

# AGENDA

## Audit and Governance Committee

Date: **Monday 4 July 2016**

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Time: **10.00 am**

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Place: **Committee Room 1, Shire Hall, St. Peter's Square,  
Hereford, HR1 2HX**

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Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

**Clive Lloyd**

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If you would like help to understand this document, or would like it in another format, please call Clive Lloyd on 01432 260249 or e-mail [clive.lloyd@herefordshire.gov.uk](mailto:clive.lloyd@herefordshire.gov.uk) in advance of the meeting.

# **Agenda for the meeting of the Audit and Governance Committee**

## **Membership**

<b>Chairman</b>	<b>Councillor BA Durkin</b>
<b>Vice-Chairman</b>	<b>Councillor FM Norman</b>
	<b>Councillor ACR Chappell</b>
	<b>Councillor EPJ Harvey</b>
	<b>Councillor RL Mayo</b>
	<b>Councillor PD Newman OBE</b>
	<b>Councillor RJ Phillips</b>
	<b>Councillor J Stone</b>
	<b>Councillor LC Tawn</b>

## AGENDA

		Pages
<b>PUBLIC INFORMATION AND FIRE INFO</b>		
<b>1.</b>	<b>APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>2.</b>	<b>NAMED SUBSTITUTES (IF ANY)</b> To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
<b>3.</b>	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the agenda.	
<b>4.</b>	<b>MINUTES</b> To approve and sign the Minutes of the meeting held on the 9 May 2016	9 - 14
<b>5.</b>	<b>CHAIRMANS ANNOUNCEMENTS</b>	
<b>6.</b>	<b>2016/17 EXTERNAL AUDIT PLAN AND FEE</b> To approve the 2016/17 external audit work and fee.	15 - 24
<b>7.</b>	<b>EXTERNAL AUDIT PROGRESS REPORT AND UPDATE YEAR ENDED 31 MARCH 2016</b> To consider the external auditors update report.	25 - 38
<b>8.</b>	<b>ANNUAL GOVERNANCE STATEMENT 2016/17</b> To comment on the final draft annual governance statement for 2015/16	39 - 74
<b>9.</b>	<b>INTERNAL AUDIT REPORT AND OPINION 2015/16</b> The purpose of this report is to provide a summary of the internal audit work undertaken in 2015/16 and the overall internal audit opinion based on this work.	75 - 100
<b>10.</b>	<b>PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN</b> To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.	101 - 138
<b>11.</b>	<b>HEREFORD CITY CENTRE TRANSPORT PACKAGE (HCCTP) - LINK ROAD SCHEME</b> To inform members of the outcome of a review of reported spend in relation to the Hereford city link road project.	139 - 152
<b>12.</b>	<b>WORKING GROUP UPDATE - GOVERNANCE IMPROVEMENT</b> To outline the progress of the governance improvement working group.	153 - 156
<b>13.</b>	<b>FUTURE WORK PROGRAMME</b>	157 - 162

To consider the Committee's work programme for 2016/17

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- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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**SHIRE HALL, ST PETERS SQUARE, HEREFORD HR1 2HX.**

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HEREFORDSHIRE COUNCIL

**MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Monday 9 May 2016 at 10.00 am**

**Present:** Councillor BA Durkin (Chairman)  
Councillor FM Norman (Vice Chairman)

Councillors: ACR Chappell, DG Harlow, EPJ Harvey, PD Newman OBE, J Stone and LC Tawn

**Officers:** Steve Hodges, Peter Robinson and Claire Ward, Richard Ball, Bob Perks, Nick Mather, Marc Willimont and Claire Corfield.

**130. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor R Phillips

**131. NAMED SUBSTITUTES (IF ANY)**

None

**132. DECLARATIONS OF INTEREST**

The director of resources declared an interest as managing director of Hoople.

**133. MINUTES**

That the minutes of the meeting held on the 14 April be confirmed as a correct record and signed by the chairman.

**134. CHAIRMAN'S ANNOUNCEMENTS**

In response to a query raised in the audit and governance meeting of 23 March 2016 regarding the LEP (local government enterprise partnership), the chairman reported that he had met with the monitoring officer, leader and chairman of the overview and scrutiny committee regarding LEP. The committee's attention was drawn to an email on the 4 May from the monitoring officer. The email sets out the current position as regards the LEP.

In response to a query raised in January regarding adult wellbeing and employment exit procedures it was confirmed that procedures had been tightened and no issues had arisen. It was confirmed that a full audit focusing on this area would be undertaken during 2016/17.

**135. APPOINTMENT OF AN INDEPENDENT PERSON FOR STANDARDS MATTERS**

This report, by the monitoring officer, notified the committee of the successful interview and the recommendation to approve the appointment for Mr Richard Stow.

**RESOLVED:** That Mr Richard Stow be recommended for appointment as an independent person at council on the 20 May.

## 136. PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN

Prior to the presentation of the report it was brought to the committee's attention that appendix B1 of item seven of the agenda papers would not be, open to the public and press.

Resolved: that under section 100(A) (4) of the local government act 1972, the public and press be excluded from the meeting during any discussion of appendix B1. On the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12 (A) of the act.

Members were provided with an update on the progress on internal audit work and to bring to their attention key internal control issues arising from work recently completed.

Members' attention was drawn to the significant findings of the report on page five of appendix A which were;

- Licencing
- Mobile phone usage and strategy
- Payroll

These were findings that were identified as being high priority and therefore should be brought to the committee's attention. With all three findings a partial assurance was given with the definition being that some key areas are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

With regard to licensing it was confirmed that the object of the audit was to ensure that resources were being used effectively and that a customer focused service was being provided. There were a number of well controlled areas, however the main area identified for improvement was the need to improve records of authorisation. All review findings have been accepted by officers.

In terms of mobile phone usage and strategy it was noted that the council currently has two mobile phone agreements in place. The significant finding in this area highlighted the under usage of mobile phones with a large number not being used over an extended period. There was an opportunity to reduce costs by the redistribution of phones amongst users. All recommendations regarding significant findings have been accepted by officers.

With regard to payroll the majority of sampled employees were recorded correctly. Two priority five findings were identified with one being completed and the remainder planned for completion by the end of August 2016. Six priority four findings were identified with two having been completed and the remainder planned for completion by the end of June 2016.

A member raised concerns regarding the two mobile phone contracts and the under use of a large number of phones. It was questioned whether the various contracts were being managed effectively. It was the opinion of the member that this issue does require investigation with an audit of phone requirements, allocation and usage needed.

A member commented that the expectation should be that all employee samples taken in respect of payroll should be returned as correct and that any discrepancies should be rectified by the end of August 2016.

**Resolved: That the report be noted.**

## 137. ANNUAL GOVERNANCE STATEMENT

The director of resources presented the draft annual governance statement and explained that due to changes in accounting standards the report was before committee earlier than in previous years with the benefit being that the committee had early sight of the draft report.

A member noted that the solace/cipfa principle four in comparison to the council principle four was more robust in the direction given and that the wording in the latter should also have reference to transparency of decisions.

A similar point was made in reference to principle six with members' agreement that the council principles do not match the cipfa principles in all cases.

The solicitor to the council confirmed that the principles contained in the governance framework could not be altered by this committee however consideration could be given as part of the governance review.

A member expressed the view that a more proactive approach should be pursued in securing feedback from parishes.

Members were not clear as to how active the member development training group was with the view that progress was slow with little information being disseminated to members. It was confirmed that the group had met twice within the last 12 months and that a ward update might be in order to update members on progress.

A member requested clarification of the title director of resources role because the statement refers to this not being a director.

A member raised a concern that not all decision makers appear to have sight of all information necessary to enable them to make informed decisions on matters before them.

In terms of the data transparency and the council meeting its statutory requirements a member felt that the council should strive to exceed statutory requirements and not aim for just enough.

It was proposed that the first line paragraph 32 of the report be amended as follows:

The council meets its statutory responsibilities regarding data transparency and as part of the constitution review will consider publication of documents unless exempt.

**Resolved: That**

- a) **clarification is provided regarding of the title of director of resources (paragraph 23 of the report).**
- b) **at paragraph 32 first line, following ... regarding data transparency... that the following be inserted... and as part of the constitution review will consider publication of documents unless exempt.**
- c) **the draft 2015/16 annual governance statement subject to the above amendment(s) be noted**

### **138. COMPLAINTS PROCEDURE FOR STANDARDS MATTERS**

The Monitoring officer delivered a report on the new complaints procedure for standards matters.

A short discussion was had regarding the report with the following points made.

All parish councils should be encouraged to adopt this Herefordshire Council code of conduct.

Reference to criminal matters should be explicitly addressed.

It was recommended that group leaders are informed when a formal investigation is instigated and that the outcome is confirmed.

It was also recommended that an explanation regarding county councillors is inserted in page 101 of appendix A of the report.

#### **Resolved: That**

- a) the procedure includes group leaders being informed when a formal investigation is instigated and the subsequent outcome.**
- b) an explanation of a county councillor is inserted in page 101 of appendix A of the report.**
- c) subject to views of parish councils, the revised procedure as amended for standards matters in appendix 1 and 2 be adopted.**
- d) the procedure includes direction on criminal matters**

### **139. WORKING GROUP RISK REGISTER**

The chairman of the risk register working group delivered a report on the findings of the working group.

A member raised a concern that the recommendations within the report did not accurately reflect the recommendations as contained in the working group report. An opinion was also expressed that the report had lost narrative cohesion in its interpretation of the working group report.

The directorate services team leader explained that the view taken was that if a member of the public wished to raise an issue regarding the risk register then their first point of contact would be their ward member.

#### **Resolved: That**

- a) the framework explains how scrutiny committees, elected members or members of the public can query the treatment of risks in the register and propose risks for consideration**
- b) the report as amended is recommended to the executive in June 2016 for consideration.**

#### 140. WORKING GROUP UPDATE - GOVERNANCE IMPROVEMENT

The solicitor to the council delivered an update in respect of the governance improvement working group.

It was confirmed that the constitution review would not be available for the May 2016 council meeting and it was anticipated that the revised constitution would be before audit and governance committee in November 2016.

It was agreed that the review is important and therefore should not be rushed. September may still not be achievable with the summer break.

**Resolved:** That

- a) the members of the working group continue to act as a conduit for their individual groups and that workshops and meetings with members should take place prior to the audit and governance meeting on 22 September.

#### 141. FUTURE WORK PROGRAMME

The committee's draft future work programme was presented for discussion and finalisation.

A member noted the review of appointments to outside organisations and queried whether school appointments should feature as part of the report remit.

The governance improvement work needs re timetabling

In response to a members query regarding the community infrastructure levy and whether it should be feature as a remit for the audit and governance the solicitor to the council confirmed that it was not currently in the terms of reference for this committee.

**Resolved:** That

**the committee's work programme for 2015-16 for the audit and governance committee be agreed.**

The meeting ended at 12.10 pm

**CHAIRMAN**





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>2016/17 external audit plan and fee</b>
<b>Report by:</b>	<b>Director of resources</b>

## Classification

Open

## Key Decision

This is not an executive decision.

## Wards Affected

Countywide

## Purpose

To approve the 2016/17 external audit work and fee.

## Recommendation

**THAT:**

- (a) the external audit plan and associated fee for 2016/17, as set out in appendix a, be approved.**

## Alternative options

- 1 None, the proposed plan and fee is a statutory requirement.

## Reasons for recommendations

- 2 For the committee to ensure that the council has effective statutory external audit arrangements in place for 2016/17 as required in the council's constitution.

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Further information on the subject of this report is available from  
Josie Rushgrove, head of corporate finance on Tel (01432) 261867

## Key considerations

- 3 The Council's external auditor is Grant Thornton, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years the council has benefited from reduction in fees in the order of 50% compared with historic levels. The current transitional arrangements come to an end on 31 March 2018 when the Council will be able to move to local appointment of an external auditor.
- 4 Appendix A details Grant Thornton's proposed fee and outputs for external audit work to be completed in 2016/17. The proposed external audit fee for 2016/17 of £124k is based on the same scale fee applied in 2015/16 as proposed by the PSAA.
- 5 The scale fee covers the audit of the statement of accounts, value for money conclusion and review of the whole of government accounts.

## Community impact

- 6 An efficient and effective audit service supports the council in demonstrating compliance with its code of corporate governance and its corporate plan priority to secure better services, quality of life and value for money

## Equality duty

- 7 None.

## Financial implications

- 8 Provision has been made in the 2016/7 budget to cover the proposed fee of £124k. The fee this excludes any additional work beyond that set out in the letter at appendix a.

## Legal implications

- 9 The Local Audit and Accountability Act 2014 states that the accounts of a relevant authority for a financial year must be audited:
  - (a) in accordance with the Act and provision made under it, and
  - (b) by an auditor (a "local auditor") appointed in accordance with the Act or provision made under it.
- 10 A local auditor must, in carrying out the auditor's functions in relation to the accounts, comply with the code of audit practice applicable to the council that is for the time being in force. The current code of practice for UK Local Government is the Code of Audit Practice issued by the National Audit Office in April 2015.
- 11 The code requires under section 1.17 that the auditor should share and discuss their audit plan at an early stage with the audited body.

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Further information on the subject of this report is available from  
Josie Rushgrove, head of corporate finance on Tel (01432) 261867



## **Risk management**

- 12 The proposed fee is set independently and levied under our existing contract with Grant Thornton.

## **Consultees**

- 13 None.

## **Appendices**

Appendix A - 2016/17 external audit fee letter

## **Background papers**

None identified





# Grant Thornton

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20 April 2016

Dear Peter

## **Planned audit fee for 2016/17: Herefordshire Council**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

#### **Chartered Accountants**

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PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £124,405.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return .

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

#### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Certification of grant claims and returns**

The Council's indicative grant certification fee has been set by PSAA at £5,415 This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes. In addition, if there is significantly more work to certify the claim compared with the base year 2014/15, we may seek a fee variation.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2016	31,101.25
December 2016	31,101.25
March 2017	31,101.25
June 2017	31,101.25
<b>Total</b>	<b>124,405</b>
<hr/>	
<b>Grant Certification</b>	
March 2017	5,415
<hr/>	
March 2017	129,820

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in November to February 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed by July 2017 and work on the whole of government accounts return in July 2017.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	November to February 2017 – issue to March Audit Committee	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June - AFR to July Audit committee	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to June – report to July audit committee	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	In line with department deadlines	Grant certification report	A report summarising the findings of our grant certification work

### **Our team**

The key members of the audit team for 2016/17 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Phil Jones	0121 232 5232	phil.w.jones@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	zoe.thomas@uk.gt.com
Assistant Manager	Jim McLaren	0121 232 5219	james.a.mclarnon@uk.gt.com

### **Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com).

Yours sincerely



Phil Jones  
Engagement Lead  
For Grant Thornton UK LLP







<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>External audit progress report and update: year ended 31 March 2016</b>
<b>Report by:</b>	<b>Head of corporate finance/External audit</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To consider the external auditors update report.

## Recommendation(s)

**THAT:**

- (a) the update report at appendix 1 be noted.

## Alternative options

- 1 There are no alternative options; the report provides a factual update on progress against the agreed plan.

## Reasons for recommendations

- 2 This report provides the audit and governance committee with a progress report from Grant Thornton in delivering their responsibilities as Herefordshire Council's external auditors. The report also refers to emerging issues and developments that may be relevant to Herefordshire.

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Further information on the subject of this report is available from  
Josie Rushgrove head of corporate finance on Tel (01432) 261867

## **Key considerations**

- 3 Grant Thornton's report is attached at appendix 1. The report provides the committee with a progress update in delivering their responsibilities as the councils external auditors, no areas of concern have been highlighted in their work completed to date.
- 4 The report also refers to emerging issues and developments that may be relevant to Herefordshire and the Committee may wish to consider what assurances you would like to receive on these issues.

## **Community impact**

- 6 The council's corporate values and plan include commitments to being open transparent and accountable about its performance; a robust external audit function supports these aims.

## **Equality duty**

- 7 None arising from the recommendations.

## **Financial implications**

- 8 None arising from the recommendations.

## **Legal implications**

- 9 None arising from the recommendations.

## **Risk management**

- 10 The report provides an update to the plan approved in March in relation to an additional significant risk relating to pensions and which reflects the national view.

## **Consultees**

- 11 None.

## **Appendices**

Appendix 1: Update report.

