SIAS - 735

Final Internal Audit Report

Hertfordshire Futures

Hertfordshire Innovation Quarter – Governance and Financial Management

August 2026

Substantial Assurance

Issued to:	**Adam Wood** – Head of Infrastructure & Regeneration and Herts IQ Programme Manager **Emma Midcalf** – Principal Accountant (Hertfordshire County Council)
Recommendations:	1 Low Priority Recommendation

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1. Executive Summary

Objective
To provide independent assurance over the continuing robustness of key aspects of the governance, financial management and financial reporting arrangements that are in place for the Herts IQ project.
Key Risk
A lack of accountability due to weak governance arrangements could lead to decision making based on inaccurate information, budgetary issues causing financial loss and a failure to meet strategic objectives, leading to potential stakeholder dissatisfaction.



Substantial Assurance

A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Assurance Areas	System Strengths	Areas for Improvement	Root Cause	Description (see Appendix B)
• Strategic Vision and Objectives • Governance Structures • Financial Management • Management Information and Reporting Arrangements • Innovation Project Fund	• Objectives in the Delivery Plan are subject to periodic review and reflect changing national and local priorities of key partners. • Decisions on procurement and funding align to achieve strategic objectives and value for money. • The accounting system in place includes a sufficient coding structure to recognise income and expenditure related to Herts IQ. • The Local Growth Assurance Framework includes the full arrangements for borrowing and investment transactions. • Quarterly Herts IQ Board meetings take place, which allow for the approval of key decisions, as well as project and financial updates. • Communications with key stakeholders occur through various means, including Board meetings, website updates and emails. • Arrangements for management reporting are clearly outlined, alongside timescales and frequencies of reporting,	There is a lack of clear performance reporting on the delivery of Herts IQ objectives.		Processes & Procedures

	• Innovation Fund governance arrangements provide clear oversight, accountability and strategic direction aligned with the stated objectives. • Innovation Fund decision making processes are documented, consistent and based on defined criteria to support fair and objective project selection and funding.			

Recommendations		Summary of Recommendations
Critical	High	The recommendation falls within the following area of testing: • **Strategic Vision and Objectives** – Performance reporting should occur on a quarterly basis and should include discussion of each strategic priority alongside risk ratings, agreed actions, and progress on these actions.
0	0	
Medium	Low	
0	1	
Advisory Actions		
0		

2. AUDIT SUMMARY

Summary of Testing Results

2.1 A further summary is included below to outline control area reviewed and any matters raised with reference to the associated findings / advisory actions outlined in this report.

Control area reviewed	Outcome
Strategic Vision and Objectives	
Objectives in the Delivery Plan are subject to periodic review and reflect changing national and local priorities of key partners	No Findings
Recommendations and actions in relation to the Delivery Plan are aligned to the agreed objectives	No Findings
Performance reporting on the Strategic Priorities is undertaken clearly and at regular intervals.	Finding 1 – Low Priority Recommendation
Governance Structures	
Quarterly Herts IQ Board meetings take place, which include key decision approvals, project updates and financial and budget updates	No Findings
There are clear roles and responsibilities for key governance groups	No Findings
Communication to key stakeholders occurs through Board meetings, website updates and emails	No Findings
Financial Management	
Financial Principles document details the agreed approach on managing finances, including roles and responsibilities	No Findings
There is a robust process for reviewing procurement and funding decisions to ensure value for money	No Findings
Agreed approaches on income collection are clearly outlined and are understood by all key stakeholders	No Findings
The accounting system in place includes a sufficient coding structure to recognise income and expenditure related to the Hertfordshire Innovation Quarter	No Findings
Reporting on budgets occur every quarter, alongside monthly budget updates	No Findings

Management Information and Reporting Arrangements	
Reports are subject to appropriate reviews and checks prior to issuing	No Findings
Arrangements for management reporting are clearly outlined, alongside timescales and frequencies of reporting	No Findings
Innovation Project Fund	
Governance structures provide clear oversight, accountability and strategic direction aligned with the Fund's objectives	No Findings
Monitoring and Quality Assurance framework is in place and used as part of overall project monitoring practices	No Findings
Decision-making processes are documented, consistent, and based on defined criteria to support fair and objective project selection and funding	No Findings
Arrangements for reporting on projects include opportunities to track project performance, check financial integrity, and judge alignment with strategic objectives	No Findings
Key project documentation includes details on procurement arrangements and compliance	No Findings

