

Agenda

Audit and Governance Committee

Date: **Monday 31 October 2022**

Time: **10.15 am**

Place: **The Conference Room, Herefordshire Council Offices,
Plough Lane, Hereford, HR4 0LE**

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

For any further information please contact:

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Agenda for the meeting of the Audit and Governance Committee

Membership

Chairperson **Councillor Nigel Shaw**
Vice-chairperson **Councillor Jenny Bartlett**

Councillor Christy Bolderson
Councillor Dave Boulter
Councillor Clare Davies
Councillor Peter Jinman
Vacancy (Independents for Herefordshire)

Agenda

		Pages
1.	<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence.</p>	
2.	<p>NAMED SUBSTITUTES (IF ANY)</p> <p>To receive details any details of members nominated to attend the meeting in place of a member of the committee.</p>	
3.	<p>DECLARATIONS OF INTEREST</p> <p>To receive declarations of interest in respect of items on the agenda.</p>	
4.	<p>MINUTES</p> <p>To approve and sign the minutes of the meeting held on 12 October 2022.</p> <p>The action log for the committee is attached at Appendix A. Further to Action 169, an information paper, 'Unusable Reserves: Movement in 2021/22', is attached at Appendix B.</p> <p>HOW TO SUBMIT QUESTIONS</p> <p>The deadline for the receipt of questions is Wednesday 26 October 2022 at 9.30 am.</p> <p>Questions must be submitted to councillorservices@herefordshire.gov.uk. Questions sent to any other address may not be accepted.</p> <p>Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at www.herefordshire.gov.uk/getinvolved</p>	11 - 24
5.	<p>QUESTIONS FROM MEMBERS OF THE PUBLIC</p> <p>To receive questions from members of the public.</p>	
6.	<p>QUESTIONS FROM COUNCILLORS</p> <p>To receive any questions from councillors.</p>	
7.	<p>PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY</p> <p>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. To enable the committee to monitor performance of the internal audit team against the approved plan. To assure the committee that action is being taken on risk related issues identified by internal audit.</p>	25 - 44
8.	<p>ANNUAL GOVERNANCE STATEMENT 2021/22</p> <p>To seek the view of the committee as to whether the Annual Governance Statement (AGS) for 2021/22 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve.</p>	45 - 48

9.	2021/22 EXTERNAL AUDIT FINDINGS REPORT	49 - 60
	To consider the external auditors audit finding report for the year ended 31 March 2022.	
10.	2021/22 STATEMENT OF ACCOUNTS	61 - 66
	To approve the 2021/22 Statement of Accounts and associated letter of representation from Grant Thornton, the external auditors.	
11.	CORPORATE RISK REGISTER	67 - 90
	To consider the status of the council's corporate risk register in order to monitor the effectiveness of risk management within the performance management framework.	
12.	WORK PROGRAMME UPDATE	91 - 94
	To review the work programme for the committee.	
13.	DATE OF THE NEXT MEETING	
	Monday 21 November 2022, 2.00 pm	

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- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- 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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www.herefordshire.gov.uk/downloads/file/1597/herford-city-bus-map-local-services-

**The Seven Principles of Public Life
(Nolan Principles)**

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Guide to the Audit and Governance Committee

The Audit and Governance Committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.

Councillor Nigel Shaw (Chairperson)	Conservatives
Councillor Jenny Bartlett (Vice-Chairperson)	The Green Party
Councillor Christy Bolderson	Conservatives
Councillor Dave Boulter	Independents for Herefordshire
Councillor Clare Davies	True Independents
Councillor Peter Jinman	Independents for Herefordshire
Vacancy	Independents for Herefordshire

The Audit and Governance Committee is responsible for proving assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

The committee shall:

- (a) review and examine, and where required in depth examine, matters relating to internal audit, external audit, risk management, governance, assurance statement, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's audit committee requirements
- (b) enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence
- (c) contribute towards making the authority, its committees and departments more responsive to the audit function
- (d) review compliance with the relevant standards, code of conduct, codes of practice and corporate governance policies
- (e) act within the Council's Constitution.

Minutes of the meeting of the Audit and Governance Committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Wednesday 12 October 2022 at 10.15 am

Committee members present in person and voting: **Councillors: Polly Andrews, Jenny Bartlett (Vice-Chairperson), Christy Bolderson, Dave Boulter, Clare Davies, Peter Jinman and Nigel Shaw (Chairperson)**

Others in attendance: B Baugh (Democratic Services Officer), R Hart (Head of Strategic Finance), M Ibbitson (Interim ICT Client Lead), A Lovegrove (Director of Resources and Assurance), A McAlpine (Senior Lawyer), S Mortimore (Head of Information Technology, Hoople Ltd) and A Rees-Glinos (Democratic Services Support Officer)

25. APOLOGIES FOR ABSENCE

All members of the committee were present.