## **Background papers**

None

Audit Committee  
Herefordshire Council  
Progress Report and Update  
Year ended 31 March 2016

June 2016

27

**Phil Jones**

Director

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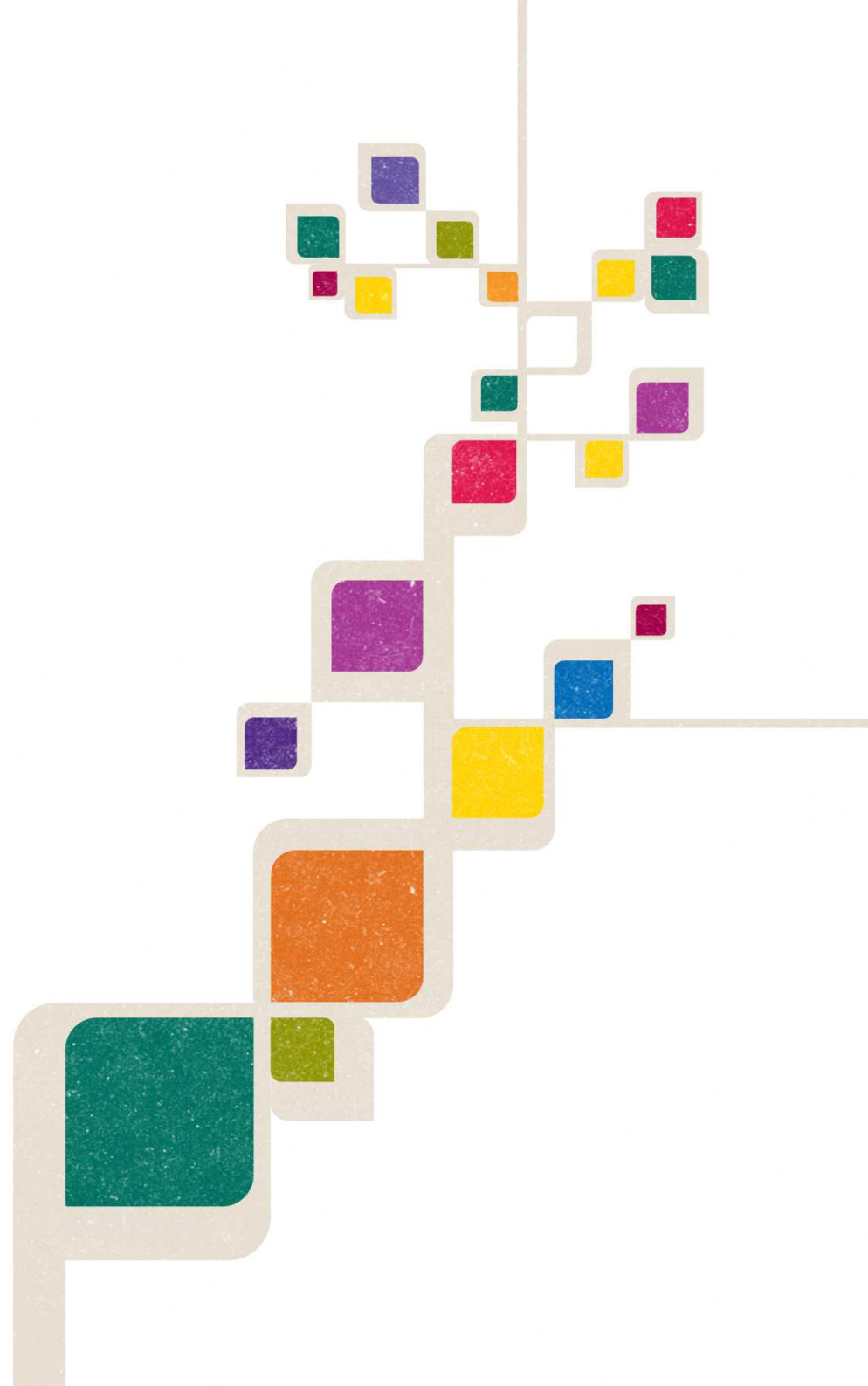
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**Zoe Thomas**

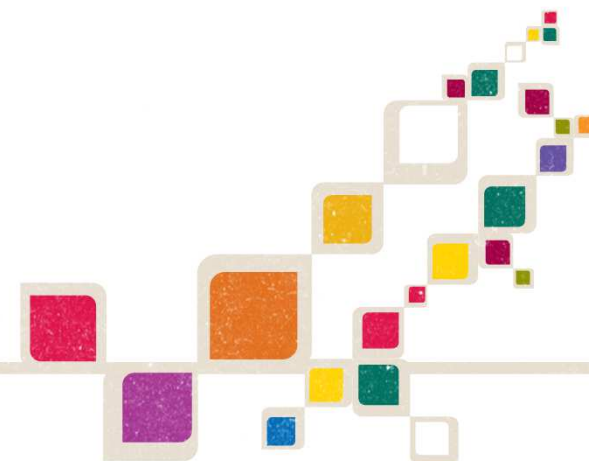
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



# Introduction

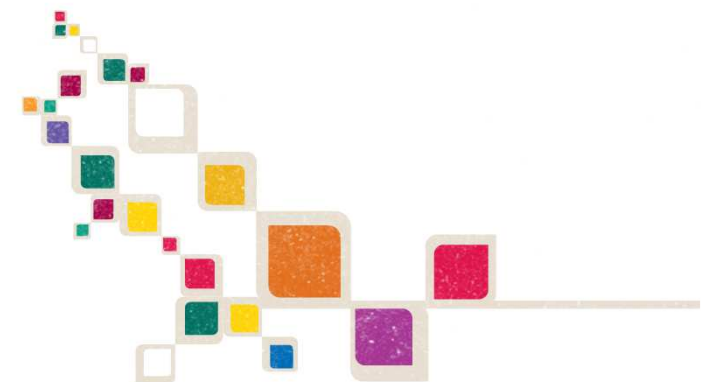
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

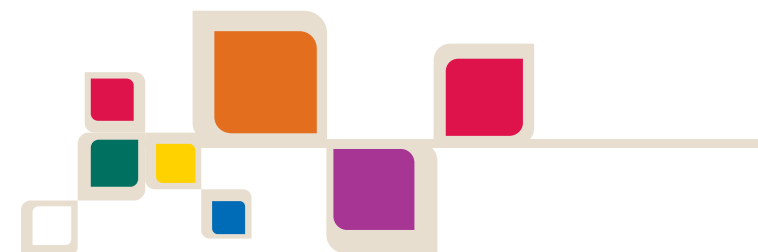
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- Innovation in public financial management (December 2015); [www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/](http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/)
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); [www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015) [www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



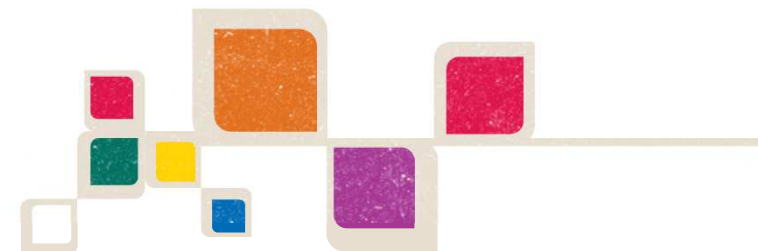
# Progress at June 2016



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2015/16 work	Planned Date	Complete?	Comments
<p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015</p>		Yes	The 2015/16 fee letter was issued in April 2015 and considered by the July committee
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March	Yes	Our audit plan was presented to the Audit Committee in March. Page 7 is an update to that plan highlighting that we now also consider that pensions is a significant risk. This does not reflect any particular new risks at Herefordshire but the national view that pensions are a significant risk area in local government accounts, due to the value and the number of subjective assumptions.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	January - February and April	Yes	Our interim audit work is complete. This included early audit testing to support a more efficient final accounts audit. We have routine meetings with the Finance Team to discuss emerging accounting issues and to discuss progress.
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</li> </ul>	June - July	Not started	We are aiming to complete our audit fieldwork by the end of July 2016 as part of the transition to the earlier closedown and audit cycle from 2018. We are working with the Finance Team to support improvements in accounts production efficiency and the project management of the audit visit.

# Progress at June 2016



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2015/16 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>March - July</p>	<p>On-going</p>	<p>We have considered the potential significant risks for our VfM conclusion and these are referred to in the audit plan presented to the March committee.</p> <p>We will carry out key document reviews and interviews to inform our conclusion.</p>
<p><b>Other areas of work</b></p> <p>Meetings with Members, Officers and others</p>	<p>On-going</p>		<ul style="list-style-type: none"> <li>• We are continuing to hold regular meetings with key officers of the Council.</li> <li>• We ran a Better Care Fund workshop attended by staff from the Council and the CCG. We have subsequently reviewed the proposed accounting treatment.</li> <li>• We gave a presentation of our CFO Insights system to the Council officers.</li> <li>• We have had extensive discussion and review of the revisions to property plant and equipment.</li> </ul>



Revision to the audit  
plan presented in  
March 2016





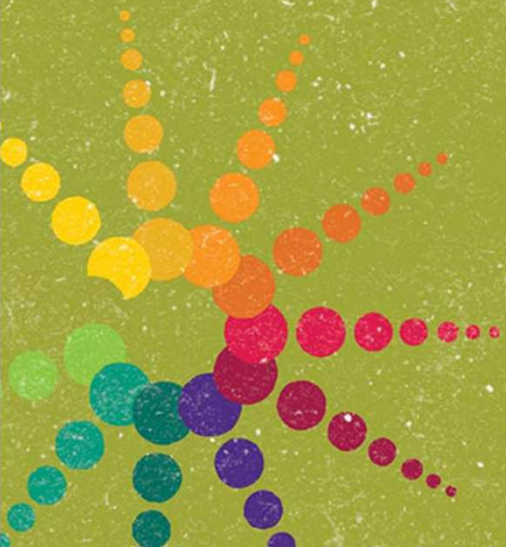
# Significant risks identified (supplement to the Audit plan)

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<ul style="list-style-type: none"> <li>• We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li> <li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

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# Grant Thornton Publications and events





# Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports

 Grant Thornton  
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ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together  
Building a successful  
joint venture company



# Partnership working in mental health

## Joining up the dots, not picking up the pieces

Mental ill health costs the economy over £100 billion each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential if savings are to be found and the best care provided.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations

There are four key messages:

The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system.

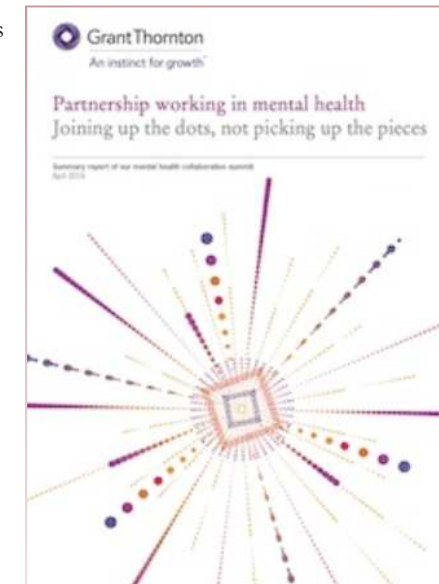
Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services.

An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first.

Investing in collaborative initiatives that focus on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:

- 92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent
- 647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull
- 80% remission in psychosis through early intervention in Derbyshire
- 25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

A set of recommendations on how to move this approach forward is also provided.



<http://www.grantthornton.co.uk/en/insights/partnership-working-in-mental-health/>

## Future events and workshops

### *Joint Venture Seminar on 28<sup>th</sup> July -*

Following publication of our 'Better Together' report we are running a workshop in our Birmingham offices. The session will include presentations from the practitioners interviewed in preparing our report> The event and will provide an invaluable insight into setting up and running joint venture companies

For further information or to book your place, please contact your Audit Manager or Penny Bassnett T +44 (0)121 232 5356

[penny.l.bassnett@uk.gt.com](mailto:penny.l.bassnett@uk.gt.com)

*Income generation workshop on 28<sup>th</sup> September* - this is currently being planned so watch out for more news on this.

### Grant Thornton events



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<b>Meeting:</b>	<b>Audit &amp; governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Annual governance statement</b>
<b>Report by:</b>	<b>Head of corporate finance</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To comment on the final draft annual governance statement for 2015/16.

## Recommendation(s)

THAT:

- (a) subject to any further comments the committee may make, the annual governance statement (appended to this report) be approved for signature by the chairman of audit and governance committee, the chief executive and the section 151 officer.

## Alternative options

- 1 There are no alternative options to producing an annual governance statement.

## Reasons for recommendations

- 2 To comply with the requirements of the Audit and Accounts Regulations 2015.

## Key considerations

- 3 The council has a responsibility for conducting at least annually a review of the

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Further information on the subject of this report is available from Annie Brookes, head of corporate governance on Tel (01432) 260605

effectiveness of the governance framework including the system of internal control. This is reported through the annual governance statement which is reviewed and approved by the committee as an element of the annual statement of accounts.

- 4 The annual governance statement also provides commentary on how the council's governance framework including the system of internal control can be improved. Whilst the statement by its nature is only signed off once a year, the process of review is continuous. Reports presented to the audit and governance committee inform the development of the annual governance statement, and the committee receives half year progress reports on implementation of the action plan supporting the annual governance statement.
- 5 Following changes to the regulations governing the timeframe for approval of the accounts, the draft annual governance statement must be published by the end of May; the views of the committee were sought at its meeting in May prior to publication and have informed the development of the statement and action plan. Since that draft a further review of the effectiveness of the governance framework has been carried out by management board and the proposed action plan for the year is now more focussed on improvement which will strengthen the governance framework. The draft statement is attached at appendix A, together with a draft action plan at appendix B; also attached for information, at appendix C, is the previous year's action plan.

## **Community impact**

- 6 The council is responsible for ensuring that appropriate safeguards are in place to ensure that it operates effective governance arrangements and internal controls. The decisions the council makes have direct impact on the lives of residents of the county and therefore it is essential that the council have appropriate governance arrangements in place.

## **Equality duty**

- 7 A public authority must, in the exercise of its functions, have due regard to the need to:
  - eliminate discrimination, harassment, victimisation and any other conduct ... prohibited by or under the act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8 Effective governance arrangements ensure that due consideration is given to the exercise of this duty in the decision-making and actions of the council.

## **Financial implications**

- 9 None arising directly from this report.

## **Legal implications**

- 10 The Accounts and Audit Regulations 2015 include a requirement for all councils to

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Further information on the subject of this report is available from  
Annie Brookes, head of corporate governance on Tel (01432) 260605



produce an annual governance statement, and set out the timescales by which they must be published.

## **Risk management**

- 11 The statement itself identifies governance risks and the action plan provides mitigation to those risks.

## **Consultees**

- 12 None.

## **Appendices**

Appendix A – draft annual governance statement 2015/16

Appendix B – draft action plan 2016/17

Appendix C – action plan 2015/16

## **Background papers**

- None identified.



## Annual governance statement 2015/16

### Scope of responsibility

1. Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this duty, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. These include arrangements for the management of risk.
3. The council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (“CIPFA”)/Society of Local Authority Chief Executives (“SOLACE”) framework for delivering good governance in local government. The council’s code is available on the website at the following link: <http://councillors.herefordshire.gov.uk/documents/s50012943/Preamble.pdf>
4. The annual governance statement for 2015/16 explains how the council has complied with its code of corporate governance. It also explains how the requirements the Accounts and Audit Regulations 2015, in relation to the publication of a statement of internal control have been met.

### The purpose of the governance framework

5. The governance framework comprises the systems, processes, culture and values by which the council is managed and controlled. The framework also sets out how the council accounts to, engages with and leads the community.
6. The governance framework enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives as an individual’s failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.
8. The system of internal control is based on an ongoing process designed to:
  - (a) identify the risks to the achievement of the council’s policies, aims and objectives;
  - (b) evaluate the likelihood and impact of the risks should they be realised; and

- (c) identify and implement measures to reduce the likelihood of the risks being realised and to negate, or at least mitigate, their potential impact.

## The governance framework

9. The council's corporate governance framework was adopted by full Council on 31 October 2008 and has been reviewed annually by the section 151 officer to ensure it remains fit for purpose; a member level review of the code, in light of the revised CIPFA/Solace framework "Delivering good governance in local government" will be undertaken in 2016/17 as part of a review of the councils constitution. The code seeks to ensure that the principles of good governance are embedded into all aspects of the council's work. The five principles agreed within the code link to the six principles of good governance outlined in the current CIPFA/Solace framework.
10. For ease of reference, the following table matches the council's five principles with those contained in the CIPFA/Solace framework:

<b>CIPFA/Solace - Principle 1</b>	Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area.
<b>Council – Principle 1</b>	Provide the best possible service to the people of Herefordshire.
<b>CIPFA/Solace - Principle 2</b>	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
<b>Council – principle 2</b>	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
<b>CIPFA/Solace - Principle 3</b>	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
<b>Council – Principle 3</b>	Require high standards of conduct.
<b>CIPFA/Solace - Principle 4</b>	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
<b>Council – Principle 4</b>	Take sound decisions on the basis of good information.
<b>CIPFA/Solace - Principle 5</b>	Developing the capacity and the capability of members and officers to be effective.

<b>Council – Principle 2</b>	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
<b>CIPFA/Solace - Principle 6</b>	Engaging with local people and other stakeholders to ensure robust public accountability.
<b>Council – Principle 5</b>	Be transparent and open: responsive to Herefordshire’s needs and accountable to its people.

