*'
- 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 Report 2017/18
- End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Whistle Blowing Annual Report 2017/18

ANY OTHER BUSINESS

There being no further PART I business the Chairman closed the meeting.

KATHRYN PETTITT
CHIEF LEGAL OFFICER   **CHAIRMAN**_____

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