

17 November 2009

Our Ref. A & R 11/09  
Your ref:  
Contact: Nigel Schofield  
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To: Members of the Audit and Risk Sub - Committee

Councillors: Michael Weeks (Chairman), John Booth (Vice – Chairman),  
Paul Clark, Julian Cunningham and Deepak Sangha.

Substitutes: Gary Grindal, Sal Jarvis.

You are invited to attend a meeting of the

## **AUDIT AND RISK SUB COMMITTEE**

to be held in

**COMMITTEE ROOM 3  
COUNCIL OFFICES, GERON ROAD,  
LETCHWORTH GARDEN CITY**

On

**WEDNESDAY 25 NOVEMBER 2009**

at  
**4.30p.m.**

**PLEASE NOTE THE VENUE AND TIME OF MEETING**

Yours sincerely,



David Miley - Democratic Services Manager

**AGENDA**  
**PART 1**

<b>ITEM</b>	<b>PAGE</b>
<b>1. APOLOGIES FOR ABSENCE</b>	-
<b>2. MINUTES</b> To take as read and approve as a true record the Minutes of meeting of this Committee held on 24 September 2009.	
<b>3. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chairman of other business which they wish to be discussed by the Committee at the end of the business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chairman will decide whether the item(s) raised will be considered.	-
<b>4. CHAIRMAN'S ANNOUNCEMENT</b> Members are reminded that any Declarations of Interest in respect of any business set out in the agenda, should be declared as either a prejudicial or personal interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a prejudicial interest can speak on the item, but must leave the room before the debate and vote.	-
<b>5. AUDIT AND CONSULTANCY SERVICES: POSITION AGAINST THE 2009-2010 ANNUAL AUDIT PLAN AS AT 31 OCTOBER 2009</b> REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT <i>For the Audit and Risk Sub Committee to review progress against the 2009 – 2010 Annual Audit Plan.</i>	<b>1</b>
<b>6. RISK MANAGEMENT UPDATE</b> REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANGEMENT <i>For the Audit and Risk Sub - Committee to receive an update on the management of the Strategic and Corporate Risks owned by Cabinet and the Corporate Management Team.</i>	<b>19</b>
<b>7. ANNUAL GOVERNANCE STATEMENT</b> REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY AND GOVERNANCE <i>For the Audit and Risk Sub - Committee to consider progress against the action plan arising from the Annual Governance Statement for 2008-2009 and implementation in 2009 – 2010.</i>	<b>41</b>
<b>8. DATES OF THE NEXT MEETINGS</b> The date of the remaining meeting of the Audit and Risk Sub Committee in the 2009 -2010 Civic Year is scheduled as follows: <b>11 March 2010 – Committee Room 3</b>	-

**9. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 3**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANGEMENT**

*To provide the Sub-Committee with an overview of the forthcoming changes to Local Authority Accounting.*

**AUDIT AND RISK SUB COMMITTEE**

**25 NOVEMBER 2009**

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**5**

**TITLE OF REPORT: AUDIT AND CONSULTANCY SERVICES: POSITION AGAINST THE 2009-10 ANNUAL AUDIT PLAN AS AT 31 OCTOBER 2009**

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

**1. SUMMARY**

1.1 The purpose of this report is for members of the Audit and Risk Sub Committee (ARSC) to receive and consider:

- Progress of Audit and Consultancy Services against the 2009-10 Annual Audit Plan;
- Summaries of internal audit work undertaken during the period 1 September 2009 to 31 October 2009;
- Internal audit performance indicator information relating to the period 1 April 2009 to 31 October 2009; and
- The current situation with regard to Pathfinder (Internal Audit) and partnership working.

**2. FORWARD PLAN**

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

**3. BACKGROUND**

3.1 The Audit & Risk Panel (ARP) received and approved Audit & Consultancy Services' annual audit plan for 2009-10 at its meeting on the 12<sup>th</sup> March 2009. The Audit & Risk Sub Committee (ARSC) received a year end report on the 2008-09 annual audit plan at its meeting on the 21<sup>st</sup> May 2009.

3.2 To ensure effective monitoring by the ARSC, progress against the annual audit plan should be reported in a timely manner and the dates of ARSC meetings are arranged to ensure that regular reporting occurs.

## 4. CONSIDERATIONS

### Annual Audit Plan 2009- 2010

4.1 Attached at Appendix A are summaries of the audits completed by Audit and Consultancy Services between 1 September 2009 and 31 October 2009. Each audit has been assigned an assurance level based on the following scale:

- Full Assurance - sound system of control, controls consistently applied;
- Substantial Assurance - sound system with some system weaknesses and non compliance with controls;
- Moderate Assurance - basically a sound system of control but with some more significant / serious weaknesses
- Limited Assurance - system weaknesses and non compliance with controls; and
- No Assurance - significant system weaknesses and lack of basic controls.

4.2 The table below shows the assurance level that has been assigned to the audits completed in the above period and for which a formal audit report has been issued:

<b>Audit Assignment</b>	<b>Level of Assurance</b>
Housing Association Support	Substantial
Environmental Enforcement & Animal Welfare	Moderate
RIPA	Moderate
Parks and Countryside	Moderate
Property Services	Moderate

4.3 For a more complete picture regarding the effectiveness of systems of control in operation at the Council, the table below shows the assurance level assigned to each of the audits undertaken in the first five months of the financial year 2009-10 for which a formal audit report was issued.

<b>Audit Assignment</b>	<b>Level of Assurance</b>
Main Accounting System (2008-09)	Substantial to Full
Housing & Council Tax Benefits (2008-09)	Substantial
Capital & Asset Management (2008-09)	Substantial
Treasury Management (2008-09)	Substantial
Housing Registrations & Nominations (2008-09)	Substantial
Performance Indicators	Substantial

4.4 The assurance level for each audit will inform the opinion on the overall adequacy and effectiveness of the Council's internal control environment, which will be reported on in the Authority's Annual Governance Statement at the end of the financial year. Where appropriate, information contained in internal audit reports will be used by Heads of Service when compiling their Annual Assurance Statements as part of the 2009-10 Governance Statement process.

4.5 Appendix A also includes details of non-audit projects undertaken and time spent on other activities including attendance at corporate groups and tender openings.

- 4.6 Appendix B shows the current status of audit assignments on the 2009-10 annual audit plan as at 31 October 2009.
- 4.7 The following is drawn to the attention of the Sub Committee for information:
- a) **Absence of the Audit Manager** - the Audit Manager has had a period of nine weeks sick leave in the current financial year. During this period of planned absence, some elements of the Manager's work were covered by the two Principal Auditors.
  - b) **Resourcing** – After an unsuccessful attempt to recruit an experienced auditor in February 2009, an appointment to the newly evaluated post of trainee auditor was made. The appointee commenced work with the audit team on 21 September 2009.
- 4.8 The original 2009-10 audit plan assumed that a trainee auditor would be in post in May 2009. The delay in recruiting to this post resulted in a reduction of planned chargeable hours. Proposals outlining how this resource shortfall was to be managed were brought to this Sub Committee for approval in September 2009.
- 4.9 Since the September meeting of the Sub Committee, an update meeting was held between the Council's internal and external auditors. This meeting resulted in an amended approach to the managed audits being agreed. This new methodology has removed the need for the use of contract auditors in the current financial year although it remains likely that some cyclical audits will need to be postponed to the next financial year. Audits suitable for postponement have been agreed with the external auditors.

#### **Performance Indicators**

- 4.10 Against the performance indicators for internal audit as identified by the Hertfordshire Audit Partnership, Audit and Consultancy Services has performed satisfactorily in the first seven months of 2009-10, especially given the resourcing issues the section has faced.. Actual performance is shown at Appendix C.

#### **Pathfinder - Internal Audit**

- 4.11 Under the Hertfordshire-wide Pathfinder initiative, internal audit has been identified as a service where efficiencies and cost savings could be made through closer working between authorities. An initial paper exploring this hypothesis, was presented by audit manager representatives to the September meeting of the Chief Executives' Co-ordinating Group. This paper detailed partnership achievements made to date within the County, outlined various options for the future provision of internal audit within Hertfordshire and proposed a preferred model.
- 4.12 As a result of this meeting, managers were requested to gather detailed current cost and service information which has been used to identify the costs and benefits of a number of the proposed service delivery options. The findings of this exercise are to be presented at the November 18<sup>th</sup> meeting of the Chief Executives' Co-ordinating Group. The exercise has been co-ordinated by an external facilitator.

- 4.13 In view of the work that is on-going under the Internal Audit Pathfinder initiative, a decision has been taken to leave vacant the partnership auditor post. This decision has been possible in the current financial year as a result of the revised approach to undertaking managed audits combined with agreement from the External Auditors for the limited carry forward of such audits. The longer-term need for internal audit resource will be reviewed as part of the Internal Audit Pathfinder.

## **5. LEGAL IMPLICATIONS**

- 5.1 The Local Government & Housing Act 1989 requires the Council to follow best practice with regard to revenue accounts and accounting for capital expenditure. Regulations made under the Audit Commission Act 1998 include requirements to maintain an adequate and effective system of internal audit of records and control systems and to prepare statements of account in accordance with proper practice. The Local Government Act 2003 contains further requirements for proper practice in regard to capital finance. The Audit Plan is the Authority's approach to ensuring that these systems and practices are in place and operating effectively.
- 5.2 The requirement for an internal audit function arises from the Local Government Act 1972 (s151), the Local Government Act 2003 (s21) and the Accounts and Audit Regulations 2006.

## **6. FINANCIAL AND RISK IMPLICATIONS**

- 6.1 Failure to report internal audit progress information to a Member body would deny North Hertfordshire District Council the opportunity to review and monitor an essential component of corporate governance and gain independent assurance that its internal audit function is fulfilling its statutory obligations.
- 6.2 Failure of Audit and Consultancy Services to complete / have in progress a level of planned work that provides an adequate level of assurance over the internal control environment, exposes North Hertfordshire District Council to the risk that its External Auditors will raise concerns about the ability of Audit and Consultancy Services to prioritise and address the risks facing the Council.

## **7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 7.1 Other than the Audit resourcing situation set out in the main body of the report, there are no other direct human resource or equalities implications arising from this report.

## **8. RECOMMENDATIONS**

It is recommended that members of the Audit and Risk Sub Committee:

- 8.1 Note the position of Audit and Consultancy Services against the agreed annual audit plan for 2009-10 as at 31 October 2009;

8.2 Note the performance of Audit and Consultancy Services for the first seven months against the Hertfordshire Audit Partnership performance indicators; and

8.3 Note the current situation regarding partnership working.

## **9. REASONS FOR RECOMMENDATIONS**

9.1 Recommendations 8.1 to 8.3 above have been made to ensure that the Audit and Risk Sub Committee fulfils its obligations as the Audit Committee for North Hertfordshire District Council as an essential component of corporate governance and gains independent assurance that the internal audit function is fulfilling its statutory obligations.

