

**Public  
Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Progress on Annual Governance Statement  
2019/20 Significant Issues

**Meeting/Date:** Corporate Governance Committee –  
26th January 2022

**Executive Portfolio:** Executive Councillor for Corporate Services  
Councillor David Keane

**Report by:** Deborah Moss, Internal Audit Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

The Council's Annual Governance Statement (AGS) includes a list of significant governance issues together with proposed remedial action for each.

This report advises the Committee on the progress made against each of these issues and the action taken to date. This includes update on the 2019/20 AGS issues and additionally the new issues arising from the 2020/21 AGS. It also includes updates on process improvements aimed specifically at managing risk.

Progressive action continues to be taken on the outstanding issues.

### **Recommendation:**

Committee is asked to review and comment upon the action and progress made to date.

## **1. PURPOSE OF THE REPORT**

To advise the Committee on the progress made against the significant governance issues reported in the 2019/20 Annual Governance Statement (AGS).

## **2. BACKGROUND**

The Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The purpose of the AGS is to communicate to stakeholders the standards of corporate governance the organisation demonstrates and identify any significant issues that have arisen in year, and what is planned to address these issues.

The AGS reports publicly on the extent to which the Council complies with its own local code of governance. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving lives of all residents and creating opportunity and prosperity for local people and businesses.

This report details the progress made to date on each significant issue.

## **3. DETAIL**

The Final Accounts and AGS 2019/20 were not approved by Committee until January 2021. Ten significant governance issues were highlighted in the AGS together with an action plan to show how each issue was to be remediated.

The Final Accounts and AGS for 2020/21 are yet to be audited and approved. Nine significant governance issues were included in the draft AGS which was approved in July 2021.

The Audit Manager has provided an update, given by officers responsible, on the action taken to date. The significant issues raised in the 2020/21 and 2019/20 Annual Governance Statements are set out in detail in Appendix 1 and progress against each of these is reported there – recording both the last update and the current one.

Action and progress continue to be taken on all issues identified. Those where action is completed and the issue deemed addressed are removed from the future reporting. By way of context, internal process has been tightened and a Risk and Control Board has been created, chaired by the Assistant Director (Corporate Services) to bring into sharper focus the Council's management of risk. The impact of this arrangement is starting to be seen, with clearer accountability within and across service areas for both corporate and service-based issues.

#### **4. KEY RISKS**

The significant issues are raised because, without any remedial action, they may impact the governance of the Council.

#### **5. LEGAL IMPLICATIONS**

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015).

The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee. In the light of that review, the Council must produce an annual governance statement which must be approved by the relevant committee in advance of the Authority approving the statement of accounts (Regulations 6 (1), (2) and (4) of the Accounts and Audit Regulations 2015).

#### **6. REASONS FOR THE RECOMMENDED DECISIONS**

The report has been requested by the Committee and as such, it needs to decide any further action it wishes to take.

#### **7. LIST OF APPENDICES INCLUDED**

Appendix 1 – AGS Governance Significant Issues Updated Action Plan  
January 2022

#### **BACKGROUND PAPERS**

Annual Governance Statement 2019/20  
Annual Governance Statement 2020/21

#### **CONTACT OFFICER**

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## Appendix 1: AGS Significant Governance Issues Updated Action Plan Jan 2022