11. The framework we have in place to ensure adherence to the code is described in more detail below.

**Principle 1 – Provide the best possible service to the people of Herefordshire**

12. Herefordshire Council’s strategic vision for the county is set out in the corporate plan approved by full Council. An annual delivery plan is approved by cabinet and funding to carry out these activities is agreed through the medium term financial strategy (MTFS). The MTFS is a four year plan, covering both revenue and capital investment, updated annually. Both documents underwent a thorough review in 2015/16 to ensure they remained aligned to residents’ priorities and fit for purpose to meet the financial challenges facing public services and new four year plans covering 2016/20 were approved by full Council in February 2016.
13. During 2015/16 the council delivered a balanced budget and continues to closely monitor, through the performance monitoring process, delivery of service transformation and implementation of savings plans.
14. Overall performance has been reported to cabinet on a quarterly basis together with financial outturn reports. During the year these quarterly reports have been supplemented by periodic performance reviews which have taken place led by senior management and providing the opportunity for members of the executive, overview and scrutiny chairs and group leaders to participate. These reviews initially focussed on children’s wellbeing directorate performance and during 2015/16 extended to the economy, communities and corporate directorate; during 2016/17 they will also cover adults and wellbeing directorate performance.
15. In addition cabinet receives in June an annual report on performance, financial outturn and later in the year receives a summary of the evidence base captured in ‘Understanding Herefordshire’ which incorporates the joint strategic needs assessment for the county, and summarises the input received from residents through consultations completed during the year. All these documents are available on the council website.
16. The council aims to have good governance arrangements in respect of partnerships, and has developed protocols for working with particular sectors

such as local councils and the voluntary and community sector. More formal partnership arrangements with other councils, such as the Marches Local Enterprise Partnership, have been established as joint executive committees which themselves are subject to the relevant statutory requirements for open and accountable decision-making. During 2016/17 a framework and guidance will be developed to provide greater transparency around partnership governance arrangements.

### **Principle 2 – Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness**

17. The constitution sets out transparently and comprehensively the rules controlling our business including the council's executive arrangements, committee structure, codes of conduct, contract and financial procedure rules and schemes of delegation. We continue to refine and monitor our decision-making processes and constitutional arrangements to ensure they are robust, consistent, transparent, and fit for purpose.
18. The audit and governance committee's terms of reference encompass responsibility for review of the constitution and, following the elections held in May 2015, a cross party working group reporting to the committee continued a fundamental review of the councils model of governance which began the preceding year. That work is expected to be completed in 2016/17.
19. The council publishes an annual pay policy statement setting out arrangements for employee remuneration.
20. There is a formal staff performance review requirement for all employees; the framework was reviewed in 2015/16 and a new personal performance development plan process has been adopted for implementation in 2016/17.
21. An independent remuneration panel is established which makes recommendations to full Council regarding member allowances; the panel's last report was considered by full Council in May 2015 and is available at the following link: <http://councillors.herefordshire.gov.uk/documents/s50025963/Appendix%20A.pdf> . Following the completion of the review of the constitution the panel will be asked to undertake a more fundamental review of allowances.
22. Following the elections in May 2015 a comprehensive induction programme was delivered which included a number of mandatory training elements which all members were expected to complete. A member development and training working group has been established, reporting to the cabinet member economy and corporate services, to review ongoing training and development needs and make recommendations for future training and development programmes.

### **Principle 3 – Require high standards of conduct**

23. The council has agreed values, which act as a guide for decision-making and a basis for developing positive and trusting relationships both within the council and between the council and its partners. The council follows CIPFA recommended standards of conduct; the s151 role is fulfilled by the director of resources. Although, despite the job title, this is not a director-level post, the

post has direct lines of accountability to the chief executive and is a member of the senior management team.

24. A regular programme of member training has been delivered and induction provided for new members. Refresher briefing sessions on the code of conduct are held annually both for Herefordshire Council members and for parish and town councillors. The annual report of the monitoring officer includes performance information regarding standards cases.
25. Managers are responsible for making sure employees keep to policies, procedures, laws and regulations. There is an employee code of conduct setting out clear expectations and standards; this is supported by employee policies such as whistleblowing, grievance, bullying and harassment, and member and officer relations. Regular staff opinion surveys are undertaken to inform areas of improvement focus.

#### **Principle 4 – Take sound decisions on the basis of good information**

26. The council ensures its constitutional arrangements provide for effective council and executive decision-making with clearly defined roles for members and officers. Decision makers are provided with complete information necessary for them to take balanced and informed decisions.
27. The council's two overview and scrutiny committees are provided with the support necessary to enable them to perform all statutory duties required of them.

#### **Principle 5 – Be transparent and open: responsive to Herefordshire's needs and accountable to its people**

28. All meetings are held in public unless there are clear legal reasons for confidentiality. All executive decisions, including those taken by officers under delegated authority, are available on the council's website, unless there are clearly stated reasons for not doing so.
29. Public participation through submission of questions is encouraged at Council; the overview and scrutiny committees also provide for public participation both through submission of questions and suggestions for inclusion in the work programme.
30. The council has strategies which support engagement; promote the use of digital technology to increase engagement and self-service; and respond to customer concerns if expectations are not met.
31. The communications team help the council to communicate with all sections of the community in Herefordshire via the media, marketing and through digital channels. Services are making increasing use of social media.
32. The council meets its statutory responsibilities regarding data transparency and as part of the ongoing refresh of the constitution we will review the opportunities to go beyond the statutory requirements so that information may be published unless there is a reason not to do so.

**Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact**

33. The chief financial officer (director of resources) is a member of the senior management team and has direct access to the chief executive, senior management and members on financial matters. Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
34. The chief financial officer works with the senior management team and members on financial matters, including the detailed medium term financial planning process. The chief financial officer also provides regular revenue and capital budget monitoring reports to cabinet.

**Review of effectiveness**

35. Herefordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the following key systems of control: risk management, procurement, the whistle blowing policy, the control environment and associated counter fraud and corruption arrangements, and the complaints process.
36. The review of effectiveness, jointly led by the section 151 officer and the monitoring officer, is informed by reports from internal and external audit, risk and performance reports, analysis of complaints and standards issues through the year, and assurance reviews completed by managers.
37. Internal audit reports include specific agreed action plans to implement improvements identified, these are reported annually to the audit and governance committee. Twelve areas reviewed by internal audit during 2015/16 were given partial assurance. Two partial assurance opinions were for key financial control audits and the remaining ten partial assurance opinions related to service specific issues. For each audit an action plan with implementation dates was agreed with the relevant manager. Each action plan is monitored by the relevant service director.
38. The results of the review were provided to senior management to consider, and as a result of this review of the effectiveness of the governance framework an action plan has been drawn up (at appendix 1) to address the key issues identified and ensure continuous improvement. The previous year's action plan including progress/outcomes is included at appendix 2.

Signed:

Chairman, audit & governance committee

Date:



Chief executive

Date:

Director of resources

Date:

DRAFT



1.	<b>Improvement area:</b> Being clear how we do business			
	<b>Improvement outcome/evidence base:</b> There are clear and accessible documents setting out how and why the council conducts its business whether alone or in partnership, and these include clear arrangements for how residents and businesses may engage with the council to achieve its vision for the county.			
	<b>Link to corporate code principles:</b> Provide the best possible service to the people of Herefordshire Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	<b>Action(s)</b>	<b>Lead*</b>	<b>Timescale</b>	<b>Progress update including challenges and interdependencies</b>
1a	Complete the refresh of the council's constitution, including the code of corporate governance.	CW	16/12/16	Working group meetings schedules, update to A&G in July, questions to groups to be circulated in July with decisions on recommendations in August to be reported to A&G committee in September
1b	Establish a framework and guidance for partnership governance	AB	31/10/16	
1c	Establish and implement a programme for reviewing existing partnership governance arrangements against the agreed framework	AB	31/10/16 then ongoing	
1d	Complete a council-wide review of contract management, taking account of relevant internal audit recommendations	NS	1/11/16	
1e	Following review agree commercial strategy linked to the commissioning strategy.	NS	31/1/17	
1f	Implement action plan to include training for employees on core elements of contract management and record keeping.	NS	28/2/17	

1g	Complete a council-wide review of commissioning	SD	1/11/16	
1h	Following review agree a cross council approach and strategy to commissioning.	SD	31/1/17	
2.	<b>Improvement area:</b> The council can demonstrate it is a learning organisation.			
	<b>Improvement outcome/evidence base:</b>			
	<ul style="list-style-type: none"> <li>• Data is accurate, open and accessible (unless there are clear reasons why it should not be in which case these will be explained) leading to reduction in FOI requests;</li> <li>• There are clear processes for reviewing the effectiveness of the council's governance arrangements to ensure that the desired outcomes are achieved;</li> <li>• Performance information is understood and used effectively to deliver improvement;</li> <li>• % of agreed continuous performance improvement programme (CPIP) recommendations implemented;</li> <li>• Audit of performance and risk management arrangements receives at least "reasonable assurance"</li> </ul>			
	<b>Link to corporate code principles:</b>			
	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness			
	Take sound decisions on the basis of good information			
	Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	<b>Action(s)</b>	<b>Lead *</b>	<b>Timescale</b>	<b>Progress update including challenges and interdependencies</b>
2a	C-PIP team undertakes a series of time limited reviews of particular areas to identify and implement improvement actions	AN	Ongoing	
2b	Performance risk and opportunity management framework refreshed and embedded	RB	12/16	Draft framework scheduled for Cabinet consideration in July 2016.
2c	Implement consistent approach to tracking progress re implementation of recommendations/decisions	GH	12/16	

2d	Complaints and FOI trend data is reported and actively used to inform improvement	GH	Ongoing	
2e	Undertake ECC peer review	GH	03/17	Reviews are being undertaken on a service basis rather than a directorate wide basis given the difficulties in seeking comparator models for the whole directorate. To date a review of communications has been completed and a review of highways is scheduled.
2f	Schedule corporate peer review for 2017/18	AN	03/17	
3.	<b>Improvement area:</b> The behaviours and culture of the organisation demonstrate the council's values.			
	<b>Improvement outcome/evidence base:</b> Reduction in number of code of conduct complaints upheld (baseline 2015: 1) Reduction in the proportion of complaints that are responded to late (baseline 2015: 5.3%) Decrease in proportion of staff saying they feel bullied or harassed by: <ul style="list-style-type: none"> <li>• Senior managers (baseline 2015: 11%)</li> <li>• Members (baseline 2015: 8%)</li> </ul> Improvements in staff saying : <ul style="list-style-type: none"> <li>• The council has a clear sense of direction (baseline 2015: -14%)</li> <li>• The council is a good place to work (baseline 2015: 22%)</li> </ul>			
	<b>Link to corporate code principles:</b> Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Require high standards of conduct			
	<b>Action(s)</b>	<b>Lead *</b>	<b>Timescale</b>	<b>Progress update including challenges and interdependencies</b>
3a	Review codes of conduct and related policies	CW	16/12/16	Standards procedure has been reviewed by working group and A&G following MO report in November 2015. Parish councils to be consulted by end of September for implementation. Constitution changes will follow same process as in 1a above
3b	Maintain annual programme of training and awareness amongst elected members	CW	Ongoing	Training last provided in June 2015, next training session will follow constitutional review, parish council clerks training scheduled for September 2016.
3c	Work with the C-PiP team to improve awareness amongst staff about appropriate	AN	Ongoing	

	behaviours and correct reporting mechanisms			
3d	Ensure partnership governance arrangements framework and guidance support demonstration of the council's values and vision.	AB	31/10/16	
3e	Ensure the review of the constitution includes ensuring that the access to information rules support the council's transparency aims.	CW	16/12/16	See 1a above

**\* Lead:**

RB = Richard Ball, assistant director environment and place

AB = Annie Brookes, head of corporate governance

SD = Sukhdev Dosanjh, assistant director commissioning adults and wellbeing

GH = Geoff Hughes, director for economy, communities and corporate

AN = Alistair Neill, chief executive

NS = Natalia Silver, assistant director communities

CW – Claire Ward, monitoring officer

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
Principle 1: Provide the best possible service to the people of Herefordshire						
1.	A lack of evidence that system wide processes to ensure safeguarding of both children and adults is sufficiently robust in all agencies and that accountabilities are clear and understood.	a) Herefordshire safeguarding children board improvement plan in place to address weaknesses	JD	Dec 15	<p>Board has monitored progress regularly and has made some progress.</p> <p>Areas identified as requiring faster progress are child sexual exploitation, multi agency training and hearing directly from front line practitioners and children and families.</p> <p>The former chair of the improvement board undertook a short review and the board considered the external evaluation in October and has identified how to enhance progress in the areas causing concern.</p> <p>Improved accountability through restructure of Board governance and revised terms of reference. CSE sub group has signed off a strategic approach and implemented multi agency screening and assessment tools based on the National Working Group best practice standard. Board agenda standing item includes direct input from front line practitioners and voice of the child and family.</p> <p>A joint approach across the children's and adults</p>	<p>The Board has an effective child sexual exploitation strategy which is making a measurable impact in this area.</p> <p>There is a robust multi-agency training plan in place and effective training is commissioned and the impact on practice and outcomes for children is clear.</p> <p>The Board has an effective strategy to engage with front line practitioners and children and families</p>

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>safeguarding boards as to multi agency safeguarding training has been adopted to make best use of resources in implementing a training strategy, the implementation of which should be in place for 2016/17.</p> <p>Future monitoring of the improvement plan will be undertaken by the board and reported as necessary through the monthly children's performance review process</p>	
		b) Making Safeguarding Personal (MSP) implementation plan is completed and benefit realisation review takes place	MS	Dec 15	<p>MSP went live in January 2015 including weekly monitoring across operational teams continues. This has focussed attention on historical problem areas to ensure operational managers are able to drive improvement.</p> <p>A review of MSP was formally commissioned at the quarterly adult wellbeing performance review meeting, which will be lead on by the head of safeguarding. This will be linked in to the Herefordshire Safeguarding Adults Board agenda.</p> <p>A review of MSP is currently underway and is now due to be completed in May 2016; this will incorporate the findings of the Safeguarding Peer</p>	<p>Percentage of concerns progressing to enquiry reduced</p> <p>Extra capacity results in an increase in the percentage of concerns into enquiry made within 2 working days.</p> <p>Percentage of enquiries completed within 28 days of</p>



	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>Review from September 2015, findings from internal and multi-agency audits, and national recommendations. The resultant action plan will plan for a revised process and additional staff guidance, new toolkits and support tools for practitioners, and additional training for our workforce and for external partners. The revised process is being developed which will be changed in our system in July 2016 (post Mosaic implementation), some statutory changes have already been reflected in the case file recording system.</p> <p>Monitoring of the implementation plan and benefits realisation will be undertaken through the corporate performance reporting process, the safeguarding board and at the adults performance review process being implemented in 2016/17 as appropriate.</p>	<p>decision to progress</p> <p>NOTE – targets are monitored by management for quality assurance purposes</p> <p>Percentage of service user outcomes achieved</p> <p>Percentage of cases where the adult feels safer as a result of the enquiry</p>
		<p>c) Safeguarding adults peer challenge is completed and action plan implemented for areas of improvement</p>	<p>MS</p>	<p>October 15</p>	<p>AWB safeguarding peer challenge took place in September 2015; formal feedback should be received during September.</p> <p>Formal feedback has been received and an implementation plan has been signed off by cabinet.</p> <p>An integral part of this implementation plan is the review of MSP (see action b above), and is</p>	<p>Assurance that the changes to safeguarding adults board governance have delivered change, and that action plans are sufficient in focus and pace to give</p>

	Area for Improvement	Actions	Owner (see key at end)	Time- scale	Progress Update	Improvement outcome
					<p>due for completion by April 2016.</p> <p>See update to action b above.</p>	<p>confidence to the wider system, service users and carers.</p> <p>Understanding how much positive impact MSP is having on both practise and the confidence of our workforce in safeguarding vulnerable people</p> <p>Assurance on how effective changes to performance management are and how we could improve service user and carer feedback into the process</p> <p>Understanding how we could further</p>

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
						strengthen multi partnership engagement and involvement in the safeguarding adult's agenda
2.	Contract management is not consistently focused on achievement of contracted outcomes	a) A commercial board will provide oversight and management of key commercial matters. Contract management will be a key feature and include the management of key (platinum) contracts, plus, the agreement of a contract management framework to provide consistency of approach across the authority.	NS	Ongoing	<p>Board established with membership from all directorates.</p> <p>The commercial board meets monthly and has informed the scope of the current procurement &amp; contract management training programme. The board also provides clarity on future procurement requirements which informs the 3 year commercial pipeline and includes key contract review dates.</p> <p>A review of commissioning is taking place across the organisation.</p> <p>A contract management framework has been developed and will form an appendix to the new Commissioning &amp; Commercial Strategy to be agreed in Spring/Summer 2016</p> <p>Audit of key contracts due for completion in</p>	Improved coordination of contract management activity and forum in place to enable sharing of good practice and experience.