## **10. APPENDICES**

Appendix A	Audit work completed in the period 1 September to 31 October 2009
Appendix B	Status of all projects on the 2009-10 Annual Audit Plan at 31 October 2009
Appendix C	Performance indicators for Audit and Consultancy Services for the period 1 April to 31 October 2009

## **11. CONTACT OFFICER**

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## **12. CONTRIBUTORS**

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## APPENDIX A

### AUDIT WORK COMPLETED IN THE PERIOD 1 SEPTEMBER TO 31 OCTOBER 2009 1. Executive Summaries of Audits Completed

<b>TITLE OF AUDIT:</b>	<b>Housing Association Support</b>
<b>SERVICE:</b>	Housing & Environmental Health
<b>REPORT ISSUED TO:</b>	Strategic Director of Planning, Housing & Enterprise Head of Housing & Environmental Health Strategic Housing Manager Housing Strategy & Renewals Manager Risk Manager External Auditors
<b>ASSURANCE LEVEL:</b>	<b>Substantial</b>
	<p>In order to progress the provision of affordable housing within the district, the Council funds new social housing through a system of grants to housing associations from the capital programme. The level of funding is approved by Cabinet and then managed by the Housing Strategy, Development and Renewals team. The Housing Development Group approve allocation of grants to specific schemes. The budget has been reduced sharply for 2009-10 onwards from £2.5m pa from 2003 to 2008 to £0.5m from 2010-11 and 2011-12.</p> <p>The audit has identified that controls over the allocation and spending of grants are generally satisfactory. Payments are only made when sufficient evidence is provided by housing associations and the budget for each scheme is managed effectively. Some difficulty was experienced during the audit in locating evidence of the initial approval by the Housing Development Group of individual schemes. This issue can, however, be easily rectified by placing a copy of the relevant minutes on file.</p>

<b>HIGH RISK RECOMMENDATIONS</b>	<b>1</b>
<b>MEDIUM RISK RECOMMENDATIONS</b>	<b>2</b>
<b>LOW RISK RECOMMENDATIONS</b>	<b>1</b>

<b>CONTROL WEAKNESSES (Relating to High Risk Recommendations only):</b>
<ul style="list-style-type: none"><li>Funds are allocated to specific schemes from the overall Capital Programme and evidence is not always readily available to show that the Housing Development Group has approved the allocation.</li></ul>

<b>AGREED ACTIONS (Relating to above Control Weaknesses):</b>
<ul style="list-style-type: none"><li>Introduce standard "scheme approval" item into Housing Development Group meeting agendas, record outcomes consistently and copy minutes for individual scheme files.</li></ul>

**TITLE OF AUDIT:** Environmental Enforcement & Animal Welfare

**SERVICE:** Housing & Environmental Health

**REPORT ISSUED TO:** Strategic Director of Planning, Housing & Enterprise  
Head of Housing & Environmental Health  
Licensing & Enforcement Manager  
Risk Manager  
External Auditors

**ASSURANCE LEVEL:** Moderate

Environmental Enforcement & Animal Welfare activities detect and investigate cases of envirocrime. The Council has a statutory duty to respond to envirocrime such as fly-tipping and abandoned vehicles. Investigations can lead to various outcomes including cautions, fixed penalty notices and prosecution. The Council also has a duty to collect stray dogs. Charges are levied for this service.

The audit has identified that controls over income for animal welfare activities and abandoned vehicles (the two largest income streams) are currently weak. There are no effective reconciliations between records on Acolaid and those held by external organisations and as a result, there is a risk that not all potential income is being collected by the Council and that invoices paid to Stevenage Borough Council (for managing the stray dogs contract with Lodge Kennels) and Redcorn (for the collection and disposal of abandoned vehicles) may be incorrect.

Although it is recognised that the overall value of transactions is relatively low (£185.18 for Q4 from SBC and £39.50 for Q4 from Redcorn), financial processes relating to Environmental Enforcement activities should be reviewed and tightened.

<b>HIGH RISK RECOMMENDATIONS</b>	<b>7</b>
<b>MEDIUM RISK RECOMMENDATIONS</b>	<b>8</b>
<b>LOW RISK RECOMMENDATIONS</b>	<b>0</b>

**CONTROL WEAKNESSES (Relating to High Risk Recommendations only):**

- Records on the Acolaid system are not always complete (2 recommendations);
- There is inadequate monitoring and review of outstanding cases on Acolaid;
- There is a lack of completeness of stray dog records;
- Income derived from the collection and return of stray dogs is not adequately controlled (2 recommendations);
- Income and costs relating to abandoned vehicle activity is not reconciled between internal and external records.

**AGREED ACTIONS (Relating to above Control Weaknesses):**

- Case officers to fully update Acolaid with actions and to close cases when complete (2 actions);
- Cases with an “open” status to be reviewed and amended as appropriate;
- A more robust record of stray dog incidents to be maintained;
- Cross check to be completed between income collected by kennels and collected in-house and invoices received to be checked more robustly (2 actions);
- A reconciliation of abandoned vehicle records to be completed before invoices are paid.

**TITLE OF AUDIT:**           **The Regulation of Investigatory Powers Act**

**SERVICE:**                   Financial & Regulatory Services

**REPORT ISSUED TO:** Strategic Director F&RS  
Head of Housing & Environmental Health  
Acting Corporate Legal Manager  
Enforcement Forum  
Licensing & Enforcement Manager  
Risk Manager  
External Auditors

**ASSURANCE LEVEL:**   **Moderate** (2008-09 audit = Moderate)

RIPA came into effect in 2000 and is designed to provide a mechanism for authorising covert surveillance. During 2008-09, seven new surveillance operations were authorised by the Council.

RIPA processes are audited annually and last year, a number of weaknesses were identified. Management agreed to address the issues by 31/03/09, however, only limited progress has been made, in part due to changes within Legal Services. The key role of Monitoring Officer will soon be held by a third different officer in just over a year and this lack of continuity and a focus on other priorities has contributed to the lack of progress in addressing the issues.

Although few additional points have been noted during this audit, the assurance level remains unchanged at moderate in view of the lack of action during the last 12 months.

A revised action plan, should be agreed and then monitored through to delivery.

<b>HIGH RISK RECOMMENDATIONS</b>	<b>5</b>
<b>MEDIUM RISK RECOMMENDATIONS</b>	<b>9</b>
<b>LOW RISK RECOMMENDATIONS</b>	<b>0</b>

**CONTROL WEAKNESSES: (relating to High Risk recommendations only)**

- There is no code of practice or protocol covering the relationship with the police and RSLs;
- RIPA authorisations do not always cover a strict three month timeframe;
- Review processes for RIPA authorisations are inconsistent;
- Quarterly returns are not always completed and sent to the Monitoring Officer by relevant officers and the current escalation process has not improved the response rate (2 recommendations).

**AGREED ACTIONS: (relating to High Risk recommendations only)**

- Code of practice to be drafted and circulated for comment. Protocol to be investigated and then produced if an appropriate way forward;
- Need for a 3 month limit to be reinforced and spot checks carried out to ensure compliance;

- Mid-term review process to be risk assessed with compulsory review on expiry of three month period;
- Need for quarterly returns to be reinforced and returns to be checked periodically. Enhanced escalation process agreed. (2 recommendations).

<b>TITLE OF AUDIT:</b>	<b>Parks &amp; Countryside</b>
<b>SERVICE:</b>	Leisure & Environmental Services
<b>REPORT ISSUED TO:</b>	Strategic Director of Customer Services Head of Leisure & Environmental Services Parks & Countryside Development Manager Risk Manager External Auditors
<b>ASSURANCE LEVEL:</b>	<b>Moderate</b>
	<p>The Parks &amp; Countryside section is responsible for the maintenance of the Council's tree stock, the provision of outdoor sports and play facilities and the development of public open spaces. There is a budgeted expenditure of £382,840 (2009-10) for parks development, however this is supplemented by grants from external sources. There is also a budget of £176,110 for tree works. The largest pending project is that for Howard Park &amp; Gardens with an expected cost of £2.7 million.</p> <p>The audit has confirmed that the section provides an effective service that meets the requirements of the district and is successful in attracting additional funding to supplement Council budgets.</p> <p>However, there are some weaknesses in the systems for contracting works to play areas and equipment, which need addressing in order to provide an adequate control environment and to safeguard the Council's interests.</p>

<b>RECOMMENDATIONS</b>	<b>High</b>	<b>4</b>
	<b>Medium</b>	<b>6</b>
	<b>Low</b>	<b>2</b>

<p><b>CONTROL WEAKNESSES (Relating to High Risk Recommendations only):</b></p> <ul style="list-style-type: none"> <li>• Lack of pre-qualification of companies invited to tender</li> <li>• Contracts not signed, or notified to Legal Services</li> <li>• Links between companies invited to tender that could compromise the competitive process</li> <li>• Invitation to tender documents do not include a non-collusive tendering certificate.</li> </ul>
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<p><b>AGREED ACTIONS (Relating to above Control Weaknesses):</b></p> <ul style="list-style-type: none"> <li>• Pre-qualification questionnaires (PQQs) to be used where appropriate</li> <li>• Formal contracts will be entered into, Legal Services and the Procurement Officer will be informed of all contracts</li> <li>• Financial appraisals will be undertaken where required, as part of the PQQ process</li> <li>• Non-collusive tendering certificates will be included in contract documents.</li> </ul>
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<b>TITLE OF AUDIT:</b>	<b>Property Services Contracts</b>
<b>SERVICE:</b>	Finance, Performance & Asset Management
<b>REPORT ISSUED TO:</b>	Director Finance Policy & Governance Head of Finance, Performance & Asset Management Properties Manager Risk Manager External Auditors
<b>ASSURANCE LEVEL:</b>	<b>Moderate</b>
	<p>The Property Services Section is responsible for ensuring that Council owned properties are maintained in good condition. Property Services is also responsible for commissioning work on behalf of service departments, utilising their budgets.</p> <p>This audit sought to ensure that Contract Procurement Rules are followed, that appropriate letting procedures are followed, leading to fair and unpatronaged appointment of an approved contractor offering best value for money, that the scope of the works is adequately specified and works monitored/ inspected adequately, that all necessary documentation is produced, adequate and readily available and that works carried out by other sections complies with all the necessary standards.</p> <p>The audit found that while the section provided a responsive, high quality service, it could not be demonstrated that small maintenance works were delivered in the most cost-effective way and that Contract Procurement Rules were complied with in all instances.</p>

<b>RECOMMENDATIONS</b>	<b>High</b>	<b>3</b>
	<b>Medium</b>	<b>3</b>
	<b>Low</b>	<b>0</b>

- CONTROL WEAKNESSES: (Relating to High Risk Recommendations only):**
- No comprehensive corporate contracts register
  - Approval not obtained for single quotations
  - Quotation opening not signed.

- AGREED ACTIONS: (Relating to above Control Weaknesses):**
- The existing contracts register to be updated to include all relevant contracts
  - Waivers to be obtained for instances where a single quotation is justified
  - Correct quotation opening procedures to be followed in all instances.

## 2. Other Work Carried Out

<b>Title of the Audit:</b> Scheduled Consultancy Work
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### **Introduction:**

During the period 1 September to 31 October 2009, the following scheduled Consultancy work was undertaken:

### **Procurement and Contracts Group**

A Principal Auditor continues to be a key member of this group and provides advice or guidance on the development of the procurement function at the Authority.

### **Risk Management Group**

Internal Audit continue to actively support the Council's Risk Management Group.

### **IT Transformation Board**

The Audit Manager continues to support this group.

### **Corporate Governance Group**

Internal Audit continue to actively support the Council's Corporate Governance Group.

### **Information Assurance Group**

A Principal Auditor continues to support this group.

### **Data Quality Forum**

Internal Audit continue to support the development of this group.

### **Hertfordshire Pathfinder**

Internal Audit continue to participate in the future direction of Audit within Hertfordshire through attendance at meetings of the Herts Audit Group.