2.2 Within the Finance updates to the Board, which were reviewed as part of the audit, we noted reference to a £4 million income deficit from business rates for the Rothamsted site. Through management discussion, we were able to confirm that this was in relation to the amount of income forecast for collection, and not a loss of actual income. We were informed that the business rates were likely not due for collection in the first place, as the area in question would be occupied by small businesses, and therefore eligible for Small Business Rates Relief. This was instead a misunderstanding on the part of Herts IQ within calculations of forecast income, and we are satisfied that this has been appropriately noted and addressed.

2.3 When testing arrangements for the review of the Herts IQ risk register, we noted that the last review was completed in March 2025. In response to our queries, we were informed that though the risk register is reviewed on an annual basis the most recent review had been delayed until September 2026, to allow consideration of any risks arising from the decision on Local Government Reorganisation (LGR), due to be announced in July.

2.4 During our review of project monitoring arrangements, we identified that an updated monitoring and grant expenditure template has been introduced, this being used from the current quarter one monitoring cycle. From review of the template, we were satisfied that this covered the expected elements to support monitoring, such as expenditure incurred, delivery outcomes

and a risk register. As this template has only recently been introduced, we were unable to test its application with the scope of this audit.

2.5 The matters raised in this report are based on a mixture of management response and testing completed. They are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

3. Management Action Plan

Low Priority	1. Strategic Vision and Objectives		
Audit Finding	**Root Cause**	**Recommended Action**	**Management Response**
When reviewing the arrangements for monitoring the performance and progress on strategic priorities for Herts IQ, we noted evidence of discussion in relation to the priorities, alongside the updating of the strategic priorities in March 2026. Although this shows that consideration is given to the alignment of actions undertaken by Herts IQ, there is currently a lack of regular performance monitoring and reporting on agreed priorities and actions.	**Processes & Procedures** Reporting to the Herts IQ Board is currently focused on financial performance, with delivery reporting limited more to annual reviews.	We recommend that during each quarterly Herts IQ Board meeting, there is time allocated for a discussion of performance and progress in relation to the delivery of strategic priorities. This could include: • Progress in delivering key strategic objectives; • Risks identified that may impact on delivery; • Actions to address identified risks and issues; • Checks to ensure continued alignment to strategic priorities. Where appropriate, reporting could be linked to a range of agreed KPI's or a delivery dashboard to provide a high-level overview of performance.	We accept that the reporting on strategic priorities could be more focussed and reported clearly at Board with clear actions, risks & issues along with any KPIs. I will review this with colleagues and aim to put something in place ahead of the next Board meeting on 30th September. This may need some development over time. **Responsible Officer**: Adam Wood / Vickie Holland **Due date**: October 2026

Assurance Level	Definition
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level			Definition
Corporate	**Critical**		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

Root Cause	Icon	Definition
Resources		The extent to which the service has sufficient, capable resources, enabling it to carry out all aspects of its operational duties efficiently and effectively.
Competencies & Training		The extent to which staff are appropriately qualified, trained or experienced to carry out their role.
Systems		The extent to which systems are fit-for-purpose and support the service to carry out its operations effectively.
Motivation & Incentives		The extent to which factors such as organisational or personnel change have impacted on staff desire to carry out their role efficiently and effectively.
Standards & Policies		The extent to which expected standards have been made clear to staff and the necessary policies are in place to support these standards.
Governance		The extent to which the service is governed by a clear structure that sets out the roles and responsibilities of officers, and the service is supported by appropriate risk management and control systems.
Process & Procedures		The extent to which established processes are operating effectively and are supported by defined procedures.
Accountability		The extent to which roles and responsibilities for decision-making have been defined and are accepted and acted on by all parties.
Assurance & Monitoring		The extent to which internal and/or external checking controls exist to monitor the effectiveness of, and provide assurance to, the service.