### AGS Significant Issues 2020.21

| Area of Assurance                       | Issue / Gap  | Action Plan Proposal   | Progress @ Jan 2022   |
|---|--|--|---|
| ICT Cyber Security<br>(4 x red actions) | <ol style="list-style-type: none"> <li>1) Staff not provided with adequate cyber-security risk training and awareness.</li> <li>2) Endpoints with outdated Anti-Virus definitions.</li> <li>3) Unsupported operating systems in use on the Council's network.</li> <li>4) Excessive number of Domain Administrator privileged accounts. Audit action (monitored through 4Action):</li> </ol> | <p>All are being addressed through agreed audit actions.</p> <ol style="list-style-type: none"> <li>1) Audit action (monitored through 4Action): <ul style="list-style-type: none"> <li>• Review to assess content, delivery method and quality of user education programmes for Council's cyber/IT security</li> <li>• Harmonise education packages</li> <li>• Awareness training focussed on phishing and social engineering</li> <li>• Education to users on annual basis and biannual refresher sessions</li> <li>• Mandatory for new starters</li> <li>• Training completion monitored and record maintained.</li> </ul> </li> <li>2) Procedure in place to apply anti-malware signature updates to devices that do not connect to the Councils' IT network on a routine basis. Includes a process to restrict any non-complying devices connecting to the Councils' IT network.</li> <li>3) Audit action (monitored through 4Action): <ul style="list-style-type: none"> <li>• migration plans of unsupported Windows systems is recorded and tracked to completion.</li> <li>• included within the Council's ICT Risk Register and take steps to decommission these devices as soon as possible.</li> </ul> </li> <li>4) Audit action (monitored through 4Action): <ul style="list-style-type: none"> <li>• Track ongoing reduction of domain administrator accounts</li> <li>• Privileged network accounts reviewed on regular basis to ensure no of accounts controlled.</li> </ul> </li> </ol> | <p>Two of the four red-category actions have been implemented. The remaining two are in progress and action is being carried out.</p> <p>All implemented IT actions will be subject to a follow up review by Internal Audit.</p> <p>All overdue outstanding actions are monitored by Internal Audit and reported monthly to SLT.</p> <p>The current and emerging budget includes funding proposals to enhance our cyber security capacity, and respond to these challenges.</p> |
| Finance – key officer dependency        | <p>Critical over-dependency on one key officer<br/>Only one professionally qualified officer.<br/>No deputy S.151.</p>   | <p>New Finance Business Partner recruited will be professionally qualified (CIPFA). Finance Business Partner job role will include Deputy S.151 designation.</p>   | <p>Senior Business Finance Business Partner recruited - qualified accountant and our Deputy S.151.<br/>Recruitment imminent for new Finance Manager / S.151 Officer.</p> <p><b>Action completed / Issue resolved.</b></p>   |

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| Role of Chief Finance Officer              | CFO position – not sitting at CLT / not part of key decision making  |   | S.151 Officer is now part of the Works Program Board, Corporate Senior Leadership Team monthly meeting and Operations Board (the governance structure).<br>The Interim Finance Manager sits on these groups at senior level and proposals are being considered for the future S.151 role and where this will sit.   |
| ICT Cloud Services (2 x red audit actions) | <p>1) No documented information held about each applications' dependencies which could be used to assess the applications' feasibility for projected migration plans.</p> <p>2) Once applications have been hosted, there is no further risk assessment made to review Audit action (monitored through 4Action):</p> <ul style="list-style-type: none"> <li>• Corporate Applications Roadmap drafted to ensure which applications the councils would migrate to the cloud.</li> </ul> <p>Page 173 of 184 effectiveness of the hosted landscape. Additionally, there is no plan to further assess applications where it is currently not appropriate to migrate them.</p> | <p>Audit actions (monitored through 4Action):</p> <p>1) • Determining agree criteria for assessing migration to cloud</p> <ul style="list-style-type: none"> <li>• Defined framework to ensure all potential scenarios factored into the criteria</li> </ul> <p>2)                   • Corporate Applications Roadmap drafted to ensure which applications the councils would migrate to the cloud as well as which must be migrated to the cloud.</p> <ul style="list-style-type: none"> <li>• Management will assess possible dependencies of each system.</li> </ul> | <p>1) A framework has been designed and a workshop to finalise it was scheduled for December but was postponed due to other work priorities.</p> <p>2) ICT Service updates state that this is still being progressed and will be closed off once all priority apps have been identified and a list published.</p>   |
| Towns Programme                            | Loss of resourcing – the two interim officers are planned to leave in the short term (July & September). First recruitment campaign was unsuccessful; this is being tried again but there is a risk of being unfulfilled and a further risk of no time for a handover period. Capacity & capability risks and issues need to be resolved to continue the programme.  | Short term fixes in place and action plan being formulated.   | The Strategic Growth Manager acting as both the Senior Responsible Officer and Senior Accountable Officer until the new Director (Place) started; she is now in post. Interim officer contracts extended. Recruitment underway for project manager and project support officer, appointments expected January 2022. Short term solutions implemented using existing staff and long-term resource/skills framework underway. |
| Accounts Receivable /Debtors Service       | This area continues to receive a limited assurance opinion.  | Systems, processes and resources needs to be reviewed across the whole Debtors function. An action plan will be established, in conjunction with the team, to support   | Debtors and Creditors functions have been combined/rebranded as Credit Control Team. The team is reviewing its working practices and multi-skilling of staff. Resources are being   |