### **Anti-fraud and Corruption**

Strategic and procedural documentation relating to the Council's approach to dealing with alleged fraud and corruption have been reviewed and updated.

### **E-Tendering Project Group**

A Principal Auditor is a member of this group, which has been established to oversee the procurement and introduction of an e-tendering system for the Council.

<b>Title of the Audit:</b> Ad Hoc Reviews and Advice
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### **Introduction:**

During the months of September and October 2009, the following unscheduled consultancy work was conducted and advice given:

### **Information Security Policy**

Advice has been given to the Deputy IT Manager during development of the above.

### **Contracts**

Advice and assistance has been provide to officers across the Council on contractual issues on a variety of schemes including: tree maintenance, waste management, leisure management and concessionary fares smartcards.

## **Sales Ledger Requisitions**

Advice and assistance was given to the MSU Admin Team Leader regarding proposals to change the systems for the authorisation and processing of sales ledger requisitions.

<b>Title of the Audit:</b> Follow up Audits
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### **Introduction:**

Audit and Consultancy Services follow up the implementation of recommendations around six months after the issue of a final audit report, where possible. The following follow up audits were conducted as part of the 2009-10 Audit Plan:

### **Building Control**

The result of discussions with relevant officers confirmed that the one recommendation has been fully implemented, with no residual issues outstanding.

### **Transfer of Services into the Customer Service Centre and the Lagan System**

The result of discussions with relevant officers and audit testing confirmed that six of the eleven original recommendations have been fully implemented (including both high risk recommendations). Five recommendations (all medium risk) have yet to be concluded although some action was in progress. There is supporting documentation available to explain the reasons for any delays in implementation and details of any mitigating interim action taken as appropriate. At the time of the follow up audit in August 2009, management were expecting to conclude all residual issues by 30 September 2009.

### **Document Centre**

Discussion with relevant officers and limited testing confirmed that six of the nine original recommendations had been fully implemented with no residual actions required. One recommendation was not due to be implemented at the time of the follow up.

In respect of the final two recommendations, although some work had been undertaken, further action is required by management to fully address the risks identified.

### **Risk Management**

From discussions with officers and audit testing, it was confirmed that eight of the original twelve recommendations had been fully implemented. Of the remainder, one had not yet reached its target date, while three were in the course of implementation, with significant progress being made.

**APPENDIX B**

**Status of all projects on the 2009-10 Annual Audit Plan as at 31 October 2009**

<b>Audit Title</b>	<b>Complete</b>	<b>In progress</b>	<b>To commence</b>	<b>Deferred to future audit year</b>	<b>Time spent to date</b>
Housing Registrations and Nominations	√				55
Main Accounting System	√				28
Treasury Management	√				77
Asset Management and Capital Accounting	√				13
<b>Total carried forward 2008-09</b>					<b>173</b>
Main Accounting System			√		0
Council Tax			√		0
Council Tax Benefits & Rent Allowances			√		0
NNDR			√		0
Creditors			√		0
Payroll (inc Officers & Members)			√		0
Debtors			√		0
Treasury Management			√		0
Asset Management and Capital Accounting			√		0
<b>SUB TOTAL - MANAGED AUDIT</b>					
Debt recovery		95% Complete			96
Health & Safety				√	0
Leasing				√	0
Performance Management	√				80
Programme Governance/ Project Mgmt		70% complete			130
<b>SUB TOTAL - CROSS-CUTTING</b>					<b>306</b>
Housing Association Support and Liaison	√				82
Parish Grants				√	0
<b>SUB TOTAL - GRANT FUNDING</b>					<b>82</b>
Animal Welfare	√				0
Building Control				√	0
Environmental Enforcement	√				145
Homelessness				√	0
Pest Control				√	0
Planning Control			√		2
<b>SUB TOTAL - REGULATORY SERVICES</b>					<b>147</b>
Investigations				√	0
IT Procurement				√	0
<b>SUB TOTAL - SYSTEMS AUDIT</b>					

Acolaid - MV Module		50% complete			25
Grants to voluntary and community organisations	√				10
Home Improvement Grants	√				7
Equalities & Diversity	√				19
Emergency Planning			√		1
Absence Management	√				8
Building Control	√				2
Customer Service Centre and LAGAN	√				6
Insurances	√				3
Document Centre	√				10
Risk Management	√				3
Housing Registration and Nominations			√		0
<b>SUB TOTAL - FOLLOW UP</b>					<b>94</b>
Chief Executive - tender opening		On-going			0
Finance, Policy & Governance - tender opening		On-going			1
Customer Services - tender opening		On-going			6
Customer Services - financial evaluations		On-going			15
Leisure Procurement		On-going			9
Waste Management (to include recycling and street cleansing)		On-going			14
Grounds Maintenance				√	0
Town Centre Redevelopments				√	0
Parks and Countryside	√				87
Property Services (to include building maintenance and cleaning)	√				93
Miscellaneous Contracts		On-going			48
Strategic Procurement (to include Procurement, Legal, contract register, CAA etc)		On-going			35
<b>SUB TOTAL - CONTRACTS &amp; PROCUREMENT</b>					<b>308</b>
Business Continuity		10% complete			20
Information Assurance		25% complete			46
IT Risk Assessment			√		0
<b>SUB TOTAL - IT</b>					<b>66</b>
RIPA	√				55
Financial Regulations/Procurement Rules		On-going			5
National Fraud Initiative	No audit input required				0
Declaration of interests / conflicts of interest		30% complete			15
Annual Governance Statement			√		4
CAA	√				5
Compliance with Audit Code of Practice	√				13

AUDIT AND RISK (25.11.09)

ARSC training		On-going			16
ARSC effectiveness review		On-going			16
Audit Panel		On-going			115
<b>SUB TOTAL - CORPORATE GOVERNANCE</b>					<b>244</b>
Procurement and Contracts Group		On-going			12
Data Quality Forum		On-going			5
Information Assurance Group		On-going			2
IT Transformation Board		On-going			0
Stevenage Partnership		On-going			2
Hertfordshire Audit Group		On-going			22
London Audit Group		On-going			7
Enforcement Forum		On-going			0
Risk Management Group		On-going			13
Corporate Governance Group		On-going			9
Liaison with external audit		On-going			9
Payments Group		On-going			0
<b>SUB TOTAL - WORKING GROUPS</b>					<b>81</b>
Chief Executive - advice		On-going			0
Finance, Policy & Governance - advice		On-going			29
Planning Housing & Enterprise - advice		On-going			4
Customer Services - advice		On-going			31
Electoral Services	√				8
Partnership Service Review	√				46
Pathfinder / service review		On-going			110
Corporate Business Strategy		On-going			3
Data Security Policy Review	√				4
<b>SUB TOTAL - ADVICE AND CONSULTANCY</b>					<b>235</b>
Pro-active fraud work	√				24
Fraud Response Plans		75% complete			6
Compliance with 'Managing the Risk of Fraud' document.		75% complete			6
Fraud contingency		As required			0
<b>SUB TOTAL - FRAUD WORK</b>					<b>36</b>
<b>TOTAL CHARGEABLE HOURS</b>					<b>1772</b>

APPENDIX C

Performance Indicators for Audit & Consultancy Services for the period 1 April to 31 October 2009

	Description		Actual 31/10/08	Actual 31/08/09	Actual 31/10/09	Direction of Travel
KP01	The percentage of draft reports issued within 10 working days of completion of the fieldwork	Actual	93%	100%	100%	△
		Target			100%	
		TLS			Green	
KP02	The percentage of final reports issued within 5 working days following agreement of the draft report	Actual	100%	100%	100%	◀▶
		Target			100%	
		TLS			Green	
KP03	Total number of actual chargeable hours to date as a percentage of total planned annual chargeable hours	Actual	52.9%	27.4%	43.6%	▼
		Target			90% cumulative	
		TLS			Red	
KP04	Actual chargeable hours to date as a percentage of planned available hours to date	Actual	72%	52.5%	56.8%	▼
		Target			75%	
		TLS			Red	
KP05	The number of audit projects completed/ partially completed to date as a percentage of the total annual number of planned projects	Actual	50.1%	31.9%	46.6%	▼
		Target			90% cumulative	
		TLS			Red	
KP06	The percentage of scheduled follow up audits undertaken	Actual	100%	46.2%	79.2%	▼
		Target			100% cumulative	
		TLS			Green	
KP07	The percentage of customer satisfaction surveys scoring good or excellent as a percentage of the total number of survey forms returned	Actual	100%	100%	100%	◀▶
		Target			75%	
		TLS			Green	

Traffic Light Status (TLS)

**Green**  
**Amber**  
**Red**

On target or exceeding target (on course to achieve the year-end target).  
Not achieving target, but only to level that does not jeopardise achievement of the year-end target.  
Performance not achieving target and to level that jeopardises achievement of the year-end target.

Direction of Travel:

▼  
◀▶

Return worsened / remained at the worst possible performance level, compared to the same time last year.  
Return remained the same, compared to the same time last year.

**TITLE OF REPORT: RISK MANAGEMENT UPDATE**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT**

**1. SUMMARY**

- 1.1 To provide the Sub Committee with an update on the management of the Strategic/Corporate risks owned by the Corporate Management Team (CMT) and Cabinet.
- 1.2 For the Sub Committee to note the amendments to the Risk & Opportunities Management Strategy and Policy Statement for referral to PARC and Cabinet.

**2. FORWARD PLAN**

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

**3. BACKGROUND**

- 3.1 The Audit and Risk Sub Committee received a quarterly report on the Top Corporate / Strategic Risks at its September 2009 meeting. At this meeting, the Sub-Committee requested further information about Cabinet's ownership of the Top Risks. This is provided within this report (section 5.4).
- 3.2 The Corporate Management Team reviewed and challenged the Top Risks at its meeting on 27<sup>th</sup> October 2009.

**4. TOP RISKS**

- 4.1 The risks have been reviewed and where appropriate changes have been made to the scope of the risk and updates made to progress against the mitigating actions. The Top Risks are summarised on the attached risk matrix.
- 4.2 It is recommended that the CMT Top Risk of Equalities and Diversity is now deleted. This follows the external accreditation of NHDC as being level 3 in the old equalities standard and "achieving" in the equalities framework. It is proposed that this Top Risk is now considered as a Risk Register entry.
- 4.3 The impact and probability score for the Waste and Recycling Service have been reduced. There have been a substantial number of changes to this service in the past two years and the risks arising from these changes are now settled and controlled.

- 4.4 The Lead Officer, however, has identified that there are a number of possible future changes to this service such as the future procurement opportunities for a waste collection service and longer term waste disposal issues. At the present time these are referred to in the scope for the risk but these have not been included in the assessment score. It is anticipated that a report will be taken to December Cabinet and at this time the Top Risk will be fully re assessed.