26. NAMED SUBSTITUTES

None.

27. DECLARATIONS OF INTEREST

No declarations of interest were made at the start of the meeting.

Arising from a topic of discussion during the Draft Annual Governance Statement 2021/22 item, the Director of Resources and Assurance declared an Other Registrable Interest as a non-executive director of Hoople Ltd.

28. MINUTES

The minutes of the previous meeting were received.

The action log for the committee was attached to the minutes. The committee reviewed the action log, the key points of the discussion included:

- i. Action 94: Committee members confirmed that they wished a virtual briefing to be arranged on the incorporation of audit recommendations in service business plans.
- ii. Action 102: The Director of Resources and Assurance advised that details of the Section 106 spreadsheet had been shared through a number of member briefings and would check with the Portfolio Manager whether this action could now be marked as complete.
- iii. There was a discussion about the slippage in a number of due dates and the potential for some degree of rationalisation. The Chairperson asked committee members to review the list and to identify priority actions for completion in the current municipal year, for discussion at the 21 November 2022 meeting.

- iv. Action 122: It was suggested that the due date should be aligned to that for related Action 164, i.e. December 2022.
- v. Action 147: It was suggested that the action owners be invited to identify a date for the workshop on the strategic risk register.
- vi. Action 149: It was requested that the action be expanded to include updates on progress with the operational delivery of outstanding actions arising from the Re-thinking Governance Working Group; the chair of the working group was to liaise with the clerk to identify the key elements to include within this action.
- vii. Action 155: The Director of Resources and Assurance and the Senior Lawyer provided an update on an ongoing contractual dispute with a contractor in relation to the Green Homes Grant. It was noted that, as there was no residual risk for the council, this action could be marked as complete.
- viii. Action 165: Arrangements were being made for the meeting between the Director of Resources and Assurance and Councillor Jinman.
- ix. Action 168: There was a brief discussion about the information awaited on the percentage completion of fraud awareness training by Hoople employees. As it was indicated that the completion rates would feature in the anti-fraud and corruption annual report in January 2023 and the percentage completion for council employees was operating at an adequate level to be a control, it was agreed that this action could now be marked as complete.
- x. Action 176: It was confirmed that the updated Contract Procedure Rules had been published but publication of the updated Financial Procedure Rules was pending; links would be provided to committee members in due course.

RESOLVED:

That the minutes of the meeting held on 25 July 2022 be confirmed as a correct record and be signed by the Chairperson.

29. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

30. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

31. DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

The Head of Strategic Finance presented the draft Annual Governance Statement (AGS) for 2021/22. It was reported that the AGS was primarily retrospective, it would be subject to audit by the External Auditor, and the final version would be published alongside the annual Statement of Accounts.

The committee discussed the draft AGS, the principal points included:

- 1. A committee member made a general comment that initiatives had been identified as controls within each principle but it was not stated whether these were effective or not.

2. With attention drawn to the sentence 'Value for money continues to be a concern of the council in the guardianship of public funds, with a focus on the Balfour Beatty Living Places (BBLP) contract, but could equally apply to other long term contracts that were agreed' (agenda page 30), a committee member questioned how assurance was gained that the services that Hoople Ltd was commissioned to provide represented value for money for the council.

In response, the Head of Strategic Finance explained that: value for money arrangements would be assessed separately by the External Auditors; the position and performance of Hoople Ltd was incorporated into the council's financial statements through the group accounts; and the company was subject to its own statutory audit.

The Director of Resources and Assurance declared an Other Registrable Interest as a non-executive director of Hoople Ltd. The Director offered to provide a briefing for committee members on the requirements for companies operating under the 'Teckal' exemption from public procurement.

In response to a discussion about potential mechanisms to look at how Hoople Ltd was delivering services, the Director re-iterated that Grant Thornton would provide commentary on value for money arrangements and noted that the Scrutiny Management Board had identified an item within its work programme on Hoople Ltd; scheduled for 9 January 2023, [link to the work programme](#).

The Senior Lawyer commented on: the origins of the company as a joint venture; the Service Level Agreement decision that was published each year; and the work being undertaken on its management and shareholding arrangements, particularly in the context of new procurement regulations.

The Chairperson suggested an action to ensure that the new membership of the Audit and Governance Committee received a briefing on Teckal arrangements and Hoople Ltd in the municipal year 2023/24.

It was considered that reference to the work being undertaken in terms of Hoople Ltd should be included in the AGS.

3. With reference made to the activities within 'Principle B: Ensuring openness and comprehensive stakeholder engagement' (agenda page 34), such as the Citizens Climate Assembly, a committee member questioned whether engagement had been effective and whether action was being taken as a result of the feedback.