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>spring 2016.</p> <p>The Commercial Services team has transferred into the Communities Division and is being more closely integrated with legal services.</p> <p>Relevant actions have been included in the 2016/17 action plan.</p>	
		<p>b) A programme of contract management training is in place to improve contract management skills. Attendees are developing a community of practice to support development of skills and consistency.</p>	NS	Sept 2014 – Ongoing	<p>A self-service assessment tool to rate contract risk, supported with contract management guidance in in development and due to be piloted in Oct 2015.</p> <p>A total of 282 staff days of training has been delivered.</p> <p>The draft assessment tool was shared with the commercial board members in Jan 16. The agreed tool will form part of the contract management framework and new commissioning &amp; commercial strategy to be agreed in Spring/Summer 2016.</p> <p>Relevant actions have been included in the 2016/17 action plan.</p>	<p>Contract managers across the organisation able to demonstrate required skills.</p>

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
		c) Improving contract management performance will also be included as part of the Commissioning and Commercial Strategy due to the refreshed by end of 2015.	NS	Dec 2015 – Ongoing	<p>A review of commissioning is taking place across the organisation.</p> <p>A commissioning and commercial strategy has been drafted and will be reviewed in the light of the corporate plan and medium term financial strategy due to be considered by Council in February, to ensure it is fully consistent with the priorities for the future, prior to adoption in Spring/Summer 2016.</p> <p>Relevant actions have been included in the 2016/17 action plan.</p>	Clear commitment to effective contract management reiterated as part of new commissioning and commercial strategy
3.	As public sector resources reduce there is a need to ensure that the council's vision and objectives are clearly understood by the wider public sector	a) Fully engage with WVT, the CCG, Police, Fire and Rescue, and other agencies – with the aim of jointly leading public sector reform in Herefordshire to maximise use of resources.	AN	Ongoing	<p>July Summit meeting organized to establish overall strategic changes; September Summit organised to establish definition of possible change plans. Central part of devolution deal proposal.</p> <p>July and September Health and Social Care summit meetings and weekly chief officer meetings have led to development of a draft proposal, now in progress – for a stronger system-wide approach to aligned health and care within Herefordshire. The aim is to reach a formal proposal in Jan-March 2016. This</p>	Council vision and objectives are clearly understood by partners.

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					remains part of our devolution deal proposal.  Relevant actions have been included in the 2016/17 action plan.	
Principle 2: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness						
4.	There is an identified lack of clarity amongst members (and officers) re roles/and processes	a) Constitution (including codes & protocols) to be reviewed in conjunction with cross-party constitution working group.	CW	May 2016	<p>Governance improvement working group work plan and timetable agreed by audit and governance committee in July; first meeting held in September.</p> <p>SWOT and design principles agreed by audit and governance committee on 24 November. The working group have diarised meetings to now review the constitution.</p> <p>The working group has continued to meet and determined the areas of focus for review. Work is now planned to engage with the wider member body to inform the redrafting of the constitution and it is anticipated this work will be presented to audit and governance committee and Council in September.</p> <p>Relevant actions have been included in the</p>	Improved understanding and awareness of roles and processes as evidenced by member feedback and compliance with governance processes.

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					2016/17 action plan.	
5.	Individual directorates/ services have undergone recent elements of peer challenge. We will consider further peer challenge to inform future strategic direction/business planning.	a) Consider options of corporate peer review or ECC review.	AN	December 2015 – Ongoing	AWB peer review has now reported, with generally positive findings of direction and improvements. ECC peer review to be conducted during 2016/17 and corporate peer review in 2017/18.  LGA review of Communications  Highways arrangements  Relevant actions have been included in the 2016/17 action plan.	Business planning informed by peer reviews.
6.	Staff reductions have placed a new level of work pressure on staff and on particular departments. Whilst there are signs that morale related to working for Herefordshire Council has improved, we still need to work hard on giving staff a clearer sense of our direction of travel.	a) Ensure clarity of vision and purpose for the organisation.	AN	March 2015 – Ongoing	In Mar 2016 a new employee-wide approach to performance development, individual objective setting, values and competencies was introduced – Personal Performance development Plan (PPdP).  Staff briefing sessions were held during Feb 2016 to communicate direction of travel in line with refreshed corporate plan, core strategy, economic masterplan, devolution deal, etc  Actions will continue to be progressed to ensure	Employee opinion survey: "The council has a clear sense of direction" Improve response rate to above 50%  (base line 33% agree July 2015)  28% agree November 2015

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					staff are informed and engaged and the impact of these actions will be monitored by management board informed by the staff opinion pulse surveys.	
		b) Ensure effective staff and member engagement in change and clear, resourced succession planning processes are developed	PR	December 2015	<p>Improved establishment information aligned to budget – either through recruitment or managing change processes.</p> <p>Succession planning – identify key roles (e.g. chief officers / heads of service / critical) – and determine through a process a plan for that post should it become vacant template used in other organisation that we could look to adapt to save reinventing the wheel).</p> <p>For children’s social workers – the Newly Qualified Social Worker programme is already in place that will make the shift from agency to permanent in the medium term.</p> <p>Staff consultation processes are in place to manage service changes and impact on staff.</p> <p>Staff engagement sessions were held during Feb 2016 with chief executive and directors. This will be to share and discuss the council’s</p>	<p>Employee opinion survey: "I am kept informed of the changes".</p> <p>(base line 56% agree July 2015)</p> <p>58% agree November 2015</p> <p>Improve response rate to above 65%</p> <p>Resource plan for each directorate in place.</p> <p>Succession planning process in place for all chief officer and</p>



	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>sense of direction and also to set out an individual personal performance development programme (PPdP) that focuses on clear objective setting and personal development.</p> <p>The succession planning process will link with the PPdP process.</p> <p>Changes to senior management within ECC took effect in 2015/16 and are intended to ensure the directorate can respond to the changing demands and priorities anticipated in forthcoming years.</p> <p>Newly implemented recruitment process.</p> <p>The impact of these actions will be monitored by management board informed by the staff opinion pulse surveys.</p>	<p>critical posts.</p> <p>The newly implemented recruitment process is intended to improve the process for managers and the experience for potential candidates. The new system will also allow the council to save money and provide a new up to date system fit for the digital age.</p>
Principle 3: Require high standards of conduct						
7.	Fraud – A lack of focus across the authority and input by Internal Audit	a) Higher profile given to fraud awareness through leadership group	PR	October 2015	Days allocated in the internal audit plan, this includes work on national fraud initiative (NFI) to help services with the review of the matches where they are finding it difficult to do this	Greater awareness of fraud and proactive use of NFI data by council

	Area for Improvement	Actions	Owner (see key at end)	Time- scale	Progress Update	Improvement outcome
					<p>A bulletin to schools is issued through the schools forum following the themed review of prevention of fraud in schools to raise awareness across all schools.</p> <p>Fraud alerts are also an ongoing process and are sent to officers in the council.</p> <p>Work is continuing on the National Fraud Initiative (NFI) data matches. A report on progress against matches was presented to the management board on 10 November 2015. A key officer has been identified for each data set.</p> <p>Fraud is always considered as part of each audit. For the audits completed in 2015-16 fraud has not been identified.</p> <p>SWAP will deliver face to face fraud awareness training to all staff – 1 or 2 days a month ( 4 sessions per day) for the next 6 -12 months and in liaison with Hoople develop into a e-learning module to be included as part of the council’s induction programme for new starters.</p> <p>A training session scheduled for leadership group was cancelled following the recent</p>	officers

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>departure of the head of HR and organisational development; the future training arrangements will be discussed with the new head of HR once in post.</p> <p>Ongoing fraud awareness requirements will be informed by the outcome of the PPdP process</p>	
8.	Data protection/information security – as evidenced by number of breaches, including those arising through interim staff and partnership arrangements	a) Implement action plan to deliver national information governance (IG) toolkit and progress to level 3 of compliance	NS	April 2016	<p>Continued improvement in the standard reached for the IG toolkit.</p> <p>Compliant as at 31 March – awaiting new criteria (June).</p> <p>Ongoing actions to ensure compliance will be monitored by management board.</p>	Target level 3 in some areas by 2016 and re-inforce and embed level 2 (the statutory minimum) of the tool kit in all areas. Reduced number of data breaches.
Principle 4: Take sound decisions on the basis of good information						
9.	Performance and quality data is not used as effectively as it could be to inform improvement activity eg as evidenced by the effectiveness of	a) Corporate performance and financial monitoring reporting will be combined to improve linkages between	RB	Ongoing	Combined performance and financial reporting to management board and cabinet throughout 2015/16. The format will be continue to be refined over the coming quarters to further improve the effectiveness of the report for decision makers.	Cabinet and management board able to make use of clear performance and financial information to

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
	controls re use of agency staff.	performance and required improvement activity with new format in place from quarter 1. Reports will also incorporate risk and strategic HR information.			Cabinet – 23 Jul 15, 3 Dec 15, 11 Feb 16  Work in progress, ongoing improvements are being made to content and format of reports.  45 audits undertaken during the past two financial years.  Relevant actions have been included in the 2016/17 action plan.	identify areas for improvement
68	10. Lack of robustness of challenge re business cases/benefits – consistency of business cases; follow up re benefits realisation	a) Finance team to instigate more robust challenge on business case and benefits and follow-up re. benefits realisation	PR	October 2015	New business templates in place, finance team challenging cases and monitoring savings plans which are published in cabinet reports.  e.g. savings plan (21 Jan 2016, Cabinet)  The business case is being used across the council and is appended to reports relating to key decisions, Finance staff provide challenge at a strategic level and benefits are now being appraised at the end of projects  e.g. business case for the acquisition of Elgar House (11 Feb 2016, Cabinet)  Relevant actions have been included in the	Achievement of business case proposed outcomes

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					2016/17 action plan.	
11.	Insufficient linkages between strategic planning processes, project management, and individual decisions e.g. as evidenced by the Colwall school building decision, and compliance with health and safety procedures	a) Review performance management arrangements to ensure compliance issues are addressed	PR	December 2015	<p>New project management templates are in place, project review structures are agreed with highlighted reporting considered at senior manager level .The building strategy takes into consideration of the health, safety, wellbeing and safeguarding requirements of current legislation to ensure buildings are fit for purpose and meet current legislator requirements</p> <p>The health and safety advisor is now part of the schools property liaison group meetings and key work planned takes into consideration of the health and safety requirements and this also helps shape priorities of spend.</p> <p>Relevant actions have been included in the 2016/17 action plan.</p>	Capital strategy group in place and issues dealt with in a programmed way.
		b) Corporate health and safety board strengthened	PR	September 2015	<p>Cabinet approved refreshed policy (including revised governance arrangements) in September 2015.</p> <p>Policy on Sharepoint Health and Safety site accessible to all staff. Communicated changes via the Safety Committee, through Directorate</p>	Health and Safety issues identified in a timely fashion and properly risk assessed and mitigated.

	Area for Improvement	Actions	Owner (see key at end)	Time- scale	Progress Update	Improvement outcome
					<p>representatives, via safety training of all staff, through Directorate Safety Groups and communication briefings sent to all staff. Minutes and actions from Corporate Health and Safety meetings are reviewed at Board level on a quarterly basis and where required significant issues are escalated . Copies of the minutes are on the Sharepoint site and available to all employees. Corporate Risks are adjusted according to findings. Serious issues are then brought to the notice of Council Leadership. Monthly health and safety reports are sent to ECC DMT on significant issues with an up-to-date action plan. So that issues can be escalated where. appropriate. The number of reported incidents have fallen over the last 3 years and there is a greater awareness for the need to report incidents and review what happened using trend analysis Using National Statistics for – LA and Government Offices Annually (2014/2015) injuries from slips/trips and falls are 8% lower than the nation average and injuries from lifting and handling is 4.5 % lower</p> <p>H&amp;S issues are now routinely considered as part</p>	

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>of schools estate management meetings which has health and safety representation</p> <p>Landlords consent requirements resent on the 1<sup>st</sup> October to remind schools of what they need to do to prior to making any significant changes to structures which could impact on staff, pupils and visitors health, safety or welfare</p> <p>Ongoing activity will be monitored by the corporate health and safety board.</p>	
Principle 5 – Be transparent and open: responsive to Herefordshire’s needs and accountable to its people						
12.	Although there is a significant amount of information made available publically, including in relation to decision taking, it is not always easy to find on the website or easily understood once found leading to a perception that information is being withheld and/or decisions	a) Update website to improve transparency and make it more user-friendly.	NS	February 2016 – ongoing	<p>Implementation plan in place.</p> <p>Improvements to functionality of the website have taken place (council tax, reporting function, resilience), with further investment in digital communications in 2016, with new website commissioned and due to be in place for the end of the calendar year.</p> <p>The implementation plan will be monitored by management board and reported as necessary as part of the normal corporate reporting process, and the directorate performance</p>	Updated user friendly website in place and operational, user satisfaction improved

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
	are taking place 'behind closed doors'.				challenge meetings.	
		b) Review decision-making governance processes to ensure there is a proportionate approach to transparency re decision-making so that information is available about decisions taken, that schemes of delegation are clear, but that the process of documenting decisions is not overly bureaucratic.	CW	May 2016	Included within the remit of the review of the constitution (see 4a above)  See update to 4a above  Relevant actions have been included in the 2016/17 action plan.	Clear governance processes which enable effective engagement and timely decision-making.

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**Owner:**

RB = Richard Ball, assistant director place based commissioning

JD = Jo Davidson, director children's wellbeing



**Annual Governance Statement Action Plan 2015/16**

AN = Alistair Neill, chief executive

MS = Martin Samuels, director adults and wellbeing

PR = Peter Robinson, director of resources

NS = Natalia Silver, assistant director communities

CW – Claire Ward, monitoring officer





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Internal audit annual report and opinion 2015/16</b>
<b>Report by:</b>	<b>Internal audit – South West Audit Partnership (SWAP)</b>

## Classification

Open

## Wards affected

County-wide

## Purpose

The purpose of this report is to provide a summary of the internal audit work undertaken in 2015/16 and the overall internal audit opinion based on this work.

## Recommendation

**That, subject to any comments the audit and governance committee wishes to make, the report be noted.**

## Alternative options

- 1 This summary of the findings of internal audit and the opinion are not matters which the committee may alter.
- 2 It is open to the committee to recommend that any areas of risk identified within this report be considered for inclusion in the future work plan of the committee or of internal audit.

## Reasons for recommendations

- 3 To ensure compliance with good practice as set out in the Public Sector Internal Audit Standards (PSIAS), and to inform the annual governance assurance process.

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Further information on the subject of this report is available from  
Jacqui Gooding – Assistant Director (SWAP) on Tel: 01432 260294 or 07872500675

## **Key considerations**

- 4 The annual report is required to ensure that the committee is informed of the internal audit work undertaken in 2015/16.
- 5 The report also provides an overall opinion, reached in light of the work undertaken, on the adequacy and effectiveness of the council's governance, risk management and control processes.
- 6 Sufficient internal audit work has been carried out to enable the SWAP director to draw a reasonable conclusion about the adequacy and effectiveness of the council's risk management, control and governance processes.
- 7 In the opinion of the SWAP director, and having considered the balance of audit work, the assurance levels provided and outcomes together with the response from senior management and the audit and governance committee the SWAP director can offer 'reasonable assurance' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Where this is the case, there has been a positive response to ensuring that action is taken to improve the adequacy of controls.

## **Community impact**

- 8 A robust internal audit function supports the council achieving its corporate plan priority to secure better services, quality of life and value for money by informing improvement activity. It also helps the council to demonstrate compliance with its code of corporate governance.

## **Equality duty**

- 9 There are no equality duty implications arising from the recommendations.

## **Financial implications**

- 10 There are no direct financial implications arising from the recommendations.

## **Legal implications**

- 11 The Accounts and Audit Regulations (England) 2011 require public authorities to publish an annual governance statement. The statement is an annual review of the systems of internal control and gathers assurance from various sources to support it. These sources include the work of internal audit.

## **Risk management**

- 12 There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.

## **Consultees**

- 13 None.

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Further information on the subject of this report is available from  
Jacqui Gooding – Assistant Director (SWAP) on Tel: 01432 260294 or 07872500675

## **Appendices**

Appendix A – Annual Report and Opinion 2015-16

### **Background papers**

None identified.



# Herefordshire Council

## Report of Internal Audit Activity

### Annual Opinion Report 2015/16

# Contents

## The contacts at SWAP in connection with this report are:

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## Summary

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Purpose

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

## Summary

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Background

The Internal Audit service for Herefordshire Council is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Annual Opinion

For the 2015-16 audit plan for Herefordshire Council there will be a total of 62 reviews delivered which includes six individual school reports for the Pupil Premium theme. In agreement with management, and previously reported to this Committee, a number of reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage. There remain 8 reviews either currently being drafted or are 'In Progress'; these reviews will remain a priority for completion.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Boards, a target of 85% is set where 80% would reflect the fact that the client agreed that the review was delivered to a good standard of quality. For Herefordshire Council the average feedback score was 86%.

Of the 34 Reviews that have an Assurance Opinion, 11 (32%) have received Partial Assurance and none received No Assurance. I am encouraged by the management response and readiness to accept and address the matters raised in audit reports.

There have been 3 reviews (9%) that have received a Substantial Assurance and this is highly commendable with the remaining 59% receiving Reasonable Assurance.