## **5. RISK AND OPPORTUNITIES MANAGEMENT STRATEGY AND POLICY**

- 5.1 The Risk and Opportunities Management Strategy and Policy have been reviewed and updated and are attached at Appendix B and C for information.
- 5.2 The Risk and Opportunities Management Strategy now reflect that managers are being trained to update and manage the Risk Register themselves using Covalent. Training on risk updates are currently being rolled out. Following the integration of the Risk and Performance Teams, the Performance Improvement Officers, as well as the Risk Manager are now able to support Managers in maintaining this information.
- 5.3 Both the Strategy and Policy have been updated to reflect the Council's short and medium term priorities for 2009/10 and for 2010/11.
- 5.4 Cabinet are responsible for the management of some of the Top Risks. This management is undertaken by the Portfolio Holders liaising with the relevant Heads of Service to ensure that they are fully briefed about the risks and opportunities within their portfolio. Furthermore, Cabinet receive reports on some of these key risks to ensure they are being managed and where necessary to divert appropriate resources. At the Cabinet meeting on 20<sup>th</sup> October the following reports relating to Top Risks were considered:
- Hitchin Town Hall – Museum Feasibility Study (Delivery of the Outcomes from the FSR of the Museum Service);
  - Regional & Strategic Planning Issues (Sustainable Development);
  - Efficiency and Investment Proposals for 2010/11 (Financial Management)
  - Office Accommodation Strategy Update (Office Accommodation and Asset Management).

## **6. LEGAL IMPLICATIONS**

- 6.1 No legal implications arise from Risk Management updates to the Audit and Risk Sub Committee.

## **7. FINANCIAL AND RISK IMPLICATIONS**

- 7.1 Any additional resources to complete risk management actions should be included in the Corporate Business Planning process. There are no direct financial implications from this report. Following the identification of key financial risks identified by each Head of Service and cross referenced to the risk register, risks that ,should they arise, might impact on the General Fund have been considered and built into the General Fund balance for 2009/10. This process is now being undertaken for the 2010/2011 budget setting process

- 7.2 The Risk Management Strategy requires the Audit & Risk Sub Committee to consider regular reports on the Council's Top Risks.

## **8. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 8.1 There are no direct Human Resource or Equalities implications arising from this report.

## **9. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 9.1 Consultation has been undertaken with the CMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion').

## **10. RECOMMENDATIONS**

It is recommended that the Sub Committee :

- 10.1 Notes there have been amendments to the Top Risks and that risk of Equality and Diversity has been deleted as a Top Risk
- 10.2 Refers the change in the assessment of the Waste and Recycling Service score to PARC for onward referral to Cabinet.
- 10.3 Refers the revised Risk and Opportunities Management Strategy and Policy Statement to PARC for onward referral to Cabinet.

## **11. REASONS FOR RECOMMENDATIONS**

- 11.1 The recommendations in section 4 of this report are presented in accordance with the Council's risk management strategy. These changes have previously been scrutinised by the Corporate Management Team.
- 11.2 The Cabinet are the owners of the risk of the Waste and Recycling Service but it should be noted that this risk will be reassessed to coincide with the Cabinet report on this service timetabled for December 2009.

## **12. APPENDICES**

- 12.1 Appendix A – Risk Matrix
- 12.2 Appendix B – Risk and Opportunities Management Strategy
- 12.3 Appendix C – Risk and Opportunities Policy Statement

### **13. CONTACT OFFICERS**

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CABINET RISKS - RISK MATRIX NOVEMBER 2009

APPENDIX A

PROBABILITY	3	4	7 Delivery of outcomes from the museum service FSR	9 Sustainable Development of the District  Hitchin Town Centre Development
	2	2	5 Organisational Development	8 Office Accommodation and Asset Management  Financial Management
	1	1	1 Sustainable Community Strategy	3 Waste & Recycling Service↓  6 Delivering the Corporate Plan
		1	2	3
			Impact	

CORPORATE MANAGEMENT TEAM RISKS - RISK MATRIX NOVEMBER 2009

PROBABILITY	3	4	7 Implementation of Town Centre Strategies	9
	2	2	5 Workforce Planning  <i>Equalities &amp; Diversity</i> Climate Change Strategy	8  Business Continuity Management
	1	1	3	6
		1	2	3
			IMPACT	

*Italics = deleted risk*



# **RISK & OPPORTUNITIES MANAGEMENT STRATEGY FOR 2009/10**

**A practical guide to Risk and Opportunity Management in  
North Hertfordshire District Council**

**October 2009**

## Contents

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## Introduction & Purpose

1.1 The purpose of the Risk & Opportunities Management Strategy is to provide a framework to define how risks and opportunities will be handled within North Hertfordshire District Council. It provides information on roles and responsibilities and processes and procedures. It sets the context in which risks are managed, in terms of how they will be identified, assessed, managed and reviewed.

1.2 In order to reflect the fact that the Council sometimes has to take risks in order to evolve and achieve its priorities the definition of risk is “**Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.**”

1.3 NHDC’s approach to risk management has been developed to support the key requirements of good corporate governance:-

**Openness & Inclusivity:** Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities and how we are managing them. Risk management supports and enhances our decision making process and all Committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

**Integrity:** The control environment which includes risk management, supports the integrity of the Council. The risk management framework is key to taking informed decisions and continued service delivery.

**Accountability:** There is clear accountability for our risks. This includes the risk section in committee reports; an annual Governance Statement, approved by Cabinet and included in the Council’s Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks.

1.4 NHDC expects its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council thereby ensuring we achieve our priorities and to regard the management of risk as part of their everyday activities.

1.5 The Risk & Opportunities Management Strategy is an essential element of strategic planning. NHDC has clear long-term goals and plans to achieve them. The Risk & Opportunities Management Strategy is seen as sitting under the broader umbrella of the Corporate Plan.

1.6 The Council’s partners and contractors are encouraged to have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint Risk Registers are put in place with key partners/contractors.

1.7 So that it can manage and demonstrate how well it is progressing with embedding risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

1.8 The Chief Executive and Leader of the Council have signed a Risk & Opportunities Management Policy Statement. This demonstrates how critical the Risk Management process is to the Council.

## 2 OBJECTIVES, PRINCIPLES AND IMPLEMENTATION

### Drivers for change

2.1 NHDC's Local Code of Corporate Governance includes risk management as one of the six key areas:-

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Chief Executive and Leading Member must satisfy themselves that NHDC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. A solid risk management framework is an essential element of this.

2.2 The Council's performance on risk management is measured in the Comprehensive Area Assessment process in Use of Resources Key line of enquiry 2.4. Risk identification and management is specifically reviewed by our external auditors.

### Aim and Objectives

2.3 The purpose of the Risk & Opportunities Management Strategy is to provide a framework to drive forward embedding of risk management throughout the Council, in our activities and public/private partnership arrangements. This framework defines how risks and opportunities will be handled within North Hertfordshire District Council.

2.4 The Risk & Opportunities Management Strategy does not mean NHDC is required to take greater risks, but rather it enables the Council to have a better understanding of the risks and opportunities it faces and how they can be best managed or exploited. By employing these techniques we have become risk aware rather than risk averse.

2.5 Hence the objectives of the Risk & Opportunities Management Strategy are to:-

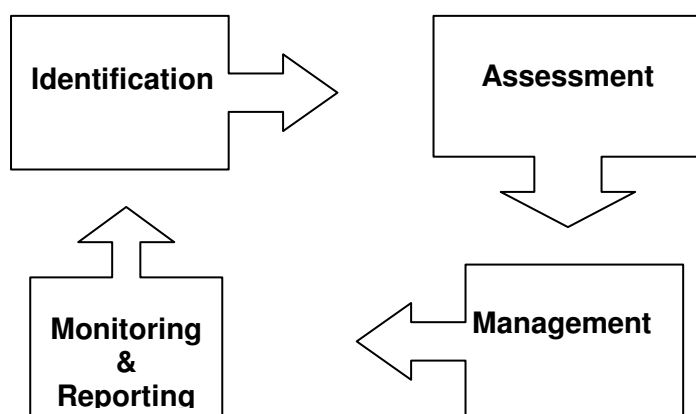
- Ensure that the Council achieves its objectives and is not overly risk averse
- Integrate risk management into the culture of NHDC
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services including our partners and contractors

2.6 Good risk management supports and enhances the decision making process, increases the likelihood of the Council meeting its objectives and enables it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job and the Corporate Management Team and Cabinet must keep the Top Risks faced by NHDC under regular strategic review.

## Principles

2.7 There are four key principles to risk management that underpin the strategy:-

- Identification
- Assessment
- Management
- Monitoring and reporting



Each of these key principles is described in subsequent sections.

## Implementation

2.8 The Strategy includes a timetable thereby setting measurable targets.

2.9 The Performance & Risk software used by NHDC, Covalent, is used to record and monitor the Council's Top Risks and Risk Register . This Strategy is also on the intranet.

2.10 The Council has both a Senior Officer and Member Risk Management Champion. They facilitate risk management awareness and improvement at both senior management and Member level.

2.11 Training is provided to new Service Managers, appropriate staff and Members to promote the awareness and understanding of risk management throughout North Hertfordshire District Council. Guidance is provided to all in respect of their responsibilities in respect of risk management.

### 3 IDENTIFYING OPPORTUNITIES & RISKS

3.1 Heads of Service, Corporate Managers, Strategic Directors and the Chief Executive are asked to consider the key risks to their services as they affect delivery of the Council's priorities. The Council's short and medium term priorities are :-

- Town Centres
- Green Issues
- Sustainable Development

In the longer term, the Council is working with partners in the Local Strategic Partnership (LSP) to deliver the vision of North Hertfordshire as "a vibrant place to live, work and prosper". Understanding and being aware of the Council's priorities is a critical component to identifying the Top Risks.

3.2 In addition to the three priorities listed above the Council strives for continuous improvement in everything it does. Service Managers have to identify threats to service delivery/performance in their own work areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. These are recorded on the Risk Register.

3.3 Managers update Covalent to identify a risk or opportunity. It is important that Managers use the Council's adopted description of risk "Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat". The threats and opportunities need to be adequately described and the consequences considered. There may be a downturn or improvement in a relevant performance indicator and the quality of service received by the Council's customers.

3.4 Managers are required to consider the aims of any project/ procurement/ change to service delivery / performance / partnership / policy and to record this as the 'opportunity'. The risks in delivering this opportunity should then be considered.

3.5 To assist managers in considering the scope of the risk to service delivery certain risk categories are used. These are sometimes the source of the risk and the impacts may then be seen on service delivery, finance, reputation and people:-

<b>Strategic</b>	Failure to deliver a key priority
<b>Operational</b>	Risks that relate to the delivery of the service – specifically around day to day work
<b>Information</b>	Risks that relate to loss or inaccuracy of data, systems or reported information and appropriate transfer & sharing of data.
<b>Reputation</b>	Risks that relate to the Council's brand or image, loss of public confidence.
<b>Financial</b>	Risks that relate to losing monetary resources or incurring unacceptable liabilities (including losses by fraud or corruption)
<b>People</b>	Risks associated with employees, management and to the well being of the public, stakeholders & partners
<b>Regulatory</b>	Risks related to the regulatory environment, non-compliance.

For example the consequences of loss of office accommodation due to a fire would impact on service delivery (Operational), records would be destroyed (Information) and employees could be injured (People).

This is clearly a very simplistic example and the consequences would be considerably worse to those services providing an essential service to the public.

- 3.6 Managers need to be alive to the general type of external risk which could affect service delivery for example:-
- Worldwide events: global recession, rises in fuel availability & prices, political and social upheaval.
  - Rising public expectations in public sector services and an increasingly litigious and compensation-driven response to perceived failures in the provision of public sector services.
  - Changing public attitudes to the Council's Mission
  - The expansion of e-government in the way we work and serve the community

The approach we take to risk management should be flexible enough to accommodate new and previously unforeseen risks.