The Chairperson suggested that it would be useful if the external consultations that had taken place during the reporting year, and the responses as a datum, could be included in the AGS.

A committee member questioned the level of engagement with staff, including the interaction between the Programme Management Office and service areas in the development and delivery of projects.

The Chairperson noted that staff were a significant stakeholder and suggested that internal consultations should also be reflected in the document.

The Head of Strategic Finance said that a statement on the council's assessment of effectiveness could be incorporated for each of the principles. It was commented that, with the AGS being subject to external audit, there was a balance in presenting the controls and the effectiveness of those controls from a governance perspective and documenting lots of detail on the nature of the activity.

4. The Vice-Chairperson commented that action b.1, 'Produced an Engagement Plan based on a review of lessons learnt from the Citizens Climate Assembly and the effectiveness of the budget consultation' (agenda page 25) was not presented as an action going forward, so could be referenced in the main text, with a link provided to the plan.

The Vice-Chairperson also commented that the development of the MyAccount feature, enabling residents to have their own digital account with a register to track correspondence, needed to be monitored and perhaps included as an action.

5. In relation to Principle D (agenda page 36), a committee member questioned whether the establishment of an Improvement Board, with an Improvement Plan, for children's services was the right intervention given the change in Ofsted rating from 'Requires improvement' to 'Inadequate'. It was also questioned how issues identified within that judgement which were endemic across organisation were being addressed.
6. With reference made to Principle C (agenda page 35), a committee member questioned how the council was tracking the Delivery Plan, particularly in light of comments made at a recent Scrutiny Management Board about the limited data that was available.

The Head of Strategic Finance commented that the document served to identify the areas where improvements to governance arrangements were needed.

The Director advised that Cabinet was tracking progress through quarterly reports.

A committee member questioned, if there were not sufficient resources to develop measures, whether this could be considered an effective control.

[Note: there was a short adjournment for ten minutes]

7. In relation to Principle E (agenda page 37), a committee member noted that all areas of the council had been impacted by staff vacancies and it was suggested that a further action may be needed in terms of organisational capacity.

In response to a question, the Director briefly commented on the positive impact of the Programme Management Office (PMO) in terms of capacity and said that this could be reflected in the next iteration of the AGS.

8. A committee member recommended that a further review of the document be undertaken in terms of explaining the reporting period, the use of Plain English, consistency in the treatment of numbers, checking references, and clarifying terminology. The Chairperson added that technical terms and phrases could include links to relevant explanations.

The Head of Strategic Finance outlined the quality control process prior to publication of the final version of the AGS.

9. In response to a further comment about the document needing to be clear about the reporting period given the intensity of work undertaken in terms of children's services in recent months, the Head of Strategic Finance advised that the final version would reflect any governance arrangements that had occurred since April 2022, including an update on children's services; this was being prepared with the input of the Commissioner for Children's Services.

10. The Vice-Chairperson welcomed the actions to address compliance with mandatory training and to address gender pay gap and equality issues.
11. In response to a question from a committee member about the reference to 'a service planning tool' (agenda page 39), the Director recognised the need to review the wording of the paragraph. The Director commented on the challenges in terms of project management at that point in time and on the improvements made in relation to the use of the 'Verto' solution and the operation of the PMO; it was noted that the committee had requested further information on the Verto system (Action 160 refers) and a paper would be provided.

Another committee member commented that, where improvements had been made, consideration should be given to the use of past tense, such as 'The council ~~does~~ *did* not operate an overarching system for tracking actions...'

12. In response to questions about action f.2, 'Investigate purchase of software for recording and monitoring actions', the Director advised that the council had introduced 'PowerBI' as a reporting tool which was able to interrogate other systems used within the council.
13. The Chairperson drew attention to the sentence 'The governance for settlement agreements needs to be reviewed and confirmed in policy' (agenda page 39) and suggested that clarification should be provided about the availability of this policy.

With reference made to the sentence 'Cabinet in 29 July 2021 received a major contract performance update including summary of investigation into the Hereford City Centre Transport Package (HCCTP), and recommendations of establishing a Major Contract Improvement Board, with an Improvement Plan agreed on 1 March 2022.' (agenda page 39), a committee member questioned whether the Improvement Plan was driving positive outcomes. The Chairperson added that responsibility for the Improvement Plan should also be made clear.

A committee member suggested that clarification was needed in relation to the sentence 'Spend is at c86% of budget'.

The Director advised that the minutes of the Improvement Board were in the public domain. The Chairperson suggested that a link could be provided in the AGS.

14. At the end of the item, a committee member commented that the last set of published board meeting minutes for Hoople Ltd appeared to be 28 March 2022. The Director said that this would be queried at the next board meeting.