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|                                   |  | delivery of improvements and address the control failings identified during the quarterly reviews.  | <p>reviewed and the Transformation Team is being requested to review the working processes.</p> <p>Internal Audit will undertake another review of key controls once the team has implemented changes and improvements.</p>   |
| Project Management                | Number of key projects that pre-date new project management processes that are highlighted as failing. The Work Programme spreadsheet shows that some projects are flagging red or amber/red. There are reported issues with governance, non-compliance and cultural issues.   | Work Programmes Board to provide updates on actions decided to be taken. All actions to be recorded by Board and monitored for compliance progression.  | <p>Governance structures and processes in place, however historic issues still being managed through with two projects. The process is still evolving but initial benefits of achieving greater oversight has largely been successful.</p> <p>All red flag items are raised monthly with issues and recommendations.</p> <p>Progress is reported via quarterly finance and performance reports into Overview and Scrutiny, and then on to Cabinet.</p> <p>Internal Audit plan to review the new governance processes introduced and how they are operating / complied with.</p> |
| Data Protection Officer (DPO)     | The post is recently vacant due to postholder leaving. The DPO is a statutory role. It also covers the other 3Cs authorities under contractual obligation. The Deputy post is also vacant with an Acting postholder, who is not cannot fulfil the DPO role. (A recent recruitment exercise was unsuccessful for the DPO role. Another is planned but, if successful, is unlikely to result in an immediate starter leaving the notice period of x months without a DPO.) | <ul style="list-style-type: none"> <li>• Recruiting to longer term permanent role and short-term temporary cover</li> <li>• Offer of assistance for critical incidents from Peterborough and Cambridgeshire DPO</li> <li>• ICO helpline if needed</li> <li>• Third party legal providers can provide short term cover on an hourly basis if needed</li> </ul> | <p>A permanent DPO has been appointed.</p> <p><b>Action completed / Issue resolved.</b></p>   |
| Payment Cards Industry compliance | Non-compliance with some PCI requirements.   | <p>Self-assessment to be undertaken to understand any areas of non-compliance and action plan prepared to progress</p> <p>Training of relevant handling staff</p>   | HDC's current position is we are working with outside specialists from the NCC Group alongside City and SCDC to document every route to full compliance and then decide on  |

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|  |  |  | <p>the appropriate one. The implications of doing nothing will also be specified.</p> <p>The issue has been referred to the Risk &amp; Controls Group for pursuance.</p> |
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## AGS Significant Issues 19.20

| Area of Assurance                                       | Issue / Gap  | Action Plan Proposal   | Progress to Aug 21  | Progress @ Jan 2022  |
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| <b>Risk Management</b>                                  | RM is not fully embedded and functional within the Council in an effective way. The risk register requires revision and update otherwise it is at risk of being unreliable/unusable. | <p>Service Plans will be redesigned to incorporate risk management.</p> <ul style="list-style-type: none"> <li>• The risk register will be reinvigorated and redesigned before roll-out to Services</li> <li>• Internal audit reviews of top risks highlighted by management</li> <li>• Longer term – potential audit review of RM.</li> </ul> | <p>Service Plan redesigned to incorporate risk management.</p> <p>The Risk &amp; Control team to liaise with Services to update their risk registers. The risk register now reflects current HDC structure, risks entries are to be reviewed and re-dispositioned to validate with assigned owners.</p> <p>Next stage: deep dive with Services to identify and assess their risks</p> <p>Plan to carry out a basic self-assessment of our procedures that reference risk.</p> | <p>A self-assessment exercise of risk at HDC has been carried out.</p> <p>There is still a framework of risk established but the data has been neglected over the past few years, so it cannot be relied upon/used.</p> <p>Findings will help provide an overview of risk awareness and support what needs to be done to reactivate risk management in Services and to embed in processes and culture.</p> <p>The next stage: Services to review and update risk register entries to inform a risk assessment.</p> |
| <b>Lone working</b><br>(red action in an audit report): | The Council lacks a corporate lone working procedure that is robust and effective. H&S legislation requires us to protect our employees at work. A lack of                           | <p>Ownership to be appointed.</p> <ul style="list-style-type: none"> <li>• To investigate lone worker systems that can operate within its 24-hour CCTV function.</li> <li>• A suitable system/procedure to be</li> </ul>   | <p>Risk &amp; Controls Board, taken on LW risk as a project</p> <p>New Services Forum, used to further LW progress and advise a refresh of risk assessments of LW</p>   | <p>New Lone Worker Policy written and being rolled out to managers, with all officer notice via corporate newsletter. A procurement arrangement is in</p>  |