- 3.7 The successful delivery of the District's vision depends on our strategic partners (such as the Police, the County Council, and the health authority). It is important that we look beyond the boundary of NHDC to identify risks or indeed opportunities offered to the achievement of our vision from our partnership working.
- 3.8 Managers have to be careful to distinguish between a risk and an issue. A risk is something that might not occur but an issue is already happening or is 100% certain to happen. It is important to consider what the risk is, why it can arise and what the consequences might be.
- 3.9 Once a risk has been identified it will be entered onto Covalent as a Risk Register or Top Risk entry. The Risk Register is a central register mainly of the operational risks provided by each service manager. The Top Risks are cross cutting risks that services are facing, risks that may affect delivery of the priorities or key projects that the Council has to deliver or key partnerships that the Council has entered into.
- 3.10 The identification of risks is an on-going task and everyone has a part to play. It is not the Risk & Performance Team's responsibility. The identification of new risks has to be undertaken by Managers. Existing risks on the Risk Register have to be regularly reviewed by Managers. The Risk & Performance Team and the Risk Management Group provide advice and support to Managers.
- 3.11 Corporate Managers, Heads of Service, Strategic Directors and the Chief Executive are required to sign an Assurance Statement that confirms that they have identified the principal threats to their service delivery, projects, policies and partnerships on the Risk Register and put in place control arrangements to manage/mitigate their impact. Signing this statement also requires the manager to state that the control arrangements they have in place have worked effectively over the period of their existence.

## 4 ASSESSING RISKS & OPPORTUNITIES

4.1 It is important that managers adopt a consistent approach to enable the management of risks to be prioritised.

4.2 The probability of the event occurring needs to be expressed using the following categories:-

<b>1. Low.</b>	The event is unlikely to occur within the next 12 months.
<b>2. Medium.</b>	The event will occur on more than one occasion (2 to 3 times) within the next 12 months.
<b>3. High.</b>	The event will occur on numerous occasions (4 or more times) within the next 12 months

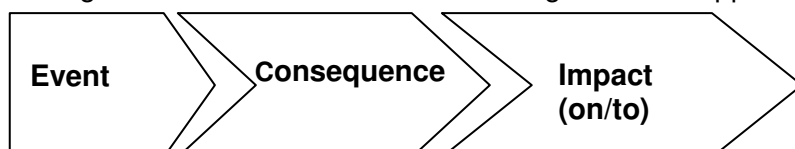
The example of a fire in office accommodation would have a low probability score of 1.

4.3 The effect of the threat being realised is expressed by using the following descriptions:-

<b>1. Low</b>	Consequences will not be severe and associated losses will be small. Negligible affect on service provision but may have a more significant cumulative affect if action is not taken Minor injury (first aid) Minimal reputation damage (local press article) Minor damage to local environment Low financial loss –up to £10,000 Delivery of project delayed by weeks. No impact on stakeholders.
<b>2. Medium</b>	Will have a noticeable affect on services. Will cause a degree of disruption to service provision and impinge on budgets. Injury (external medical treatment required) Coverage in national tabloid press Moderate damage to local environment Medium financial loss £100,000 Delivery of project may be delayed by months. Some impact to stakeholders
<b>3. High</b>	Can have a catastrophic affect. May result in significant financial loss or major service disruption or significant impact on the public Serious injury or loss of life Extensive coverage in national press/national TV item Major damage to local environment Major financial loss exceeding £100,000 Delivery of project no longer attainable. Significant impact on stakeholders

The office fire example would have a high impact score of 3.

4.4 Managers need to consider the worst thing that can happen/the benefits of taking an opportunity.



Typical risk phrasing is

Loss to...  
 Failure of.....  
 Failure to.....  
 Lack of.....  
 Partnership with.....  
 Development of .....

} leads to..... resulting in.....

- 4.5 Both the positive and negative effect should be looked at and managers should consider ‘what would happen if we don’t’. This will help us become more confident with risk taking and exploiting opportunities.
- 4.6 As we are trying to predict and describe future events it is recognised that there is a degree of uncertainty in our assessments. The Risk & Performance Team and the Risk Management Group will review the probability and impact scores to maintain a consistent approach throughout NHDC.
- 4.7 The risks can be plotted on a risk matrix so that we can concentrate efforts on managing those that are most important. The Council uses the risk matrix below with priority being given to reducing the risks with a score of 7 or more:-

**RISK MATRIX**

<b>PROBABILITY</b>	3	<b>4</b>	<b>7</b>	<b>9</b>
	2	<b>2</b>	<b>5</b>	<b>8</b>
	1	<b>1</b>	<b>3</b>	<b>6</b>
		1	2	3
		<b>IMPACT</b>		

- 4.8 The risks & opportunities assessed by Managers on Covalent are fed into Service Risk Reports that are automatically updated by Covalent on at least a monthly basis. In addition, Service copies are presented to Heads of Service/Corporate Managers by the Performance & Risk Team. All users of Covalent can view risks and the management of them.
- 4.9 The Risk Management Group will review and make recommendations to Corporate Management Team on the Council’s Top Risks taking into account the short and medium term priorities.
- 4.10 The Corporate Management Team will review the Risk Management Group’s recommendations including consideration as to whether the risk needs to be referred to Cabinet. These Top Risks are referred to the Audit and Risk Sub Committee.
- 4.11 The Council’s risk appetite is the level of risk that the Council is prepared to tolerate without putting in place further mitigation or controls. Although this is normally be a risk matrix score of 7 or above it will depend on the individual circumstances. It may well be that the opportunities exceed the risk. For example changes to a service may affect operational delivery in the short –term and impact on the Council’s reputation. These short-term risks may however be worth accepting to deliver greater benefits (such as the change in waste collection which although initially unpopular has now resulted in an improvement in the amount of waste that is recycled –supporting the Council’s “green issues” priority).

## 5 Managing Threats and Opportunities

- 5.1 Not all risks can be eliminated but they can be reduced and/or the effects can be planned for. Understanding how exploiting/managing an opportunity will help achieve objectives.
- 5.2 The following five general approaches are used by the Council in managing our risks:-
- **Transfer.** This might be done by use of insurance (to transfer the financial cost), or by contracting out some of our services (this transfers some but not all of the risks and will create different ones). The Council transferred the risk of managing the markets and the service is now operated by Hitchin Market Ltd and Royston Town Council.
  - **Tolerate.** It may not be practical or cost effective to take effective action against some risks. In this instance the risk should be monitored to ensure the probability or impact does not change.
  - **Treat.** Most risks will be in this category. This will involve putting in place a series of mitigation actions to contain the risk at an acceptable level. It will include contingency planning to describe what action needs to be taken if a risk becomes an issue.
  - **Terminate.** This involves quick and decisive action to eliminate a risk altogether. It is unlikely that the Council will be in a position to terminate the provision of a service.
  - **Taking an Opportunity.** This is an option to be considered whenever tolerating, treating or transferring a risk. Sometimes when exploring projects, partnership working etc savings can be made/improvements to methods of service delivery can be achieved.
- 5.3 In completing/updating the Risk module on Covalent, managers will describe existing and additional activities to manage the risks including contingency plans to be followed in the event of the threat materialising. The action needs to be described using SMART (specific, measurable, achievable, realistic and timely) objectives and is recorded on Covalent. The nominated Officer with responsibility for the action is named and a target date for completion set.
- 5.4 The cost of the planned actions need to be established and, wherever possible, should not exceed the cost of the risk that they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Consideration of the costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise are assessed and provision is made in the Council's Reserves.
- 5.5 The actions to mitigate the risk on Covalent enables the progress in managing the risk to be monitored. It is possible to identify if the actions are not completed on time and/or what level of progress has been made in completing the action.
- 5.6 It is recognised that any risk can suddenly be realised and become a critical issue, even those assessed as having a low probability. The assessments could have been wrong and circumstances might change before we have had a chance to respond or review the risk. By having considered the risk when it is identified we should consider in advance what action to take if a risk develops.

## **6. Monitoring & Reporting**

- 6.1 Appropriate and effective reviews and reporting arrangements reinforce and support our risk management processes. They allow adequate and accurate performance information to be passed to risk owners, senior managers, the Corporate Management Team (CMT) and Members.
- 6.2 Due to the dynamic nature of risk management each service manager is expected to conduct a review of their risks on Covalent at least twice per annum. These reviews should consider any new risks not previously recorded, whether existing risks are still relevant, what progress has been made in managing them, whether the impact and probability assessments need reviewing and whether or not any additional controls have either been put in place or need to be actioned.

### **The Risk Register**

- 6.3 The Risk Register entries on Covalent are the basic building block in our strategy. The Risk Owner should review it on at least twice a year and the system generates reminder emails to managers.
- 6.4 Covalent has been set up to automatically generate updated reports on the Risk Register each week. This report is available to all.
- 6.5 The Risk Management Group reviews new risks and any lessons learned when risks are deleted from the risk register (particularly in relation to projects). This includes a consideration of the residual risks.
- 6.6 Covalent requires managers to assess the risk as it stands and to set a date when the risk should be reassessed. The system enables progress on mitigating any unacceptable risks back to an acceptable level to be monitored.
- 6.7 The Risk Register is reported to Heads of Service. New risks plus changes to impact and probability scores are discussed. The Risk Matrix is used to plot the risks and to enable Heads of Service or Corporate Managers to prioritise risk management activities that need to be undertaken to mitigate risks. This risk information feeds into the Corporate Business Planning process.
- 6.8 The Risk Register also provides an understanding on how exploiting or managing an opportunity can help achieve priorities.

### **The Top Risks**

- 6.9 The Top Risks facing the Council are those that cut across the delivery of all services, key projects and those that will effect the delivery of the Council's priorities. They are either the responsibility of the Corporate Management Team or Cabinet through the relevant interaction with the Portfolio Holder to manage.
- 6.10 The Lead Officers are the project managers for managing the risk. Lead members are the appropriate Portfolio Holder.
- 6.11 The Top Risks are discussed at the Risk Management Group and any significant changes considered by the Lead Officers will be included in the reports to CMT.
- 6.12 After consideration by CMT, the Top Risks are reported on to the Audit & Risk Sub Committee on a quarterly basis.
- 6.13 The Audit & Risk Sub Committee monitors the effective management of risk by the Council. It agrees the Strategy and processes put forward by officers as well as the priorities for action.

- 6.14 The Audit & Risk Sub Committee refers any amendments to Cabinet risks to PARC and then Cabinet as owners for these risks.
- 6.15 The changes to the Top Risks throughout the year are summarised in the annual report to full Council.

### **Risk Management Group**

The Risk Management Group seeks to focus and co-ordinate risk management activities throughout the Council by facilitating the identification, evaluation and management of all essential risks. It provides advice and support to all service managers and Members. The Group reviews the reports to CMT and the Audit & Risk Sub Committee.

- 6.16 The Group has Terms of Reference and meets on a regular basis – at least four times a year.
- 6.17 The Group challenges the Lead Officers for the Top Risks on their assessment and management of the risk. It also reviews any new risks added to Covalent and challenges the need for them to be incorporated in the Risk Register.
- 6.18 The Group reviews learning from completed projects and risks deleted from the risk register including whether or not residual risks remain acceptable.

### **Committee Reports**

- 6.19 The standard Committee Report template requires report writers to address the risks and opportunities raised in their report under the Financial and Risk Implications. This enables Members to be fully aware of the risks and opportunities they are taking when agreeing recommendations.

### **Annual Report**

- 6.20 The full Council receives an annual report on risk management from the Member champion.