For those areas not covered by the Annual Internal Audit Plan, the Chief Financial Officer seeks assurance from Service Managers as to the adequacy of the internal control environment for their service areas. Any matters arising are reported in the Council's Annual Governance Statement.

There were 16 'Non-Opinion' reviews which include the five follow up reviews and four grant certifications that were also completed. The changes to the plan agreed throughout the year reflect the ever changing environment and challenges that local authority managers are facing.

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**

The number of non-opinion reviews has reduced from 2014-15; however it is positive that requests for these reviews reflects an organisation that is keen to involve internal audit to help address problem areas and this can be seen as a positive commitment to improving governance arrangements.

In comparison to last year the number of reviews with a Partial assurance has increased slightly but is not significant and this year there were no reviews with No assurance. Reviews that are assessed as Partial or No assurance are subject to a follow up review to provide assurance that priority 4 and 5 findings have been implemented. I am pleased to report that the number of reviews with Reasonable or Substantial assurance has increased this year to 23 compared to 18 last year.

Service Managers are positive in their approach to internal audit planning and do not hesitate to assist in pointing internal audit resource to those areas in greatest need of review. I take a positive view in that it indicates the success of our planning and risk assessment process.

I believe that the Senior Management of Herefordshire Council has worked hard to cooperate with the audit process and while there have been difficulties in progressing some audits expediently, I recognise the pressures they face through managing the changing environment. The Council has this year established a Performance, Governance and Audit group to monitor audit reports, particularly those with priority 4 and 5 recommendations and/or Partial or No assurance to help identify themes and areas of significantly higher risk.

I have considered the balance of audit work, the assurance levels provided and outcomes together with the response from Senior Management and the Audit and Governance Committee and offer 'Reasonable Assurance' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

## Summary of Audit Work 2015/16

### Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews
- Follow-up



### Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2015-16 and the final outturn for the financial year. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

In total, 55 audits were agreed for the 2015-16 audit plan and 62 audits will be delivered as follows:

Type of audit	2015-16 original plan	2015-16 revised plan
• Operational Audits	26	26
• Information Systems	8	8
• Key Control	5	5
• Governance, Fraud & Corruption	2	4
• Grants	0	4
• Schools	8	8
• Special Reviews	0	2
• Follow-up	6	5
• TOTAL	55	62

The additional seven audits comprise two special reviews, four grant certifications and a governance review.

## Summary of Audit Work 2015/16

### Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



### Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we have assessed the following risks as 'High' or 'Very High'.

Review/Risks	Auditors Assessment
<b>Payroll</b> Incorrect or inappropriate payments may be made due to inaccurate or improperly processed data within the Payroll system, causing the Council financial loss.	High
<b>Public Health Investment and Outcomes</b> Public health outcomes are not achieved, resulting in possible public criticism, external intervention, or ineffective investment in core public health responsibilities.	High
<b>Shaw Healthcare Care Provision (Contract Management)</b> The Council loses flexibility in future service provision.	High

# Summary of Audit Work 2015/16

## SWAP Performance - Summary of Audit Opinions

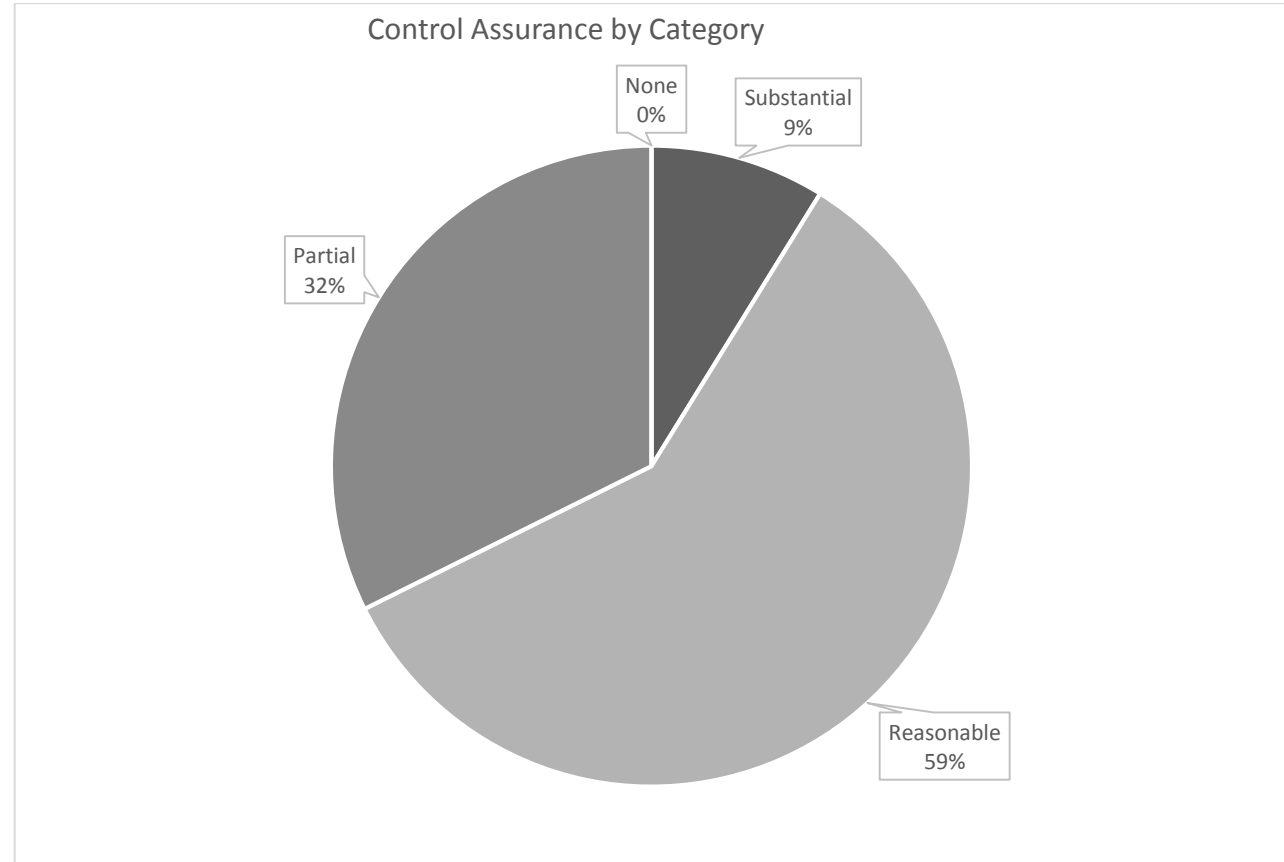
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None



## Summary of Audit Opinion

Of the 34 reviews with an audit opinion that have a draft or final report, the opinions offered are summarised below.



# Summary of Audit Work 2015/16

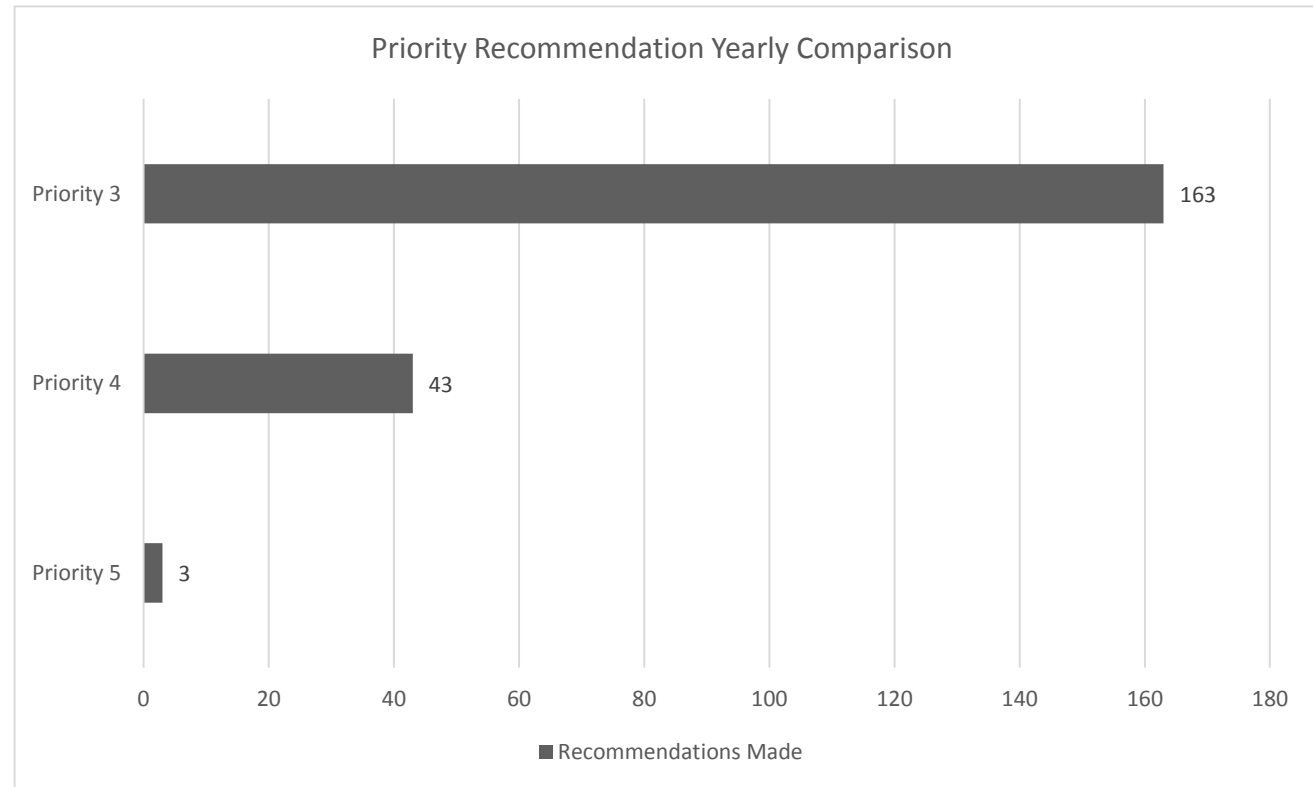
## SWAP Performance - Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



## Priority Actions

At the request of the Audit and Governance Committee, where a review has been assessed as 'Partial' or 'No' assurance I provide further details to inform Members of the key issues identified. I normally summarise those actions where the Auditor has assessed the recommendation priority to be a level 4 (Medium/High) or 5 (High). For those reviews where a final or draft report has been issued there have been 209 agreed actions for improvement; 3 of these were rated at a level 5; 43 at a level 4 and 163 are level 3.





## Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**



## Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

The following have provided added value for the Council.

- Regular fraud bulletins
- Accounts Receivable audit - collation of the practices for debt recovery across all SWAP partners to help inform the revision of the Council’s Debt Recovery policy.
- As part of the mobile phones audit a potential saving of approx. £10,000 was identified.
- As part of the Coroners audit and Modern Records audit, a cross partnership review was completed for each audit to assist the Service Manager in identifying areas of good practice or potential for improvement.
- School Themed based reports (Pupil Premium) – summaries of key recommendations made available to all schools
- Highlighting the risks of not meeting the timeframes of the Planning Guarantee and comparison of procedures with other Councils
- Assurance for grant certification

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



## SWAP Performance

SWAP now provides the Internal Audit service for 14 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Herefordshire Council for the 2015-16 year (as at 1 June 2016) are as follows;

Performance Target	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      Fieldwork Completed awaiting report                      In progress</p>	<p>87%                      3.5%                      9.5%</p>
<p><b><u>Draft Reports</u></b>                      Issued within 5 working days</p>	<p>65%</p>
<p><b><u>Final Reports</u></b>                      Issued within 10 working days of draft report</p>	<p>39%</p>
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	<p>86%</p>

**The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.**



### SWAP Performance

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). SWAP has been independently assessed and found to be in Conformance with the Standards.

SWAP carried out such an assessment in 2012 and at that time agreed that it would be best practice to complete such a review every three years and therefore we commissioned our next review to take place in September 2015. This review has now been completed and again confirmed SWAP to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the quality review, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

And finally, just like any other Company and Herefordshire Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
						Recommendation				
						1	2	3	4	5
Deferred/Removed	Elections	1	Removed – days added to contingency	–	–	–	–	–	–	–
Follow Up	Accounts Payable 2015-16	1	Completed	Non-Opinion	–	–	–	–	–	–
Follow Up	Main Accounting 2015-16	1	Completed	Non-Opinion	–	–	–	–	–	–
Governance, Fraud & Corruption	Fraud Reviews	1	Completed	Non-Opinion	–	–	–	–	–	–
Governance, Fraud & Corruption	NFI 2015-16	1	Completed	Non-Opinion	–	–	–	–	–	–
ICT	Hardware Asset Management	1	Completed	Reasonable	3	0	0	2	1	0
ICT	Public Services Network (PSN) code - assurance compliance	1	Completed	Non Opinion	–	–	–	–	–	–
Key Control	Payroll 2015-16	1	Completed	Partial	17	0	0	9	6	2
Key Control	Pensions - Auto enrolment 2015-16	1	Completed	Partial	2	0	0	0	2	0
Operational	Peer Challenge Benefits Realisation	1	Completed	Reasonable	6	0	0	6	0	0
Operational	Safer Recruitment	1	Completed	Reasonable	5	0	0	4	1	0
Operational	Delivery of Projects funded by the Skills Funding Agency 2015-16	1	Completed	Reasonable	4	0	0	4	0	0
Operational	HALO contract	1	Completed	Reasonable	6	0	0	4	2	0

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major Recommendation				
						1	2	3	4	5
						School	Pupil Premium - school theme report	1	Completed	Non-Opinion
School	Trinity Primary School	1	Completed	Substantial	2	0	0	2	0	0
School	The Aconbury Centre	1	Completed	Reasonable	6	0	0	6	0	0
School	Much Marcle C of E Primary School	1	Completed	Reasonable	8	0	0	8	0	0
School	Madley Community Primary School	1	Completed	Reasonable	8	0	0	8	0	0
School	St Marys Church of England Primary School	1	Completed	Reasonable	2	0	0	2	0	0
School	Blackmarston School	1	Completed	Reasonable	4	0	0	4	0	0
Operational	Democratic Services	2	Completed	Reasonable	2			2		
Deferred/Removed	Incident and Problem Management	2	Removed – replaced with LAC and Fostering FWi Projects	–	–	–	–	–	–	–
Governance, Fraud & Corruption	Buchanan Trust	2	Completed	Non-Opinion	–	–	–	–	–	–
Governance, Fraud & Corruption	Fraud and Corruption Survey	2	Completed	Non-Opinion	–	–	–	–	–	–
Grant	Local Transport Block Funding/Pothole Fund	2	Completed	Grant Certification	–	–	–	–	–	–
ICT	Access Controls - CIVICA and CRM	2	Completed	Reasonable	7	0	0	6	1	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational	Shaw Healthcare provider contract	2	Completed	Partial	0	0	0	3	1	1
Operational	Better Care Fund	2	Drafting Report		0	0	0	0	0	0
Operational	Registrar and Coroners	2	Completed	Reasonable	4	0	0	3	1	0
Operational	Modern Records	2	Completed	Partial	11	0	0	10	1	0
Operational	Public Health Investment and Outcomes	2	Completed	Partial	5	0	0	1	4	0
Operational	Road Maintenance - Public Realm Contract Management	2	Completed	Substantial	1	0	0	1	0	0
Deferred/Removed	Troubled Families	3	Removed – replaced with Social Care Financial Practices	–	–	–	–	–	–	–
Follow Up	Council Tax 2015-16	3	Completed	Non-opinion	–	–	–	–	–	–
Follow Up	Housing and Council Tax Benefit	3	Completed	Non-opinion	–	–	–	–	–	–
Follow Up	Treasury Management 2015-16	3	Completed	Non-Opinion	–	–	–	–	–	–
Grant	Gypsy and Traveller Site - Openfields Bromyard	3	Completed	Grant Certification	–	–	–	–	–	–
Grant	Redundant Building Grant	3	Completed	Grant Certification	–	–	–	–	–	–
ICT	LAC and Fostering FWi Projects	3	Completed	Non-Opinion	–	–	–	–	–	–

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT	PCI Data Security Standard compliance	3	In Progress		0	0	0	0	0	0
ICT	Mobile phone usage and strategy	3	Completed	Partial	9	0	0	8	1	0
Key Control	Accounts Receivable 2015-16	3	Completed	Reasonable	2	0	0	2	0	0
Key Control	Capital Accounting 2015-16	3	Completed	Partial	7	0	0	4	3	0
Key Control	NNDR	3	Completed	Reasonable	6	0	0	6	0	0
Operational	Deprivation of Liberty (DOLs)	3	In Progress		0	0	0	0	0	0
Operational	Licensing	3	Completed	Partial	11	0	0	8	3	0
Operational	Fastershire BDUK	3	Draft report	Reasonable	2	0	0	2	0	0
Operational	Waste Collection Contract	3	Completed	Substantial	2	0	0	2	0	0
Operational	Education, Health and Care plans	3	Completed	Reasonable	7	0	0	7	0	0
Deferred/Removed	Energy Supply Contract	4	Removed - replaced with Midland Heart Care Provision	-	-	-	-	-	-	-
Deferred/Removed	Local Land Charges	4	Removed - replaced with Commissioning and Procurement	-	-	-	-	-	-	-

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
						Recommendation				
						1	2	3	4	5
Schools	Schools Prevention of Fraud	4	Completed	Non - opinion	-	-	-	-	-	-
Deferred/Removed	Road Maintenance Follow Up	4	Removed - replaced with Initial Contract Management review	-	-	-	-	-	-	-
Grant	Repair and Renew Grant	4	Completed	Grant Certification	-	-	-	-	-	-
ICT	Corporate Services - Digital Channels Project	4	In Progress	carried forward to 16-17 for project assurance	0	0	0	0	0	0
Operational	Initial contract Management review	4	Completed	Non-Opinion	-	-	-	-	-	-
Operational	Direct Payments	4	Completed	Partial	10	0	0	8	2	0
Operational	Purchasing Strategy and Market Management - Care service	4	In Progress		0	0	0	0	0	0
Operational	Commercial Rents	4	Completed	Reasonable	6	0	0	6	0	0
Operational	Income review - maximising income - income and charging guidance	4	In Progress		0	0	0	0	0	0
Operational	Commissioning and Procurement	4	Draft Report	Partial	2	0	0	0	2	0
Operational	Social Care Financial Practices	4	In Progress							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational	Planning Applications	4	Draft Report	Reasonable	7	0	0	6	1	0
ICT	Council and NHS ICT	4	In Progress							
Operational	Contract Management - Children's Wellbeing - Crossroads and NYAS contracts	4	Completed	Reasonable	4	0	0	4	0	0
Operational	Midland Heart Care Provision	4	Completed	Partial	12	0	0	7	5	0
Special Review	Parking Permits	4	Completed	Non-Opinion	6	0	0	6	0	0
Special Review	Statutory Returns	4	Completed	Non-opinion	8	0	0	2	6	0

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<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Progress report on 2015/16 internal audit plan</b>
<b>Report by:</b>	<b>Head of corporate finance / internal audit</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.