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|  | protocol over lone workers could risk employees' safety and a breach of legislation.  | implemented to protect all officers who lone work off site.<br>• Internal Audit: follow up review to ensure operation and compliance once installed.  | Operations SLT action to all Services update their risk assessments of all lone workers in their Service (deadline 30/09/21).<br>Assessment of overall risk will inform if a corporate LW procedure is required or a Service Based approach is acceptable.   | place for personal protection devices for lone working employees.<br><br>Longer-term, an Audit follow up will be undertaken to assure that procedures are in place.<br><br><b>Action completed / Issue resolved.</b>   |
| <b>GDPR (Data Protection Compliance)</b>                                     | Progressive action towards GDPR compliance and monitoring has not been sufficiently robust since the Regulations' effective date. This puts the council at a greater risk of a potential non-compliance with GDPR legislation, a data breach, penalty fine and reputational damage. | Information Governance team has carried out a gap analysis review across the Council.<br>• Work to be done to ensure data protection training and awareness.<br>• A planned Internal audit [follow up] review to assess compliance. | Progression on the gap analysis work and actions are continuing in IG eg work has started on preparation of info asset registers.<br>The IG Manager is providing CGC with a separate update on these actions. (See Table of areas and actions from gap analysis.)<br>IG team has circulated templates to service areas in May for info gathering. The returns will be reviewed by IG from end of July.<br>IG will support service areas in developing treatment plans for working towards continual GDPR compliance monitoring. Analysis carried out has identified the specific areas that are to be monitored for the service areas. | All services have reviewed their Information Asset Registers and the Information Governance team are working with each service to check completeness of information.<br>Services will review their data handling and privacy notices against their asset registers to ensure these accurately reflect the processing being undertaken.<br><br>GDPR is under review by the new Data Protection Officer; findings will be shared with Internal Audit and Management. |
| <b>Network Access Management Control</b><br>(red action in an audit report): | The audit found that user accounts may not be regularly reviewed and monitored (by HR or systems owners) leading to leaver, inactive or dormant accounts.   | Agreed that HR management would assign ownership to line managers to review the network accounts that do not match to payroll listing.<br>• Agreed that line managers/Heads of  | HR provided ICT with the 65 users that did not match Payroll list with instructions (remain active, delete or further insight).<br><br>A follow up review of this action is included in the IA Plan 21.22 to ensure that regular checks on staff access rights have been conducted.  | HR completed their part of the action although ICT still progressing their processes. There will be a follow up audit later in the financial year.   |



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|   |  | <p>Service would perform a regular review of all staff in their service ae going forwards.</p> <ul style="list-style-type: none"> <li>• Progress to be monitored by Internal Audit.</li> </ul>  | <p>IA have asked ICT to confirm that corrective action has been taken and user accounts closed where applicable.</p> <p>ICT to set up regular review process to check users still current and prevent further issues supported by a leaver's notification process to ICT.</p> <p>ICT have a process to identify accounts not accessed for a x days.</p> <p>ICT to confirm if gone back to the Service Managers to confirm if the users are supposed to be active or not. ICT still to check if this can be done, as unsure if user accounts had departments against them.</p>   |   |
| <p><b>Delivery of capital Schemes</b></p> | <p>An audit review found that there several issues relating to governance, capability, capacity and delivery, and commissioning.</p> | <p>Appointment of a Programme Delivery Manager took place in 2020.</p> <ul style="list-style-type: none"> <li>• Many programmes and projects are already underway</li> <li>• Internal Audit to carry out a follow up review.</li> </ul> | <p>Programme Delivery Manager undertook a full Project Management Delivery Audit in Sep; findings and recommendations to mitigate risks highlighted presented to WP SLT Board. PDM has established a Steering Group to review tools and processes and introduced a Gateway Assurance Review process for Projects and programmes.</p> <p>Board/SLT agreed that PMD at HDC is not working. Agreed a task force should be set up to look at the way forward; it will be a task and finish group.</p> <p>PMD has set up and is working with our partner PMOs to continue and develop our Knowledge Transfer Networks. PDM at HDC will need to be a watching brief, to ensure governance is not diluted which may impact on current risk mitigation plans.</p> | <p>Project Management update provided above in 2020.21 table.</p> |