## 7 Roles and Responsibilities

- 7.1 Officers, Members, Contractors and Partners all have a part to play in risk management. Not everyone can be involved in managing and reporting on risks but all can be involved in identifying and assessing risks. There needs to be clarity, however, in terms of 'who does what'.

### Everyone

- 7.2 If a Member or officer becomes aware of a risk that has not already been identified and recorded this should be discussed with the relevant Service Manager. There may be no need to record the risk or take any action – it may be possible to manage the risk and eliminate it immediately. If it cannot be managed satisfactorily it should be directly input onto Covalent by the Service Manager.

### Service Managers

- 7.3 Service Managers should identify and assess the risks that threaten service delivery or the achievement of the Council's priorities. New risks should be directly input onto Covalent. Other risks should be regularly reviewed. Formal reviews should occur at least twice a year. Managers are accountable for managing their risks by putting actions in place to treat, terminate or tolerate the identified risk.

### Risk Owners

- 7.4 Each Risk identified on the Risk Register has a corresponding Risk Owner. This is the Officer who can ensure effective action is taken to tackle that risk. The Risk Owner is responsible for checking the quality of data recorded on Covalent. They will oversee the controls already in place and will review the proposed contingencies and develop additional actions as required.

### Risk Management Champions

The Head of Finance, Performance and Asset Management and the Finance Portfolio holder jointly champion and facilitate risk management awareness and improvement at senior management and member level for embedding risk management throughout the Council. The Member Champion is responsible for presenting the annual risk management report to Council

### Risk Manager

- 7.6 The Risk Manager oversees the implementation of the Risk & Opportunities Management Strategy on behalf of the Council. This Officer:
- analyses issues and offers options and advice
  - Supports decision making and policy formulation
  - Provides support in the risk identification and analysis process
  - Provides support in prioritising risk mitigation action
  - Provides advice and support in determining risk treatments

### Audit and Consultancy

- 7.7 Internal Audit has an integrated role in the Risk Management Strategy. It aims to focus audits on areas of risk and provide an independent opinion on the Council's Risk & Opportunities Management Strategy.

### Risk Management Group

- 7.8 The objective of the Group is to oversee the Risk Management Strategy. It adds value to the risk management process by:
- Advising & supporting the CMT on risk strategies
  - Identifying areas of overlapping risk
  - Driving new risk management initiatives
  - Communicating risk management and sharing good practice
  - Providing and reviewing risk management training
  - Regularly reviewing the risks recorded on Covalent
  - Coordinating the results for risk reporting

### **Corporate Management Team**

- 7.9 CMT takes a leading role in identifying and managing the risks and opportunities facing the Council. CMT agrees the Risk & Opportunities Management Strategy and is responsible for identifying and assessing the Top Risks. CMT has direct responsibility for managing the Top Risks determined as Corporate Management Team Risks. CMT will oversee reports to Members on risk management.

### **Audit & Risk Sub Committee**

- 7.10 The Audit & Risk Sub Committee oversees the effective management of risk by the Council by receiving and considering the Risk Register and risk management reports. Any changes to Cabinet risks are referred to Cabinet via PARC.
- 7.11 The Audit & Risk Sub Committee reviews and provides assurances on the annual governance statement which reviews the effectiveness of the Council's governance arrangements. It monitors the implementation of any action plan which is required to improve controls.

### **Cabinet**

- 7.12 Cabinet is responsible for managing the highest level Top Risks facing North Hertfordshire District Council. This may be through relevant interaction with Portfolio Holders and Heads of Service. These Cabinet risks are referred to them by PARC and may involve the need to provide additional resources to effectively manage the risk.
- 7.13 Additionally Cabinet approves the Risk Management Policy and Strategy.
- 7.14 Cabinet also oversees the effective management of risks by officers through Portfolio Holders liaising with Senior Officers and gets involved in the identification of high level, strategic risks.
- 7.15 Cabinet also approves the Annual Governance Statement on the effectiveness of the Council's governance framework as part of the Statement of Accounts.

### **Full Council**

- 7.16 The full Council is to receive an annual report on risk management. All Members should have regard to risk management implications in their decision making.

### **Lead Officers**

- 7.17 Lead Officers are identified on the Top Risks facing the Council. Their role is to act as Project Managers for the top risk nominated to them. The Top Risks are ultimately the responsibility of the Corporate Management Team and/or Cabinet to manage.

### **Lead Members**

- 7.18 Lead Members are identified on the Top Risks facing the Council and are normally the relevant Portfolio Holder. Their role is to oversee the management of the Top Risk nominated to them.

### **Partners/Contractors**

- 7.19 Contractors and Partners are included in the Risk & Opportunities Management Strategy for NHDC. The risk appetite for both contractors and partners should be considered prior to engaging into contracts or partnerships. Ideally a joint Risk Register should be in place for significant contracts and partnerships. In order to achieve the Council's priorities, Client Officers/relationship managers should implement an ongoing review of risks jointly with appropriate contractors/partners. Contractors and Partners should be able to demonstrate that they have resilient business continuity plans in place.

## 8 Timetable for 2009/10 and beyond

8.1 The Council now has an embedded Risk Management process as outlined in this Strategy

8.2 The following timetable outlines the key risk management activities for 2009/10:-

<b>Task</b>	<b>By Date</b>	<b>Responsible parties</b>
Commence roll-out of training on how to use the risk feature of the Performance and Risk software	Oct 09	Risk Manager
Formal review of risks by Service Managers	October 09 March 10	Service Managers
Corporate Business Planning – consideration of resources to mitigate risks and the Top Risks that may impact on General Fund balances	October 2009 to February 2010	Heads of Service Service Managers
Risk Management reports on the review of the Top Risks to Corporate Management Team	Oct 09 March 10 May 10 Aug 10	Risk Manager Risk Management Group
Risk Management reports on the review of the Top Risks to the Audit and Risk Sub Committee	Nov 09 March 10 May 10 Sept 10	Risk Manager Risk Management Group
Annual risk management report to full Council	June 2010	Finance Portfolio Holder (Member Champion)
Risk Management Training for Members	December 10	Risk Manager
Risk Management training for Officers	During implementation of Covalent	Risk Manager
Review of Risk Management Group Terms of Reference	November 09	Risk Management Group
Review Risk Management Strategy	November 09	Risk Management Group
Update Strategy on intranet and put message on Message Board.	December 09	Risk Manager
Brief managers on salient points in the Strategy when providing training on Covalent	Oct 09	Risk Manager
Prepare Assurance Statements	February 10	Strategic Directors, Heads of Service, Statutory Officers
Prepare Annual Governance Statement	April 10	Corporate Governance Group





## **RISK & OPPORTUNITIES MANAGEMENT POLICY STATEMENT**

The purpose of North Hertfordshire District Council's Risk & Opportunities Management Strategy is to provide a framework to define how risks and opportunities will be handled within the Council. It provides information on roles and responsibilities and processes and procedures. It sets the context in which risks are managed, and how they will be identified, assessed, managed and reviewed.

In order to reflect the fact that the Council sometimes has to take risks in order to evolve and achieve its objectives, the definition of risk is "Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat."

In the longer term, the Council is working with partners in the Local Strategic Partnership (LSP) to deliver the long term vision of North Hertfordshire as "a vibrant place to live, work and prosper".

When reviewing its work programme, the Council may attach higher priority to delivering achievements against short and medium term priorities. These are currently:

- Town Centres;
- Green Issues;
- Sustainable Development.

The actions which the Council will undertake to deliver these priorities are reviewed and laid out each year in our review of the Corporate Plan, the overarching strategic document extending to 2015.

The risks to delivering projects to support these priorities as well as to the continuous improvement in service delivery will be managed appropriately.

The Council's risk management objectives are to :

- Ensure that the Council does not become overtly risk averse;
- Manage risk in accordance with best practice;
- Identify corporate and operational risks;
- Assess the risks for likelihood and impact;
- Identify mitigating controls;
- Allocate responsibility for the mitigating controls;
- Embed risk management in its corporate business processes including strategic planning, corporate business planning, policy making and review, performance management and in key partnerships.

These objectives will be achieved by:

- Considering opportunities as well as risks;
- An annual review of risk management processes and ongoing benchmarking against published guidelines;
- Using the Performance and Risk Management software as a means to identify, assess and record mitigating actions to be taken to manage risks to ensure delivery of opportunities;
- Provision of training and support on risk management across the Council.

**John T Campbell**  
**Chief Executive**

**Cllr F J Smith**  
**Leader**

**DATE of signature**

**AUDIT AND RISK (25.11.09)**

**TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT**

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY AND GOVERNANCE

**1. SUMMARY**

- 1.1 For members of the Panel to review progress against the action plan arising from the 2008/09 Annual Governance Statement (AGS) for implementation in 2009/10.

**2. FORWARD PLAN**

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

**3. BACKGROUND**

- 3.1 Following the amendments to the AGS notified to the Sub Committee in September, the AGS was signed by the Leader and Chief Executive on 24<sup>th</sup> September for inclusion in the Statement of Accounts for 2009/10.
- 3.2 The AGS refers to improvement actions that will be carried out. These have then been recorded on a separate action plan and this includes recommendations from the Annual Audit and Inspection letter 2009.

**4 ISSUES**

- 4.1 Progress has been made against the action plan that was agreed by the Sub-Committee in May. A summary of this is enclosed in Appendix A and full details are available on the Council's Performance and Risk software, Covalent.

**4.2 Completed actions**

- 4.2.1 The milestones for the Service Review of Partnerships (AGS13) have all now been completed. A final report on the outcomes of the review of existing partnerships against the Toolkit will be provided to PARC in March 2010.
- 4.2.2 A small group of Officers met to review Member Support (Member Development). Regular meetings are held with the party Leaders and the Democratic Services and Learning and Development Managers. The funding for training has been devolved to the party leaders. The variety of training opportunities available from the Member Development programme is on the intranet. The programme that is in place is

externally assessed through the Investors in People award and by our external auditors under the Workforce Planning Key Line of Enquiry (KLoE) for Use of Resources. The level three assessment for the Workforce Planning KLoE recognises that the Council exceeds minimum requirements and performs well.

#### 4.3 **Actions that have changed / are no longer appropriate**

- 4.3.1 It was envisaged that service plans relating to 2009/10 would be input onto Covalent (AGS003). However, work has concentrated on populating the system with the Corporate Plan actions and Risks and corresponding actions and it is no longer appropriate to reformat and add the service plans to the system half way through the year. The milestone relating to this has therefore been deleted.
- 4.3.2 The review of the anti-fraud policy (AGS005) has commenced and it seems unlikely to require any extensive changes. The milestones referred to in the action plan have been changed to reflect this and this action will be completed by the original due date in December 2009.

#### 4.4 **Actions that have yet to approach the planned start date**

- 4.4.1 An internal audit review of contract monitoring (AGS006) was scheduled to take place in the 2010/11. However, the current annual audit plan included the a review of specific contract arrangements operated by Parks and Open Spaces and Property Services. The audit of Parks and Open Spaces has been concluded and the findings made and recommendations agreed have been reported to this Sub Committee. The draft report for the Property Services audit is currently out for consultation. Once finalised, the findings made and agreed recommendations will be reported to this Sub Committee. The outcomes of these reviews will be used to inform the audit planning process for 2010/11. This action is, therefore, almost completed and is well ahead of schedule.
- 4.4.2 The Sub Committee's comments about the review of PARC and Scrutiny effectiveness have been taken on board and will be considered by the Constitutional Review Group. This Group will also take into account the new Scrutiny legislation and will feed any required changes into the constitutional review for 2010/11.