## Recommendation

That:

- a) **performance against the approved plan be reviewed and any areas for improvement identified; and**
- b) **the robustness of the management response to recommendations be reviewed and any recommendations for strengthening the response to further mitigate risk be identified.**

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Further information on the subject of this report is available from  
Jacqui Gooding – assistant director (SWAP) on Tel: 07872500675

## **Alternative options**

- 1 There are no alternative recommendations; it is a requirement of the council's adopted audit and governance code that the committee considers these matters in fulfilling its assurance role.

## **Reasons for recommendations**

- 2 To enable the committee to monitor performance of the internal audit team against the approved plan.
- 3 To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored by acceptance by management of audit recommendations and progress updates in implementing the agreed action plans. In addition audit recommendations not accepted by management are reviewed and progress to an appropriate recommendation to cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.

## **Key considerations**

- 4 The internal audit progress report is attached at appendix A. In the period covered by the report, a total of one priority 5 and twelve priority 4 recommendations were made. All of these were accepted by management and a summary of the management response is provided in the appendix. Relevant service managers will be in attendance at the audit and governance meeting to respond to any specific queries that the committee may have.
- 5 The annual plan summary is provided at appendix D, and a glossary of terms provided at appendix C.

## **Community Impact**

- 6 The council's corporate values and plan include commitments to being open transparent and accountable about its performance. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

## **Equality duty**

- 7 The report does not impact on this area.

## **Financial implications**

- 8 None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

## **Legal implications**

- 9 None.

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Further information on the subject of this report is available from  
Jacqui Gooding – assistant director (SWAP) on Tel: 07872500675

## **Risk management**

- 10 There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
- 11 Risks identified by internal audit are mitigated by actions proposed by management in response.

## **Consultees**

- 12 None.

## **Appendices**

Appendix A – SWAP plan progress report 2015-16

Appendix B – Summary of control assurance definitions, categorisation of recommendations and risk levels

Appendix C – Audit Plan Status 2015-16

## **Background papers**

- None identified.







## **Herefordshire Council**

Report of Internal Audit Activity  
Plan Progress 2015-16 Quarter 4

# Contents

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## Summary

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## Internal Audit Work Plan 2015-16

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Added Value, Special Reviews, Future Planned Work Page 13

Conclusion Page 14

High Priority Findings and Recommendations (since last Committee) Page 15 - 26

## Appendices

Appendix B - Audit Definitions

Appendix C - Audit Plan Progress 2015-16

Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

See Appendix A for individual audits

## Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 19 March 2015.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- School Themes
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Reviews

## Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Director of Resources (Section 151 Officer) following consultation with the Senior Management Team. This year’s (2015/16) Plan was presented to this Committee on 19 March 2015.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Update 2015-16

## Completed Audit Assignment in the Period

### Audit Plan Progress

The summary of the Annual Plan for 2015/16 (Appendix C) highlights progress to date. Based on the findings of each review, an overall control assurance is offered. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Risk Levels, please refer to [Appendix 'B'](#).

As can be seen from [Appendix 'C'](#), the following audits have been progressed to date:

#### Operational:

- Complete, 20 reviews - (2 Substantial, 11 – Reasonable; 6 – Partial, 1 Non –Opinion)
- Draft Report, 1 review
- Drafting Report, 1 review
- In Progress, 4 reviews

#### Governance, Fraud and Corruption:

- Complete, 4 reviews (Non-Opinion)

#### Follow Up Reviews:

- Complete, 5 reviews (Non-Opinion)

#### Special reviews:

- Complete, 2 reviews (Non-Opinion)

Update 2015-16

Completed Audit Assignment in the Period

## Audit Plan Progress

### School Themes –: Pupil Premium

- Complete - 7 reviews ( 1 Substantial, 5 Reasonable, 1 Non-Opinion)
- Complete - Themed review

### Key Control:

- Complete , 5 reviews ( 3 Partial, 2 Reasonable)

### ICT Reviews:

- Complete, 5 reviews (2 Non-opinion, 2 Reasonable, 1 Partial)
- In Progress, 3 reviews

### Grants:

- Complete, 4 Claims,

### Removed:

- 6 reviews (Elections, Energy Supply Contract, Troubled Families, Incident and Problem Management, Land Charges, Road Maintenance Follow up)

## Completed Audit Assignments in the Period

### Audit Plan Progress

Audits completed to final report since my last update are:

#### Operational

- Shaw Healthcare provider contract – Partial
- Public Health Investment and Outcomes – Partial
- Road Maintenance - Public Realm Contract Management – Substantial
- Fastershire BDUK – Reasonable
- Education, Health and Care plans – Reasonable
- Direct Payments – Partial
- Commercial Rents – Reasonable
- Planning Applications – Reasonable
- Midland Heart Care Provision – Partial

#### Schools (Non-Opinion)

- Prevention Fraud follow up

#### Special Reviews

- Statutory Returns – Non-Opinion
- Parking Permits – Non-Opinion

#### Key Control

- Accounts Receivable – Reasonable

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

## Report on Significant Findings

Appendix C is a summary of the Annual Plan – a list of all audits as agreed in the Annual Audit Plan 2015/16. It is important that Members are aware of the status of audits as this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Where a review has a status of ‘Completed’ and has been assessed as ‘Partial’ or ‘No Assurance’ or with a ‘High’ corporate risk, I will provide further detail to inform Members of the key findings (Priority 4 and 5) identified. For the audits completed since my last report four audits - Shaw Healthcare provider contract, Public Health Investment and Outcomes, Direct Payments and Midland Heart Care Provision have been assessed as Partial assurance (some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives). In addition there was one priority 4 finding in the Planning Applications audit which was assessed as Reasonable.

A ‘High’ corporate risk was also assessed for two audits - Shaw Healthcare Provider Contract and Public Health Investment and Outcomes.

The full detail of each significant finding and the agreed management action and implementation is detailed on pages 15-26.

### Shaw Health Care Provider contract – Partial

A review of the services delivered by the Shaw Healthcare (Herefordshire) Ltd and Shaw Healthcare (Community Services) Ltd for domiciliary care was undertaken to give assurance that the providers are meeting their service standards set out in their service contract agreements with Herefordshire Council. Shaw provide residential and day care, across six facilities within the county. Five of the facilities are owned by the Council and the fifth is a long-term lease; the Provider has use of the facilities to deliver the services. In addition to this, the Provider also delivers domiciliary care and other services.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

**Report on Significant Findings Continued**

The Council has entered into a long-term contract of 30 years (commencing in 2004) for the delivery of adult social care. The contract value is currently £4,116,482 per year. Although the Council is monitoring and scrutinising the services delivered by the Provider, significant flaws exist in the contract, the most notable of which is the lack of any change protocol or mechanism to allow the Council to negotiate amendments as unanticipated changes to service requirements arise. Consequently the Council is struggling to achieve value in some services where costs are fixed, and over the remaining 18 years of the contract this could have a significant impact.

The service has already identified this and drawn up an Improvement Plan over the areas of: Domiciliary Care, Income, Extra Care Flats, Relationship Management, Maximising block purchased services, Quality Assurance, and Service Continuity.

One risk was assessed as HIGH and there was one priority 5 finding:

Review/Risks	Auditors Assessment
<p><b>Shaw Healthcare Care Provision (Contract Management)</b> The Council loses flexibility in future service provision.</p>	<p>High</p>

There is no defined mechanism to amend service requirements. Although there is a contractual Annual Service Improvement Plan, this has not been provided by the Provider or requested by the Council, and does not grant the Council the ability to negotiate changes in service deliverables.

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These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Report on Significant Findings Continued

Without a defined change protocol, the Council has very little flexibility should service requirements change. The contract is for a period of 30 years; for such a long-term agreement there should not only be flexibility to cope with anticipated changes, but also unanticipated changes over the length of the contract to cover changes in use or functionality; changes in capacity or throughput; and changes in service specifications or performance standards. The Council's service needs are likely to change over the remainder of the contract as these are influenced by government policy, legislation and changes in best practice arrangements. Consequently the Council will be paying for services that may no longer be optimal. The contract has already been signed, and the Legal department has reviewed the details. All avenues are currently being pursued and there is an Improvement Plan to document agreed actions. As the Council is pursuing every option a recommendation has not been made however, the Council does need to continue its current course of action.

In addition to the priority 5 finding there was a priority 4 finding:

- The contracted performance standards are excessively generous to the Provider. New Quality Assessment Framework standards are pending agreement with Shaw Healthcare, although these will not result in contractual incentives; a contract variation will have to be agreed and signed to confirm the new arrangements.

The contractual performance framework was established with a financial penalty of 15-20% if the percentage achievement was calculated to be below 50% (i.e. predominantly level 1 and 2 results across all areas). However, this a particularly generous arrangement to the Provider, as this level of performance would constitute a widespread breach of the minimum standards necessary to deliver the Services.

The Council's Contract, Quality and Review team and legal department are aware of the need to ensure performance is managed fairly for both parties, and these standards are no longer the predominant method for assessing performance: the Council is introducing the intelligence-led Quality Assurance Framework (QAF) as a better measure of expected standards across all care providers. Work is underway to agree the QAF with the Provider. This recommendation has been accepted by management and is targeted for completion by 29 April 2016.

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These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

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**Report on Significant Findings Continued**

**Public Health Investment and Outcomes – Partial**  
 The Council has been responsible for public health matters since April 2013, following national reform of the public health system. The Council had a fund of £9.35m in 2015/16 to support public health activities, with the majority of budget derived from a Department of Health grant. The Public Health team commissions activities to improve public health in the County area through both direct and internal commissioning. Consequently some activities are managed by the Public Health team directly, and others are delivered through other internal Council teams.

The focus of the audit was to provide assurance that the Council uses grant funding to discharge its public health responsibilities in compliance with Department of Health Requirements but also in line with the priorities outlined in the Health and Wellbeing Strategy.

One risk was assessed as HIGH and there were four priority 4 findings:

Review/Risks	Auditors Assessment
<p><b>Public Health Investment and Outcomes</b>                      Public health outcomes are not achieved, resulting in possible public criticism, external intervention, or ineffective investment in core public health responsibilities.</p>	<p>High</p>

There is no strategic funding plan for all public health activities for 2014/15. Further to this the 2015/16 plan contains outline financial data only and does not set out details of how funding will achieve public health commissioning intentions. Service areas have not been given clear direction on how funding is to be used in support of public health objectives, and how public health outcomes should be monitored.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Report on Significant Findings Continued

- The Public Health Budget spreadsheet does not align to the Financial Management System (FMS). Budgets within the FMS do not clearly demonstrate where public health monies are being allocated for activities delivered by other internal Council services.
- As the budget allocations are not clearly set out, public health expenditure could not be traced fully within the general ledger.
- Responsibility for monitoring public health outcomes and indicators has not been set out; the public health indicators referenced by internal service areas may not be those deemed most important by the Director of Public Health and are not subject to regular monitoring.

All priority 4 findings have been agreed with management and will be actioned by 30 October 2016.

### Direct Payments - Partial

When an individual is assessed by social care services as eligible for care and support from the council they are offered a personal budget. The personal budget can be taken in the form of a direct payment.

The council's social care case management system Frameworki is used for maintaining records of Direct Payment clients and their packages. The council currently has 660 adult direct payment and 72 pre-paid card clients receiving funds to support their care needs. A care package is agreed with the client and the Council, and they are then paid a 4 weekly sum into a dedicated bank account or pre-paid card, which they may have to contribute to as well, to meet their care needs. Clients are required to maintain a record of all spending attached with receipts and return these to the Council on a regular basis for monitoring purposes, except in the case of a pre-paid card where sample checking is scheduled to take place.

The Direct Payments process has appropriate controls in place to ensure that clients receive correct payments in a timely manner. However there are some weaknesses in the procedure to manage the recovery of surplus funds. There is also an acknowledged need for the social work teams to improve the timeliness of care reviews in order to make certain that the package awarded to service users is appropriate. Although this is not the responsibility of the direct payments function, delays could result in incorrect payments being made and an increased workload in correcting them.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Report on Significant Findings Continued

Two priority 4 findings and eight priority 3 findings were identified during this review. The two priority 4 findings are:

- Sampling showed that the annual review of care needs for recipients may not be completed promptly; significant delays were seen in some cases
- Surplus Recovery is not processed through the debtors system and although the local system has moderately good rates for collecting surpluses in the early stages, the approach is inconsistently applied. Invoices are raised in the debtors system after initial attempts have failed and sampling shows these surpluses are often not successfully recovered.

Both priority 4 findings have been agreed with management, one will be actioned by 30 September 2016, however the annual review of care needs as been reported as an ongoing process.

### Midland Heart Care Provision (Contract Management) – Partial

Midland Heart provide care and support services for individuals with a learning disability. This includes provision of housing accommodation, housing related support and community care services. The contract commenced in 2008 for a period of five years, and this has now been extended to July 2016.

The Council is developing a tender process to provide these services from August 2016 after the existing contract term expires. The contract value is currently £3,341,878 per year.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Report on Significant Findings Continued

The audit review the Contract Service Standards in relation to the Midland Heart contract. The Midland Heart contract is an older contract, originally set up in 2008. The majority of issues lie with documentation and governance arrangements: the sealed contract and associated paperwork has been lost and is thought to be destroyed; contract extensions have been made outside the scope of the contract. The Council has also failed to complete the necessary paperwork to use additional services under the terms of the contract. The cost of additional (uncontracted) spot purchasing is approximately £85,000 pa.

It is acknowledged that the Contracts and Quality Review Team have already identified and are progressing a project to make improvements in the management of Adult Social Care contracts. This work, started in September 2015, is expected to consolidate the corporate knowledge of the contracts in place and enable a systematic risk-based approach to improving arrangements with individual Providers.

There were five priority 4 findings and seven priority 3 findings identified during this review. The five priority 4 findings are:

- The signed and sealed contract documents could not be located nor could the managed agreement, and have most likely been destroyed.
- No performance indicators have been documented to support monitoring of the contract.
- The Provider is delivering additional ad-hoc services requested by the Council under a spot purchasing system. However the necessary change control notices have not been completed and this expenditure consequently falls outside the scope of the contract in place.
- The Council has extended the contract an additional year, but this contract extension is outside the permitted extension period defined by the contract.
- No evidence has been found to confirm that a business continuity plan was provided prior to commencement of the contract in 2008, or at any stage during the contract.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Report on Significant Findings Continued

All priority 4 findings have been agreed with management, two have been completed and two will be completed by 31 August 2016. The priority 4 'The Provider is delivering additional ad-hoc services requested by the Council under a spot purchasing system. However the necessary change control notices have not been completed and this expenditure consequently falls outside the scope of the contract in place' has a target date of 31 July 2016 when the tender process for care services will be completed.

### Planning Applications – Reasonable

The audit was assessed as reasonable but there was one priority 4 finding.

Planning Control is designed to regulate the development and use of land in the public interest. It involves the consideration of planning applications, the monitoring of development as it takes place, enforcement action where breaches of planning control have occurred and the provision of information and advice about individual proposals and the planning system generally.