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|  |   |  | <p>*</p> <p>Follow up Internal Audit review undertaken in June 2021:-<br/>Processes are being applied to new projects / capital schemes from 2021/22; need to consider written guidance and training for staff, and arrangements for managing non-delivery.<br/>Due to infancy of changes, it was not possible to fully assess the new control framework nor undertake any formal compliance testing to assess the degree to which changes have been applied and adhered to. Based on what is being proposed, Audit provided a reasonable level of assurance that concerns previously reported are being addressed, and that exposure to risk in this area should reduce.</p> |  |
| <b>Audit reports Outstanding</b>       | <p>Difficulty in obtaining replies by Services to draft audit reports. These reports highlight weaknesses and risks found in a system and if they remain not responded to and no actions are implemented to address the risks, then the risks potentially remain and assurance cannot be given.</p> | <p>Audit Manager has advised senior management of such outstanding reports.</p> <ul style="list-style-type: none"> <li>• A new Risk &amp; Controls Board has been developed which will formally reports these issues to Corporate SLT for action.</li> </ul>   | <p>A list of outstanding reports has been formally reported by the R&amp;C Board to Corporate SLT for action.<br/>Progress to finalise and close outstanding reports; surge effort by IA via escalation to Corporate Leadership level improved response.</p>  | <p>Outstanding reports/actions monitored and progressed by Internal Audit and Assistant Director. Formal escalation routes opened to Senior Leadership Team.</p>                     |
| <b>Information Governance Training</b> | <p>The ability to monitor which staff have completed which training courses needs improvement. Decisions on mandatory training and frequency of courses needs to be decided. There is a risk that employees may not have sufficient training or awareness.</p>                                      | <ul style="list-style-type: none"> <li>• New Information Governance Manager in post</li> <li>• IT and IG policies are being reviewed</li> <li>• IG training modules are being reviewed</li> <li>• Ownership of training attendance to be assigned</li> <li>• A system for monitoring all training</li> </ul> | <p>Policies are being reviewed. IG training modules have been reviewed. HR are due to roll out these modules as part of the Learning Mgt System (LMS).</p> <p>There is difficulty extracting exception reports on those employees who have not completed each IG course, and this is being examined by the Transformation team.</p>   | <p>Training modules are ready but formal launch awaited.</p> <p>Potential link to induction for new employees (IS training to be completed on pick up of laptop) being explored.</p> |

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|  |  |  | <p>The IG Training Needs has been developed and communicated to the IG Group.</p>  | <p>This has been referred to the Risk &amp; Controls Group for pursuance.</p>   |
| <p><b>Covid-19 risks, levels of debt, loss of income etc</b></p> | <p>Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Huntingdonshire as part of its response to Covid-19. There is a risk that costs incurred outweigh the levels of funds received from Central Government. Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council /users etc.</p> | <p>Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements.</p> <ul style="list-style-type: none"> <li>• Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual.</li> <li>• Gold, Silver and Bronze command were stood up to manage critical responses/issues in response to the pandemic.</li> </ul> | <p>Gold command active to respond / provide resources for support within the community in relation to the Covid 19 pandemic. Costs associated with responding to Covid 19 pandemic captured via a separate cost centre. Recognition by central government in support loss of income for services affected by the closure of leisure and retail activities. The Income Compensation Scheme has provided Local Authorities to claim back 75p in the £1, (subject to 95% total).</p> <p>NNDR and CTAX will continue to be a concern into 21/22 with ongoing pressure around collections. Central Government have provided mechanisms to spread 20/21 deficits over 3 years and will also allow Local Authorities to claim compensation for irrecoverable losses.</p> <p>Balanced budget has been approved (Feb 21).</p> | <p>Cost centre review and discussion with Finance shows that additional costs incurred due to Covid have not exceeded the Emergency Funding sum received from Central Govt.</p> <p>A draft balanced budget has been prepared for 22/23.</p> |