#### 4.5 **Actions slightly behind target**

- 4.5.1 The following are the actions and that have just missed being completed by the due date. The progress made to date is provided in the following paragraphs.

<b>Action ref</b>	<b>Action</b>	<b>Original Due Date</b>
AGS002	Agree & implement Envirocrime recommendations	31/08/09
AGS004	Challenge Board to agree service reviews to be implemented in 2009/10	02/09/09
AGS011	Implementation of external audit findings on IT Controls – implement changes to systems	31/10/09
AGS012	Corporate Equality Strategy – include any comments from consultation into action plan	30/09/09

4.5.2 **AGS002.** The Envirocrime recommendations and the way we can/have responded to them are provided below.

**R1 Develop and implement a more co-ordinated response to envirocrime in which;**

- **Management information is collated from relevant sources and presented in a way that demonstrates variances and compares performance more easily**  
There are a number of sources and collection methods for performance data in the authority, ranging from contractual reporting on abandoned cars to 'flycapture' data and crystal reporting of fly tipping. All are now reported electronically on Covalent and, at a county level, through the MIDAS system so we can not only review local performance but that of the authority against other Herts authorities. This action is therefore deemed complete.
- **Measures compare the costs and the outcomes of projects and diversionary activities**  
Action plans for community safety, and particularly diversionary projects require the agencies to produce an 'exit' report on completion of funded projects. An example of this has been the recent 'Respect' work in schools where an evaluation has been produced jointly by the Police and school to measure the impact of the one day conference/workshop. Environmental Action Days also record the number of untaxed vehicles, tonnes of rubbish and graffiti tags removed for each operation. The first round of Value for Money reviews this summer have established a baseline regarding individual service costs which will be used to compare NHDC services year on year.
- **Ensure closer working between the council divisions can demonstrate efficiencies**  
Business Process Improvement work across the authority is ongoing, with the intention of identifying such efficiencies, alongside the budget challenge process for each service.
- **The capacity of the Council's approach to the envirocrime enforcement is enhanced**  
Performance data for a number of areas of 'envirocrime' since the time of the original review has demonstrated significant progress having been made in reducing the time taken to remove abandoned cars, offensive graffiti, and also a rise in detections of and prosecutions for fly tipping. This situation will therefore be kept under review by the OD Board as it does not demonstrate an immediate need to increase resources for envirocrime at a time when the Council is already experiencing the consequences of recession and budgetary constraints.

**R2 Strengthen existing process to:**

- **Introduce a report template which enables cost and performance comparisons to be considered within the budget setting process**  
The value for money reviews have been developed to provide perception, price and performance data for each service. These will continue to be developed further and improved in the 2010/11 budget round currently underway. The standard committee report template already contains information on financial considerations, but in a review of the template currently underway, and subsequent training in

January 2010, we will prompt officers to include relevant information on benchmarking and individual service performance where this is appropriate.

- **Reduce the time that service reviews take to be submitted to the Performance Audit and Review Committee**

With the removal of the formal FSR duty, the method by which the Council reviews its services is currently under consideration to make the process more streamlined and ultimately deliver service improvements and efficiencies. The reporting cycle to PARC will be included in that service review proposal to be made by December 2009.

The only remaining action is, therefore, to conclude the service review proposals and this has been included as a milestone for this overall action. The due date has been amended to 31<sup>st</sup> December 2009.

4.5.3 **AGS004.** Due to the current financial position, all Heads of Service completed Value for Money proformas for all services in June 2009. The original time frame for these reviews was over a three year period. Challenge Board have considered these but have yet to agree what service reviews will be completed as a consequence.

4.5.4 **AGS011.** The Sub-Committee received a detailed update report from the IT Manager at its September meeting on the implementation of the changes to IT systems following the report from Grant Thornton. Six of the actions were completed and four remain outstanding but should be completed by the end of December 2009.

4.5.5 **AGS012** Following the completion of the consultation on the Corporate Equality Strategy, analysis is underway to include any comments into the revised strategy document by the agreement with the Portfolio Holder for Community Engagement and Rural Affairs. This will be completed by the end of November 2009.

#### **4.6 Actions that have fallen behind the original due date**

4.6.1 Regrettably, there has been some slippage in progressing some of the actions due to significant staff changes, senior management restructuring and sickness absence of some of the key officers. The changes to Officer responsibilities are now settling down and the following actions should now be concluded shortly:

4.6.2 **AGS 001** There are now nine plans in draft form to deliver the ten themes of the Sustainable Community Strategy (SCS). The nine themes that have draft plans are:

- Protecting and Enhancing the Environment (inc. climate change).
- Decent and affordable housing
- Travel and Transport
- Strengthening communities and involving people
- Safer community
- Improving health and well being
- Enriching the lives of our elders
- Increasing economic prosperity and employment
- Lifelong learning, training and skills

The one action plan which remains unfinished at this stage is that of 'Improving the life chances of children and young people'. This action plan is complimentary to the wider District Children's Trust Partnership action plan already in existence. It is anticipated

that this wider action plan can be tailored to deliver against the SCS theme. All the draft plans will be considered by the Local Strategic Partnership Executive in November 2009. As there are nine draft action plans this action is deemed 90% complete.

4.6.3 **AGS 007.** There has been a delay in completing the review of the effectiveness of the Audit & Risk Sub Committee. The milestones have been re-evaluated and the target date for completion of this action changed from September 2009 to March 2010. This will mean the review will coincide with the governance review for the Annual Governance Statement for 2009/10.

4.6.4 **AGS010.** The Strategic Director of Customer Services is undertaking a review that will encompass the corporate approach to knowledge and information management. This is wider than a review of the remit of the Data Quality Forum and the Information Assurance Group but will include these. The new Head of Customer Services and IT will lead on this project and work has already started as the project scope is 90% complete.

## **5 LEGAL IMPLICATIONS**

5.1 The terms of reference for the Audit & Risk Sub-Committee confirm that it should consider the annual audit and inspection letter and in particular consider matters raised in the annual governance report, approve the annual governance letter and agree any necessary actions. Consideration of this report therefore aligns with the relevant terms of reference.

## **6. FINANCIAL AND RISK IMPLICATIONS**

6.1 The actions arising from the AGS 2008/09 process have been included in service plans and in this current year will already be covered within existing budgets. Any future year requirements will be considered as part of the Council's Business Planning process.

## **7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

7.1 There are no direct human resource or equalities implications relating to this matter.

## **8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

8.1 The Council's external auditors, Grant Thornton, reviewed and commented on the AGS. The AGS and resulting Action Plan have incorporated relevant findings and recommendations from the Annual Audit and Inspection letter for 2007/08 that was issued in March 2009.

## **9. RECOMMENDATIONS**

It is recommended that members of this Sub-Committee:

9.1 Note the progress against actions arising from the Annual Audit letter and the 2008/09 Annual Governance Statement.

## **10. REASONS FOR RECOMMENDATIONS**

- 10.1 To allow Members to monitor progress against delivery of improvements against the Council's Local Code of Corporate Governance.

## **11. ALTERNATIVE OPTIONS CONSIDERED**

- 11.1 Not applicable to this issue.

## **12. APPENDICES**

- 12.1 Appendix A – Update on actions arising from 2008/09 AGS and Annual Audit letter.

## **13. CONTACT OFFICERS**

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Liz Green  
Head of Policy, Partnerships and Community Development

Margaret Mulkerrin  
Audit and Consultancy Manager

## **14. BACKGROUND PAPERS**

- 14.1 Audit Commission – Annual Audit and Inspection letter 2009  
14.2 NHDC Local Code of Corporate Governance

## AGS REPORT – ACTION PLAN

## APPENDIX A


Generated on: 12 November 2009






Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By	
AGS001	Action plans to deliver SCS	Local Strategic Partnership (LSP) to prepare action plans to deliver the 10 themes of the Sustainable Community Strategy (SCS)		Delivery against the 10 action plans will ensure that the Local Strategic Partnership delivers the Sustainable Community Strategy	Head of Policy, Partnerships & Community Development	
Sub Action		Status Icon	Due Date	Milestone	Due Date	Completed
Action plans agreed by LSP			30 Nov 2009			



Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By	
AGS002	Envirocrime Performance	The Council will develop and implement a more coordinated response to envirocrime and strengthen cost and performance information particularly against diversionary activities.		A cleaner and safer North Herts	Head of Policy, Partnerships & Community Development	
Sub Action		Status Icon	Due Date	Milestone	Due Date	Completed
Report to CMT			28 May 2009			
Agree & implement Envirocrime recommendations			31 Dec 2009	Review service review methodology	31 Dec 2009	No

Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
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Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS003	Development of Action plans through Covalent	Council plans are supported by action plans with targets which are SMART and regularly monitored and reported on.		Delivery of key community priorities. A higher proportion of projects achieved on time and on budget. Improved reputation. Improved resident satisfaction	Head of Finance, Performance & Asset Management; Head of Policy, Partnerships & Community Development

Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Implement the Action Module on Covalent		31 Dec 2009	Corporate plan actions recorded on Covalent		Yes 
			Organisational Development Improvement Plan recorded on Covalent	31 Dec 2009	No







Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS004	Value for money	Ensure there is a corporate process of service review, including value for money(vfm) studies as part of the Corporate Business Strategy		Improved VFM. Improved resident and peer perception of NHDC's vfm	Head of Finance, Performance & Asset Management

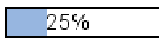
Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Cost & Performance information		22 Apr 2009	Challenge Board to review service summaries	31 Mar 2009	Yes 
			Complete vfm service proformas	22 Apr 2009	Yes 
Comprehensive benchmarked assessment of vfm		30 Sep 2009	Challenge Board to agree service reviews to be implemented in 2009/10	02 Sep 2009	No
			Challenge Board to review the outline position of value for money reviews	31 Jul 2009	Yes 



Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS005	Review anti-fraud policy	Review the anti-fraud policy to incorporate any key issues from the KLoE for Use of Resources	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #add8e6; display: flex; align-items: center; justify-content: center;">50%</div>	Risk of fraud is managed. Ability to demonstrate using best practice to address fraud. Low costs passed to tax payers	Head of Finance, Performance & Asset Management

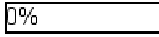

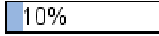
Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Annual review undertaken		15 Dec 2009	Anti-fraud policy reviewed in draft	31 Oct 2009	Yes 
			Ensure relevant anti fraud documentation on intranet	15 Dec 2009	No



Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS006	Review of contract monitoring	To conduct a review of contract monitoring arrangements	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #add8e6; display: flex; align-items: center; justify-content: center;">83%</div>		Head of Finance, Performance & Asset Management


Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Internal audit on contract monitoring		31 Mar 2011	Audit scope agreed	31 Mar 2010	Yes 
			Audit undertaken	31 Mar 2010	Yes 
			Issue draft report 1	31 Mar 2010	Yes 
			Issue draft report 2	31 Mar 2009	Yes 
			Issue final report 1	31 Mar 2010	Yes 
			Issue final report 2	31 Mar 2010	No





Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS007	Review of effectiveness of Audit & Risk Sub Committee	Audit & Risk Panel robustly identifies the impact of its work		Resources are used to achieve corporate priorities and deliver key quality of life outcomes.	Head of Finance, Performance & Asset Management

Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Audit & Risk self-assessment		11 Mar 2010	3 new members of ARCS to complete questionnaire	25 Nov 2009	No
			A & R member self assessment conducted	15 Jun 2009	Yes 
			Officer self assessment conducted	25 Nov 2009	No
			Review of self assessment and actions for improvement determined	23 Feb 2010	No

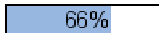
Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS008	Review of committee effectiveness	Review of PARC, Scrutiny and Cabinet			Democratic Services Manager
AGS009	Implementation of Data Quality Policy	Continued implementation of the Data Quality Policy			Head of Policy, Partnerships & Community Development
AGS010	DQF and Information Assurance Group and Information Management	Data Quality Forum (DQF) and Information Assurance Group Review the role of the Groups to ensure they meet their terms of reference and roles and establish a corporate approach to knowledge/information management.			John Robinson




Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Results of project on the corporate approach to knowledge/information management		31 Mar 2010	Agree management structure	31 Jan 2010	No
			Identify key systems/procedures/data sets	31 Dec 2009	No
			Implement findings and put in place interim strategy	31 Mar 2010	No
			Report findings of review by Strategic Director/Monitoring Officer	30 Jun 2009	Yes 
			Scope project	30 Nov 2009	No


Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS011	Improve IT Controls	Implement agreed recommendations of Grant Thornton Audit of IT Controls		Ability to demonstrate achieved required performance levels. More secure IT system. Compliance with COCOA	Head of IT and Customer Services





Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Implementation of external audit recommendations		31 Oct 2009	Allocate resources	31 Jul 2009	Yes 
			Consider implications	30 Jun 2009	Yes 
			Implement changes to systems	31 Oct 2009	No
			Review recommendations	31 May 2009	Yes 


Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
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Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS012	Corporate Equality Strategy	Single strategic document prepared that complies with latest legislation on Equalities and Social Inclusion			Head of Policy, Partnerships & Community Development





Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Corporate Equality Strategy		30 Sep 2009	Consult on draft strategic document	01 Sep 2009	Yes 
			Draft single strategic document	30 Jun 2009	Yes 
			Include any comments from consultation into action plan	30 Sep 2009	No

Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS013	Service review of partnerships				Head of Policy, Partnerships & Community Development

Sub Action	Status Icon	Due Date	Milestone	Due Date	Completed
Review of Partnership register & toolkit		30 Sep 2009	key partnership register reviewed	31 May 2009	Yes 
			Toolkit developed for use	31 May 2009	Yes 
			Toolkit launched for implementation by officers	30 Sep 2009	Yes 

Action Code	Action Title	Action Description	Progress Bar	Expected Outcome	Managed By
AGS014	Member development	To conduct a review of member training needs		Improved capacity and capability of members	Democratic Services Manager

Action Status

	Overdue;
	Approaching due date
	In Progress
	Completed

**AUDIT AND RISK SUB COMMITTEE**

**25 NOVEMBER 2009**

The Chairman has agreed to the following additional report which is for noting by the Audit and Risk Sub – Committee only.

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**9**

**TITLE OF REPORT: IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

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**TITLE OF REPORT: IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

REPORT OF HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

**1. SUMMARY**

- 1.1 To provide the Sub Committee with an overview of the forthcoming changes to Local Authority Accounting and to provide a progress report on the preparation work underway.

**2. FORWARD PLAN**

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

**3. BACKGROUND**

- 3.1 From 2010/11, local authorities' Statement of Accounts will be prepared under an IFRS based Code of Practice on Local Authority Accounting. This is part of a wider public-sector move to international standards and follows the announcement by the then Chancellor in the 2007 Budget that public sector accounts were to move to an IFRS basis.
- 3.2 The move to IFRS is bringing a number of accounting changes. Revisions to the Local Authority Statement of Recommended Practice have already moved Local Authorities slowly towards international standard compliance but the full adoption of IFRS will be the most significant change in financial reporting since the adoption of resource accounting.
- 3.3 Experts, including the public sector accounting body CIPFA, are advising that planning and preparation are essential to ensure a smooth transition. However, there could be impacts on systems (such as financial ledgers and asset management systems), processes and staff (including non-finance staff such as valuers, HR and legal).
- 3.4 CIPFA have issued a Local Authority Accounting Panel bulletin (LAAP number 80) which includes an outline project plan to assist Authorities on planning for IFRS implementation. This is included as Appendix A. The suggested dates in the plan have been agreed with the audit agencies to ensure that there is a consistent approach being taken by all Authorities.

3.5 The National Audit Office IFRS Readiness Toolkit contains a number of “lessons from the Private Sector” that we are particularly mindful of:

- Early preparation is essential to ensure there is no knock-on impact on Timetables;
- The level of disclosure, and therefore the length of accounts, increases Significantly;
- Impact assessment and understanding of the new standards takes considerable time;
- A significant investment in staff training is required;
- Flagging up and discussing key issues and potential areas of difficulty with key stakeholders early on aids smooth transition;
- Cabinet and Committee engagement is crucial, to ensure involvement in the project and awareness of impact areas and potential risks in transition.

#### **4. ISSUES**

4.1 Although IFRS is not being implemented in full until 2010/11, the need to include comparative information for 2009/10 in the first IFRS-based statement of accounts means that the opening balance sheet figures at 1 April 2009 will need to be restated. As a result, the project has begun to ensure preparation and planning is undertaken as soon as possible during the financial year 2009/10.

4.2 The project Steering group consists of the Strategic Director of Finance, Policy and Governance, Head of Finance, Performance & Asset Management and the Accountancy Manager. The group will report to the Audit and Risk Committee at relevant intervals to report progress on the preparation work up until the first set of accounts are produced under IFRS for 2010/11.

4.3 Other key Officers across the Council will also need to be involved at various stages of the project, e.g. Legal services, human resources and property services, and it will be the responsibility of the steering group to ensure the right individuals are involved and aware of what needs to be done.

4.4 Both internal audit and the Council’s external auditors, Grant Thornton, will need to be consulted and kept informed during the project. This consultation has begun and Grant Thornton are pleased the Council has work underway.

4.5 Some of the key technical changes required under IFRS are:

- Fixed assets will be measured and recorded differently, particularly as a result of revaluation bases, impairment, revaluation losses and a stronger emphasis on component accounting. Specific consideration will need to be given to the capitalisation or reclassification of software and development costs;
- Outstanding holiday pay will need to be accrued;
- Lease categorisation may change and leases for land and buildings will need to be separated in all cases;
- Presentation of financial statements, including supporting disclosure notes, will need to be changed;

➤ The Chart of Accounts and supporting systems will need to be adapted.

4.6 There have been concerns that the move to IFRS could potentially impact on Council Tax. CIPFA is in discussions with the Department for Communities and Local Government to ensure any impacts can be minimised, if not avoided. The consultation for the IFRS-based code of practice for Local Authority Accounting Code of Practice closed in September 2009.

4.7 The status and comments on the progress of stages of the IFRS project plan are shown in the summary in Appendix A.

## **5. LEGAL IMPLICATIONS**

5.1 There are no legal implications.

## **6. FINANCIAL AND RISK IMPLICATIONS**

6.1 The Council is required to approve Statement of Accounts which are compliant to the latest published code of accounting practice. There is a risk that the 2010/11 statement of accounts could be qualified if they are not compliant with the new IFRS-based code of practice.

6.2 The technical changes could result in an impact to the general fund if mitigation is not taken in the final Code of Practice. The calculation of the potential risk forms part of the project plan.

6.3 The project is expected to be completed in house without the need for additional resources, at this time.

## **7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

7.1 There are no direct Human Resource or Equalities implications arising from this report.

## **8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

8.1 Consultation has been undertaken with the CMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion').

## **9. RECOMMENDATIONS**

It is recommended that the Sub Committee:

9.1 Notes the Council has a requirement to move to an IFRS accounting basis.

9.2 Notes the progress on the summary project plan.

## **10. REASONS FOR RECOMMENDATIONS**

- 10.1 The recommendations in section 9 of this report are presented for the Committee to be satisfied that adequate progress is being made for preparation of the 2010/11 statement of accounts compliant with an IFRS based code of accounting practice.

## **11. APPENDICES**

- 11.1 Appendix A – IFRS project plan summary.

## **12. CONTACT OFFICERS**

- 12.1 Tim Neill  
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**APPENDIX A - OUTLINE PROJECT PLAN – ISSUED BY CIPFA**

	<b>Step</b>	<b>Dependency</b>	<b>Dates</b>	<b>Areas for Discussion with External Audit</b>	<b>Comments</b>
1	Carry out high level impact assessment using information on CIPFA web site (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas		As soon as possible; completion of this stage by May 2009 recommended	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues / difficulties etc.	Status: Complete  High level impact assessment completed Sept 09. Main issues to examine in more detail in subsequent steps are: ➤ Leases ➤ Employee benefits ➤ Property and Investment Assets
2	Identify changes to accounting policies	In parallel with step 1	As soon as possible; completion of this stage by May 2009 recommended. NHDC revised date: Nov 09		Status: Not complete
3	Identify key staff (finance, legal, property, HR, other) Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in step 1	As soon as possible; completion of this stage by May 2009 recommended NHDC revised date: Nov 09		Status: Initial resource assessment complete. Key staff identified but responsibilities not yet allocated.
4	Key staff trained on IFRS transition		At an early opportunity, then ongoing throughout project		Status: Accountancy Manager has attended CIPFA seminars and workshops. High level briefing sessions with key finance staff completed but more detailed sessions will be required.

5	Identify systems and procedural changes (including Chart of Accounts changes) required		March 2009 - end July 2009		Status: Initial high level assessment complete. Fixed Asset systems and HR Trent system and leave process may be implicated.
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March 2009 - September 2009		Status: Information required has been identified but not yet obtained (see stage 8)
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	Accounting policies in step 2	March 2009 - September 2009 (assumes CIPFA/LASAAC agree formats in March 2009) NHDC revised date: Nov 09	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues / difficulties etc.	Status: Task is underway but in early stages.
8	Obtain information required to restate 1 April 2009 balance sheet	Identified during step 6	March 2009 - September 2009 NHDC revised date: Jan 2010		Status: Task is underway but in early stages.
9	Identify likely impact on budgets (if any)		March 2009 – September 2009 NHDC revised date: Dec 09		Status: Task is underway but in early stages.
10	Implement systems and procedural changes	Identified in step 5	July 2009 – January 2010 NHDC revised date: Jan – Mar 2010.		Status: Not complete.
11	Training for all relevant staff and members		Ongoing from July 2009		Status: Not complete.

12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	Obtained in steps 7 & 8	July 2009 – December 2009 NHDC revised date: Jan 2010	Auditors will wish to consider the implications for reviewing balance sheet and / or processes and arrangements	Status: Not complete.
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund / HRA	Impact from step 9	October 2009 – January 2010	No direct input, but previous discussions and results of any audit work in step 12 may inform budget decisions where auditors involved at an early date	Status: Not complete.
14	Testing of systems and procedural changes	Follows on from step 10	July 2009 – March 2010*	Auditors will wish to consider the implications for relevant work on systems	Status: Not complete
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliations between UK GAAP and IFRS)	See steps 6, 7, 8, 12	April 2010 – December 2010*	Auditors will wish to consider the implications for their work	Status: Not complete
16	Produce 2010/11 accounts on IFRS basis		April 2011 – June 2011	Normal audit procedures – accounts signed by 30 September 2011 (31 October 2011 in Northern Ireland)	Status: Not complete