The procedures around the planning application process were found to be sound in the most part and the service was assessed as Reasonable. The one priority 4 finding related to determination of applications within the 26 week timeframe under the Planning Guarantee which was introduced in 2013. Under this guarantee, applications not determined by the local authority within 26 weeks are eligible for a full refund where an extension period has not been agreed with the applicant.

- A number of applications have exceeded the 26 week Planning Guarantee; procedures to identify and progress or extend timescales for applications nearing this deadline are planned but were not in place during audit fieldwork.

The priority 4 finding has been agreed with management and will be completed by 30 June 2016.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

## Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As part of a review for another authority a survey questionnaire was sent to SWAP Partner councils to establish any issues around compliance with the Planning Guarantee and interpretation of the planning legislation in respect of the Environmental Impact Assessment Regulations and their impact on compliance with the Planning Guarantee. The summary of the questionnaire has been shared with this Council.

## Special Reviews

Unplanned work, special reviews or projects carried out on a responsive basis are requested by the Director of Resources (Section 151 Officer).

No special reviews have been requested since my last update.

## Future Planned Work

As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Director of Resources (Section 151 Officer) with removal or deferral of audits to be formally agreed by the Audit Committee.

There has been no removal of audits. One audit Corporate Services Digital Channels was planned for quarter 4. The project is being outsourced and Internal Audit have been asked to use the audit days to attend the Digital Web Steering Group. The audit will not be complete until later in 2016-17 and will be Non-Opinion.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

## Conclusion

Since my last update we have completed thirteen audits. Where low to medium control or administrative weaknesses are identified normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan. Of the thirteen audits completed four have been assessed as Partial assurance and the significant findings have been reported above.

The two audits reviewing contract standards and management are part of a wider review and the review was requested as the Council recognise this is an area that requires some improvement and enhancement of the controls already in place. A summary report will be provided once all the audits are completed to Final report. Members can however take assurance that all recommendations have been agreed by management with agreed target dates for completion. Internal Audit will also complete a follow up review on all Partial assurance audits in 2016-17.

At the end of each audit review, a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a score of good. The current accumulative feedback for Herefordshire Council is 86%.

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**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Shaw Healthcare Provider Contract</b>					
<p>Priority 5 The contract with the Provider contains no mechanism to manage changes to the service: over the course of the 30-year contract term the Council is constrained to continue with the services as originally specified.</p>	<p>The Council has annual costs of approx. £4 million with the Provider but in some instances is paying for services that are underutilised. If further changes are made to the way social care is delivered (e.g. due to changes in law or best practice) this could worsen over the remaining 18 years of the contract term.</p>	<p>The contract has already been signed, and the Legal department has reviewed the details. There is little the Council can do, although all avenues are currently being pursued. As the Council is pursuing every option and there is an Improvement Plan to document agreed actions at an operational level, no further action is recommended here. However, the Council does need to continue its current course of action</p>	<p>Ongoing</p>		<p>Director – Adults Wellbeing</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>The contracted performance standards are excessively generous to the Provider. New Quality Assessment Framework standards are pending agreement with Shaw Healthcare, although these will not result in contractual incentives; a contract variation will have to be agreed and signed to confirm the new arrangements.</p>	<p>The current performance standards do not encompass the most relevant areas for the Council to monitor quality effectively; a contract variation is needed to make any changes to quality monitoring.</p>	<p>I recommend that the Contracts Quality and Review Lead obtains the agreement of the Provider to amend the performance framework to the QAF, and this is formally agreed through a contract variation.</p>	<p>This is in hand and will be discussed with the provider at the next ESG.</p>	<p>27 April 2016</p>	<p>Contracts Quality and Review Lead</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Public Health Investment and Outcomes</b>					
<p>There is no strategic funding plan for all public health activities for 2014/15. Further to this the 2015/16 plan contains outline financial data only and does not set out details of how funding will achieve public health commissioning intentions. Service areas have not been given clear direction on how funding is to be used in support of public health objectives, and how public health outcomes should be monitored.</p>	<p>If no strategic plan is in place the Council does not have clarity over the allocation of funding, how it is budgeted to various service areas, or how it is to be used to deliver public health outcomes.</p>	<p>I recommend that the Director of Public Health ensures a strategic commissioning plan to distribute public health funds to various service areas and cost centres is agreed by the Director of Adults Wellbeing and Management Board prior to each financial year as part of the budget setting process. The Strategic Plan to align with the Council's 4-year Medium Term Financial Strategy, and direct activity within public health and internal departments.</p>	<p>The Director of Public Health has statutory responsibility for the grant. He will identify the priorities for use of the grant and reach agreement with appropriate Directors regarding the outcomes required.</p>	<p>30 October 2016</p>	<p>Director of Public Health</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

**Note: Priority scores are how important they are to the service, not at a corporate level.**

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>The Public Health Budget spreadsheet does not align to the Financial Management System (FMS). Budgets within the FMS do not clearly demonstrate where public health monies are being allocated for activities delivered by other internal Council services.</p>	<p>Staff may not be clear on the element of public health funding that has been allocated to their cost centre; there is no clear audit trail to confirm the use of the public health grant; funding may not be allocated correctly within the FMS.</p>	<p>I recommend that the Director of Public Health, with the Director of Adults Wellbeing and Head of Management Accounting and Performance Lead, ensures that a consistent system that ensures that public health funding and its allocation to budget areas can be clearly identified within the financial management system and aligns to the public health strategic commissioning plan referenced in recommendation 1.1.1a. Use of a separate budget line for public health funds to be considered.</p>	<p>A distinct public health budget line will be established for all public health funds and a consistent system for financial management will be initiated.</p>	<p>1 July 2016</p>	<p>Director of Public Health &amp; Head of Management Accounting</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>As the budget allocations are not clearly set out, public health expenditure could not be traced fully within the general ledger.</p>	<p>The use of public health funding could be clearly demonstrated. The certification of the portion of public health funds provided by a Department of Health grant may be difficult and time-consuming to evidence and substantiate.</p>	<p>I recommend that the Head of Management Accounting provides the Director of Public Health and Director of Resources with a breakdown of where public health monies have been used and the associated expenditure in 2015/16 by cost centre to provide assurance that the expenditure is eligible and is in line with the public health grant conditions. This should be completed before the 2015/16 outturn needs to be signed off.</p>	<p>Director of Public Health - I agree with this recommendation.</p> <p>Head of Management Accounting - Agree this needs to be evidenced. A report will be done by 31st July.</p>	<p>31 July 2016</p>	<p>Head of Management Accounting</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Responsibility for monitoring public health outcomes and indicators has not been set out; the public health indicators referenced by internal service areas may not be those deemed most important by the Director of Public Health and are not subject to regular monitoring.	Public health grant monies may not be used effectively to support public health objectives.	I recommend that following the implementation of an agreed strategic commissioning plan as per recommendation 1.1.1a, the Head of Management Accounting with the support of the Performance Lead ensures a mechanism for reporting joint public health outcomes and financial information within the quarterly performance report monitored by DLT, with service managers to feed in as needed.	Director of Public Health - To be effective any performance monitoring report must be developed with the Director of Public Health and his senior staff as well as service leads.  Head of Management Accounting – Public Health will be included in the 2016/17 performance reporting.	1 October 2016	Head of Management Accounting

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Direct Payments</b>					
<p>Care Needs Review Timescales Sampling shows that the annual review of care needs for recipients may not be completed promptly; significant delays were seen in some cases</p>	<p>If the transformation programme underway does not deliver necessary improvements promptly, the care package an individual receives may not be suitable to their needs; the Council may be providing too much or too little funding.</p>	<p>I recommend that the Assistant Director Operations and Support continues with the current transformation programme to confirm it improves the expected timeliness of social care reviews.</p>	<p>Agreed- Business Improvement &amp; Transformation and Operational Services have an agreed programme of business change currently in progress to address this recommendation. This is a complex multi-faceted programme of work linked to system wide change. Progress is monitored through a variety of senior management performance groups including DLT, SMT &amp; Management Board. The work is ongoing and is in part business as usual. Therefore a definitive end date cannot realistically be offered.</p>	<p>On-going</p>	<p>Assistant Director Operations and Support</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>Surplus Recovery is not processed through the debtors system and although the local system has moderately good rates for collecting surpluses in the early stages, the approach is inconsistently applied. Invoices are raised in the debtors system after initial attempts have failed and sampling shows these surpluses are often not successfully recovered.</p>	<p>The Council may not recover surpluses or be able to identify readily how much surplus funds it is owed.</p>	<p>I recommend that the Joint Team Manager develops and implements documented procedures to set out the timescales and procedures for recovering surplus funds. These must be in accordance with the Financial Procedures Rules requirements to bill for necessary income promptly, ensure service users are treated consistently, and ensure that the Council central finance team have correct oversight of funds owed to the Council.</p>	<p>It is agreed that documented procedures will be developed. This will be done in line with the council's corporate debt recovery process, however it should be noted that a balance on an account is not a debt until the decision is made to recover funds. It is noted that in most cases debts were raised promptly despite the documented procedures not being in place. i.e. 40% were settled within one week. It is recognised that with the formal debt recovery process being limited, it is likely to reduce prompt payment. Hoople Revenues will be asked to provide Performance</p>	<p>30 September 2016</p>	<p>Joint Team Manager</p>



**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
			management reports to cover age of debt.		
<b>Midland Heart Care Provision (Contract Management)</b>					
The signed and sealed contract documents could not be located nor could the managed agreement, and have most likely been destroyed.	Although the contract is near expiry, in the event of a dispute arising with the Provider the Council would need to establish the terms of the contract, and this may result in a poor outcome.	I recommend that the Contracts Quality and Review Lead ensures that the contract arising from the retendering of services due in August 2016 is kept securely throughout the life of the contract. Scanned copies should also be made as backup.	A formal protocol regarding secure storage of original contract documentation will be agreed.	31 August 2016	Contracts Quality and Review Lead
No performance indicators have been documented to support monitoring of the contract.	Without agreed performance information the Council may not identify poor performance; necessary improvements to service delivery may not be made.	I recommend that the Joint Commissioning LD & MH Manager ensures an appropriate set of performance metrics are included in the retender of services due in Summer 2016, although there should be flexibility to amend these with the agreement of both parties as the contract progresses.	PIs, KPIs, and the appropriate mechanism to amend these during the life of the contract have already been established and utilised within the retender process during March/April 2016.	Complete	Joint Commissioning LD & MH Manager

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

**Note: Priority scores are how important they are to the service, not at a corporate level.**

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>The Provider is delivering additional ad-hoc services requested by the Council under a spot purchasing system. However the necessary change control notices have not been completed and this expenditure consequently falls outside the scope of the contract in place.</p>	<p>The Council has spent approximately £85,000 in 2015/16 on services outside the scope of a contract.</p>	<p>I recommend that the Joint Commissioning LD &amp; MH Manager ensures that provision for spot purchasing is included in the retendering of care services due in the Summer of 2016.</p>	<p>The Joint Commissioning LD &amp; MH Manager will ensure that the appropriate procedural means to 'spot purchase' are confirmed within the new contract.</p> <p>Where any changes are made to the contract the Contracts Quality and Review Lead will ensure that procedures are in place to process Contract Control or Variation notices as required.</p>	<p>31 July 2016</p>	<p>Joint Commissioning LD &amp; MH Manager</p>

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**High Priority Findings and Recommendations (Priority 4 or 5 only)**

**Note: Priority scores are how important they are to the service, not at a corporate level.**

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>The Council has extended the contract an additional year, but this contract extension is outside the permitted extension period defined by the contract.</p>	<p>The Council may not achieve value for money and has not complied with expected governance arrangements</p>	<p>I recommend that the Contracts Quality and Review Lead ensures that forecasting arrangements within adult social care to identify contracts due to expire are identified in good time to prepare for tendering and avoid contract extensions where these are out of scope of the contract.</p>	<p>A new contract pipeline is in place to identify contracts in good time. This is also an agenda item within commissioning Senior Management Team (SMT) monthly meetings.</p>	<p>Complete</p>	<p>Contracts Quality and Review Lead</p>

**High Priority Findings and Recommendations (Priority 4 or 5 only)**

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Planning Applications</b>					
<p>132</p> <p>A number of applications have exceeded the 26 week Planning Guarantee; procedures to identify and progress or extend timescales for applications nearing this deadline are planned but were not in place during audit fieldwork.</p>	<p>Applications not determined within 26 weeks are eligible for a full refund if an extension has not been agreed with the applicant; in the case of a major application this could be a significant sum of money.</p>	<p>I recommend that the Head of Regulatory and Development Management Services, in liaison with the Lead Development Manager and the Technical Support Manager, ensures that monitoring of applications identifies any that are approaching the Planning Guarantee deadline and targets these to ensure they are decided before a refund may become payable or an extension is agreed with the applicant.</p>	<p>A performance report will be presented to the head of service and DM service managers at their monthly performance meetings. In this way an action diary entry will be populated on Civica to alert officers to an impending target date so that extensions can be agreed. Managers will monthly review this list to ensure that case officers are alerted to approaching deadlines so that they can ensure the extension of times.</p>	<p>End of June 2016 - Update 23 June action completed.</p>	<p>Lead Development Manager for report. Technical Support Manager to resolve action diary.</p>

## Control Assurance Definitions

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

## Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

## Definitions of Risk

Risk	Reporting Implications
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.



# Appendix D

# Herefordshire Council 2015-16 Audit Plan

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Deferred/Removed	Elections	1	Removed	-	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Accounts Payable 2015-16	1	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Main Accounting 2015-16	1	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud Reviews	1	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Governance, Fraud & Corruption	NFI 2015-16	1	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	ICT	Hardware Asset Management	1	Completed	Reasonable	3	0	0	2	1	0
Information and communication technology	ICT	Public Services Network (PSN) code - assurance compliance	1	Completed	Non Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Key Control	Payroll 2015-16	1	Completed	Partial	17	0	0	9	6	2
Economy Communities and Corporate	Key Control	Pensions - Auto enrolment 2015-16	1	Completed	Partial	2	0	0	0	2	0
Adults Wellbeing Service	Operational	Peer Challenge Benefits Realisation	1	Completed	Reasonable	6	0	0	6	0	0
Children's Wellbeing Service	Operational	Safer Recruitment	1	Completed	Reasonable	5	0	0	4	1	0
Adults Wellbeing Service	Operational	Delivery of Projects funded by the Skills Funding Agency 2015-16	1	Completed	Reasonable	4	0	0	4	0	0
Economy Communities and Corporate	Operational	HALO contract	1	Completed	Reasonable	6	0	0	4	2	0
Children's Wellbeing Service	School	Pupil Premium - school theme report	1	Completed	Non-Opinion	-	-	-	-	-	-
Children's Wellbeing Service	School	Trinity Primary School	1	Completed	Substantial	2	0	0	2	0	0
Children's Wellbeing Service	School	The Aconbury Centre	1	Completed	Reasonable	6	0	0	6	0	0
Children's Wellbeing Service	School	Much Marcle C of E Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	Madley Community Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	St Marys Church of England Primary School	1	Completed	Reasonable	2	0	0	2	0	0
Children's Wellbeing Service	School	Blackmarston School	1	Completed	Reasonable	4	0	0	4	0	0
	Operational	Democratic Services	2	Completed	Reasonable	2			2		
Economy Communities and Corporate	Deferred/Removed	Incident and Problem Management	2	Removed		-	-	-	-	-	-
Economy Communities and Corporate	Governance, Fraud & Corruption	Buchanan Trust	2	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud and Corruption Survey	2	Completed	Non-Opinion	-	-	-	-	-	-

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	ICT	Access Controls - CIVICA and CRM	2	Completed	Reasonable	7	0	0	6	1	0
Economy Communities and Corporate	Operational	Shaw care provider contract	2	Completed	Partial	0	0	0	3	1	1
Adults Wellbeing Service	Operational	Better Care Fund	2	Drafting Report		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Registrar and Coroners	2	Completed	Reasonable	4	0	0	3	1	0
Economy Communities and Corporate	Operational	Modern Records	2	Completed	Partial	11	0	0	10	1	0
Economy Communities and Corporate	Operational	Public Health Investment and Outcomes	2	Completed	Partial	5	0	0	1	4	0
Economy Communities and Corporate	Operational	Road Maintenance - Public Realm Contract Management	2	Completed	Substantial	1	0	0	1	0	0
Children's Wellbeing Service	Deferred/Removed	Troubled Families	3	Removed	-	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Council Tax 2015-16	3	Completed	Non-opinion	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Housing and Council Tax Benefit	3	Completed	Non-opinion	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Treasury Management 2015-16	3	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	Grant	Gypsy and Traveller Site - Openfields Bromyard	3	Completed	Grant Certification	-	-	-	-	-	-
Economy Communities and Corporate	Grant	Redundant Building Grant	3	Completed	Grant Certification	-	-	-	-	-	-
Children's Wellbeing Service	ICT	LAC and Fostering FWi Projects	3	Completed	Non-Opinion	-	-	-	-	-	-
Economy Communities and Corporate	ICT	PCI Data Security Standard compliance	3	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	ICT	Mobile phone usage and strategy	3	Completed	Partial	9	0	0	8	1	0
Economy Communities and Corporate	Key Control	Accounts Receivable 2015-16	3	Completed	Reasonable	2	0	0	2	0	0
Economy Communities and Corporate	Key Control	Capital Accounting 2015-16	3	Completed	Partial	7	0	0	4	3	0
Economy Communities and Corporate	Key Control	NNDR	3	Completed	Reasonable	6	0	0	6	0	0
Adults Wellbeing Service	Operational	Deprivation of Liberty (DOLs)	3	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Licensing	3	Completed	Partial	11	0	0	8	3	0
Economy Communities and Corporate	Operational	Fastershire BDUK	3	Draft report	Reasonable	2	0	0	2	0	0
Economy Communities and Corporate	Operational	Waste Collection Contract	3	Completed	Substantial	2	0	0	2	0	0
Children's Wellbeing Service	Operational	Education, Health and Care plans	3	Completed	Reasonable	7	0	0	7	0	0



Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
	Deferred/Removed	Local Land Charges	4	Removed - replaced with Commissioning and Procurement							
Children's Wellbeing Service	Schools	Schools Prevention of Fraud	4	Completed	Non -opinion	-	-	-	-	-	-
Economy Communities and Corporate	Deferred/Removed	Road Maintenance Follow Up	4	Removed - replaced with Initial Contract Management review	-	-	-	-	-	-	-
Economy Communities and Corporate	Grant	Repair and Renew Grant	4	Completed	Grant Certification	-	-	-	-	-	-
Economy Communities and Corporate	ICT	Corporate Services - Digital Channels Project	4	In Progress	carried forward to 16-17 for project assurance	0	0	0	0	0	0
	Operational	Initial contract Management review	4	Completed	Non-Opinion	-	-	-	-	-	-
Adults Wellbeing Service	Operational	Direct Payments	4	Completed	Partial	10	0	0	8	2	0
Adults Wellbeing Service	Operational	Purchasing Strategy and Market Management - Care service	4	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Commercial Rents	4	Completed	Reasonable	6	0	0	6	0	0
Economy Communities and Corporate	Operational	Income review - maximising income - income and charging guidance	4	In Progress		0	0	0	0	0	0
All Directorates	Operational	Commissioning and Procurement	4	Draft Report	Partial	2	0	0	0	2	0
Adults Wellbeing Service	Operational	Social Care Financial Practices	4	In Progress							
Economy Communities and Corporate	Operational	Planning Applications	4	Completed	Reasonable	7	0	0	6	1	0
	ICT	Council and NHS ICT	4	In Progress							
Children's Wellbeing Service	Operational	Contract Management - Children's Wellbeing - Crossroads and NYAS contracts	4	Completed	Reasonable	4	0	0	4	0	0
Adults Wellbeing Service	Operational	Midland Heart Care Provision	4	Completed	Partial	12	0	0	7	5	0
Economy Communities and Corporate	Special Review	Parking Permits	4	Completed	Non-Opinion	6	0	0	6	0	0
Children's Wellbeing Service	Special Review	Statutory Returns	4	Completed	Non-opinion	8	0	0	2	6	0





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Hereford city centre transport package (HCCTP) – link road scheme</b>
<b>Report by:</b>	<b>Head of corporate finance</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To inform members of the outcome of a review of reported spend in relation to the Hereford city link road project.

## Recommendation

That:

- a) the findings of the report are noted.

## Alternative options

- 1 None as the report is for information.

## Reasons for recommendations

- 2 To provide assurance regarding the council's reporting and accounting processes.

## Key considerations

- 3 A councillor had questioned the accuracy of reported spend on the Hereford city link

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Further information on the subject of this report is available from  
 Josie Rushgrove – head of corporate finance on Tel: 01432 261867

road project having noted inconsistencies between the spend in prior years reported in the 2015/16 medium term financial strategy (MTFS) approved by Council in February 2015 and that reported in the 2016/17 MTFS approved by Council in February 2016.

- 4 Following a review of the two relevant tables, it was identified that the figures in the 'spend in prior years' column of the table at paragraph 4.13.2 of the 2015/16 MTFS had inadvertently included projected spend as well as spend to date; a corrected table was published on the council's website for clarification. It was noted that the figures provided in the relevant statement of accounts, and the subsequent MTFS approved in February 2016, reflected the correct spend.
- 5 However, to provide additional assurance on this point internal audit were asked to carry out an independent advisory review of the accuracy of spend figures relating to the link road project. The outcome of the review has also been published on the council's website in the interests of transparency and is attached at appendix A.
- 6 In summary, the review has confirmed that the total actual expenditure up to 31st March 2015 was £10,658k which matched the £10,658k reported in the MTFS – February 2016.
- 7 There were sub-total differences found against the reported categories 'fees' and 'archaeology' (i.e. some works had been coded as fees rather than archaeological costs), however these sub-total differences did not alter the figure reported in the MTFS or the total spend reported in the statement of accounts. No material differences were found in the 'land acquisition' and 'construction and demolition' categories reported, which made up 92% of the total reported expenditure.
- 8 The capital programme planned spend (including future years) totals £40.6m as originally reported; however the table in the MTFS lists the Hereford city link road and Hereford city centre transport package as two separate line entries with planned spend as £27m and £13.6m respectively. It is recommended that there is a more clear explanation of the link between the two projects and the overall programme in future reports.

## **Community Impact**

- 9 The council's corporate values and plan include commitments to being open transparent and accountable about its performance. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

## **Equality duty**

- 10 The report does not impact on this area.

## **Financial implications**

- 11 None arising from the recommendations.

## **Legal implications**

- 12 None.

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Further information on the subject of this report is available from  
Josie Rushgrove – head of corporate finance on Tel: 01432 261867

## **Risk management**

- 13 The advisory report provided by internal audit provides assurance that the council's accounting processes are robust and makes one recommendation which will improve the clarity of future reporting.

## **Consultees**

- 14 None.

## **Appendices**

Appendix A – Hereford City Centre Transport Package (HCCTP) – Link Road Scheme Report

## **Background papers**

- None identified.



# Hereford City Centre Transport Package (HCCTP) – Link Road Scheme

2016/17

Final Report

Issue Date: 14 June 2016

Working in Partnership to Deliver Audit Excellence

## Executive Summary

- This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

## Findings and Outcomes

- This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

## Appendices:

- Audit Framework Definitions
- Support and Distribution
- Statement of Responsibility



# Executive Summary

## Overview

A Councillor had queried inconsistencies of reporting, upon reviewing the Medium Term Financial Statement (MTFS) that was approved for Council on 5th February 2016, when compared with the previous years' spend approved by Council on 6th February 2015 for the Hereford City Link Road.

The Director of Resources (Section 151 Officer) asked internal audit to verify the actual spend for the Hereford City Centre Transport Package (HCCTP) – Link Road Scheme, reviewing total expenditure of the programme to the end of the 2014/15 financial year (31<sup>st</sup> March 2015).

## Objective

The expenditure and forecast stated on MTFS is arithmetically correct, and agrees with the actual total expenditure, for the Link Road Scheme, up to the 31<sup>st</sup> March 2015.

## Summary of findings

I found that the total actual expenditure up to 31st March 2015 was £10,658K which matched the £10,658K reported in the MTFS – February 2016.

There were sub-total differences found against the reported categories 'Fees' and 'Archaeology', however no material differences were found in the 'Land Acquisition' and 'Construction and Demolition' categories reported, which made up 92% of the total reported expenditure. The sub-total differences did not alter the figure reported in the MTFS.

I also verified that the programme, planned spend (including future years) totals £40.6M, as originally reported, however the table in the February 2016 MTFS was not immediately clear, as it listed Hereford City Link Road and Hereford City Centre Transport Package as two separate line entries which listed the programme, planned spend as £27M and £13.6M respectively.

The table below illustrates those differences found in the reported figures.

Total programme expenditure to 31/03/2015			
Description	Reported actual costs including previous years – £000's	Verified actual costs including previous years – £000's	Variance £000's
Construction and Demolition	£3223	£3225	£2
Fees	£324	£398	£74
Archaeology	£88	£12	(£76)
Land acquisitions	£6640	£6640	£0
Capitalised Interest	£383	£383	£0
<b>Total programme expenditure</b>	<b>£10,658</b>	<b>£10,658</b>	<b>£0</b>

Please also refer to detailed findings and the associated recommendation, within this report.

Total programme, planned spend, including future years			
Scheme description	Reported in the February 2016 MTFS, including future years	Verified planned spend including future years	Note
The Hereford City Link Road	£27m	£27m	These two schemes were reported as separate line items in the complete table from the February 2016 MTFS, however these can be considered in combination as the total programme spend
The Hereford City Centre Transport Package (HCCTP)	£13.6m	£13.6m	
<b>Total programme, planned spend</b>	<b>£40.6m</b>	<b>£40.6m</b>	

## Well Controlled Areas of the Service

- There were transactional financial records held within a single cost centre, which attributed to actual expenditure on the programme of works, for defined accounting periods.

Risks	Inherent Risk Assessment	Auditor's Assessment
1. If financial reports are not verified, prior to publication, there is a risk that information is incorrect, and that Members, officers and the general public could be misinformed.	High	Low

# Findings and Outcomes

## Method and Scope

Fieldwork for this audit comprised of a review of the Council's Financial System (Agresso) which contains the transactional financial records for the Hereford City Centre Transport Package (HCCTP). Interviews were conducted with key staff, responsible for the programme of works and financial reporting. An independent analysis was then carried out.

1.1	Risk: If financial reports are not verified, prior to publication, there is a risk that information is incorrect, and that Members, officers and the general public could be misinformed.	Low
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### 1.1.1 Finding and Impact

I verified that the Total actual expenditure up to 31<sup>st</sup> March 2015 was £10,658K which matched the £10,658K reported in the MTFs – February 2016.

From the financial accounts in Agresso I could verify that the total of the largest category of expenditure 'Land acquisition' matched that reported, and the total amount for 'Construction and Demolition' was understated by £2K.

I found that there was not a specific analysis code for the category of 'Archaeology' within the cost centre structure. The Construction Manager independently checked that category of expenditure, with oversight from the Head of Corporate Finance. I accepted the costs associated with archaeology as totalling £12,459.11 (£12K), rather than the £88k reported. The difference being associated to contractor 'Fees', for which I verified that category as totalling £398K.

I was able to verify that the programme, planned spend total was £40.6M, as originally reported, however the table, in the February 2016 MTFs, was not immediately clear, as it listed Hereford City Link Road and Hereford City Centre Transport Package as two separate line entries.

#### 1.1.1a Agreed Outcome:

It has been agreed, by the Head of Corporate Finance and Deputy Section 151 Officer, that the relationship between the 'Hereford City Link Road' and 'The Herefordshire City Centre Transport Package' figures are explained in future reports, and that the categories of expenditure are coded to facilitate detailed reporting.

#### Action Plan:

Person Responsible:	Head of Corporate Finance and Deputy Section 151 Officer	Target Date:	February 2017
Management Response:	Agreed.		

# Audit Framework and Definitions

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

## Report Authors

This report was produced and issued by:

- Senior ICT Auditor
- Assistant Director

## Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

- Head of Corporate Finance
- Construction Manager

## Distribution List

This report has been distributed to the following individuals:

- Director of Resources and Section 151 Officer
- Director Economy, Communities and Corporate
- Head of Corporate Finance
- Head of Corporate Governance

## Working in Partnership with

Dorset County Council	Somerset County Council
East Devon District Council	South Somerset District Council
Forest of Dean District Council	Taunton Deane Borough Council
Herefordshire Council	West Dorset District Council
Mendip District Council	West Somerset Council
North Dorset District Council	Weymouth and Portland Borough Council
Sedgemoor District Council	Wiltshire Council

# Statement of Responsibility

**Conformance with Professional Standards**  
SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

## SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.







<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Working group update - governance improvement</b>
<b>Report by:</b>	<b>Solicitor to the council</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To outline the current progress of the governance improvement working group.

## Recommendation(s)

THAT:

- a) the revised timetable be noted

## Alternative options

- 1 None

## Reasons for recommendations

- 2 The committee has three working groups that have been assisting the committee with the work programme and an update is required.

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Further information on the subject of this report is available from  
 Claire Ward, monitoring officer on Tel (01432) 260657

## **Key considerations**

- 3 Since the last report in May progress in redrafting the constitution has continued. The approach taken has been one of not rewriting the constitution but making amendments where required to the existing constitution.
- 4 It is clear that as the redraft progresses a number of questions are emerging, however, any debate on the redraft should be had and amendments agreed before progression to council in September.
- 5 Members will recall the timetable proposed at the last audit and governance meeting where the aim was to achieve recommendations going to the September council meeting. This remains the aim with further meetings of the working group planned for the 5<sup>th</sup> August and the 9<sup>th</sup> September.
- 6 It has been agreed that the working group members would engage and debate any issues of concern regarding the constitution with their respective political groups and report back to the working group. The working group would then make recommendations to the committee in September before progression to council.

## **Community impact**

- 6 Having a redrafted constitution supports the council in achieving its aim to be open transparent and accountable. The communications team will be engaged to ensure the public are aware of the progress we are making.

## **Equality duty**

- 7 The report does not impact on this area.

## **Financial implications**

- 8 There are no financial implications.

## **Legal implications**

- 9 There are no legal implications.

## **Risk management**

- 10 If governance arrangements are not transparent or robust there are the risks that the council's reputation may suffer; that it will be more difficult to encourage candidates to stand for election and that decision-making is less sound. By undertaking a redrafting of the current governance arrangements in line with good practice these risks can be mitigated.

## **Consultees**

None at this stage.

## **Appendices**

None

## **Background papers**

None identified.

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Further information on the subject of this report is available from  
Claire Ward, monitoring officer on Tel (01432) 260657





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>4 July 2016</b>
<b>Title of report:</b>	<b>Future work programme for audit and governance committee</b>
<b>Report by:</b>	<b>Democratic services officer</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To provide an update on the Committee's work programme for 2016/17.

## Recommendation(s)

**THAT:**

**Subject to any updates made by the committee, the updated work programme for 2016/17 for the Audit and Governance Committee be agreed.**

## Alternative options

- 1 There are no alternative options as regards whether or not to have a work programme as the committee will require such a programme in order to set out its objectives for the coming year.
- 2 The programme was discussed and agreed by the committee in May 2016. However, following discussion, adjustments to timescales and content may be required and amended from time to time. .

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Further information on the subject of this report is available from Clive Lloyd, Democratic Services Officer on Tel (01432) 260249

## **Reasons for recommendations**

- 3 The work programme is recommended as the committee is required to define and make known its work for the coming year. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
- 4 The Committee is asked to consider any further adjustments.

## **Key Considerations**

- 5 The governance improvement review (encompassing revisions to the constitution) reporting to the committee is ongoing and updates are carried forward into the new work programme.
- 6 The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.

## **Community impact**

- 7 A clear and transparent work programme provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

## **Equality duty**

- 8 This report does not impact on this area.

## **Financial implications**

- 9 There are no financial implications.

## **Legal implications**

- 10 The work programme reflects any statutory or constitutional requirements.

## **Risk management**

- 11 The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

## **Consultees**

- 12 Internal and external auditors, head of corporate finance, monitoring officer and governance manager have contributed to the work programme

## **Appendices**

Appendix A – A&G work programme 2016-17

## Background papers

- None identified.

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Further information on the subject of this report is available from  
Clive Lloyd, Democratic Services Officer on Tel (01432) 260249





Audit and Governance Work programme 2016-17		
Meeting	Items	Comment
September 2016	<ul style="list-style-type: none"> <li>• Waste loan arrangements update (JR).</li> <li>• Internal audit progress report</li> <li>• Signing of accounts (JR/PR).</li> <li>• Biannual forecast of revenue and capital outturn (JR/PR).</li> <li>• Constitution review</li> <li>• External audit findings report 2015-16.</li> <li>• Internal audit progress report.</li> <li>• Changes to arrangements for appointment of external auditors.</li> </ul>	
November 2016	<ul style="list-style-type: none"> <li>• Monitoring Officer's Annual report.</li> <li>• Internal audit progress report</li> <li>• Annual audit letter (Grant Thornton).</li> <li>• Internal audit progress report.</li> </ul>	
January 2017	<ul style="list-style-type: none"> <li>• Annual governance statement progress</li> <li>• Internal audit progress report</li> </ul>	
March 2017	<ul style="list-style-type: none"> <li>• Internal audit plan 2017/18.</li> <li>• External Audit update.</li> <li>• Future work programme 2017-18.</li> <li>• Biannual forecast of revenue and capital outturn.</li> <li>• Internal audit charter</li> <li>• Internal audit progress report.</li> <li>• Internal audit progress report</li> </ul>	

May 2017	<ul style="list-style-type: none"><li>• Annual governance statement.</li><li>• Internal audit progress report.</li></ul>	
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