The committee considered and agreed the following resolution.

RESOLVED:

That the committee has determined that the draft Annual Governance Statement properly reflects the risk environment the council is operating in and that actions identified represent an appropriate response, subject to:

- i. **The inclusion of a commentary on effectiveness being included with each principle, with appropriate clarifications provided, including in relation to: Hoople Ltd; internal and external consultation; the availability of the Engagement Plan; the tracking of Delivery Plan actions; organisational capacity; the availability of the policy on settlement payments; the capital expenditure percentage in terms of HCCTP and responsibility for the delivery of the Improvement Plan.**

- ii. **The document being reviewed in terms of the use of Plain English, including an explanatory paragraph on the reporting period, and with appropriate links to relevant glossaries.**

Action(s):

- 177 The new membership of the Audit and Governance Committee receive a briefing on Teckal arrangements and Hoople Ltd in the municipal year 2023/24.

32. ICT BUSINESS CONTINUITY, RESILIENCE AND DISASTER RECOVERY

The Interim ICT Client Lead introduced the report, the key points included: the section of the report dealing with Internal Audit Recommendations (paragraph 4, agenda page 44) was highlighted and it was reported that the Internal Audit service (South West Audit Partnership – SWAP) had commenced a new piece of work, covering a number of different areas, at the request of officers; and it was not possible to fully ensure protection against all risks but the Technology Strategy that was in development would explore opportunities for improvement.

Responses were provided to questions from committee members, the key points included:

1. The Interim ICT Client Lead advised that the management responses marked as 'partly complete' would be flagged as part of the SWAP work and considered in completing the strategy. In particular, the Service Level Agreement (SLA) with Hoople Ltd would be reviewed thoroughly.
2. The Head of Information Technology for Hoople Ltd made a number of points, including: the company took its responsibilities around information security seriously; operational and procedural guidelines were followed; the company would look to achieve assurance on any platform it procured or managed; there was a dedicated Information Security Officer; the principles of information security were embedded across the organisation through standards such as ISO27001 and Cyber Essentials Plus, these were not explicitly required by Herefordshire Council but were in place due to being a delivery partner for other local agencies; staff development into new qualifications was encouraged; there were other measures taken to connect to government networks; and the audit process helped to achieve assurance.

The Chairperson suggested that consideration could be given to the inclusion of performance indicators within the SLA in relation to conformity with particular standards.

3. The Interim ICT Client Lead said that 'hosted' systems would be adopted where and when that was sensible and cost effective, with additional care taken in terms of selection and ensuring compliance with acceptable standards.
4. The Interim ICT Client Lead briefly commented on the complexities and opportunities of the digital integration of health and care systems. The Head of Information Technology reported that: Hoople Ltd was engaging with the Herefordshire and Worcestershire Integrated Care System to represent the technical interests of Herefordshire Council and a number of local health bodies; Herefordshire was 'quite far ahead' in terms of progress; and the Integrated Care Board had mature processes in terms of information governance and managing risks.

RESOLVED:

That the current assessment of the status in all matters of scope set out in the report be noted.

33. ENERGY FROM WASTE LOAN UPDATE

The Head of Strategic Finance advised the committee that the report provided assurance to the council as lender that amounts had been repaid in line with expectations and on the ability of Mercia Waste Management Limited (Mercia) to make future repayments in line with the terms of the loan arrangement. It was noted that a Ratio Compliance Certificate had been received and there were currently no indicators of risk to note.

In response to questions, the Head of Strategic Finance confirmed that the loan agreement included a review of the ratios every six months, the arrangements were monitored jointly with Worcestershire County Council, and the interest rate was fixed.

The committee discussed the implications of recent rises in the Bank Rate and the potential need for officers involved in monitoring to consider any additional risks which may result from changes to national monetary policy. The Head of Strategic Finance advised that the Ratio Compliance Certificate looked at both historic performance and future cashflow and attention was drawn to the risks and mitigating actions identified in the joint risk register (Appendix A, agenda page 53). The Director of Resources and Assurance added that the committee would be informed if there was any indication of the position changing.

In response to further questions, the Director provided brief overviews about the repayment terms associated with the Public Works Loan Board, and the purpose of the council's waste reserve.

RESOLVED: That:

- a) The risks to the council, as joint lender, are confirmed as being reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice; and**
- b) Arrangements for the administration of the loan are reviewed and confirmed as satisfactory.**

34. WORK PROGRAMME

The work programme for the committee was considered. The following adjustments were noted:

- Corporate Risk Register: This item would be considered at the meeting on 31 October 2022.
- 2021/22 Auditor's Annual Report: Following correspondence from the External Auditor (Appendix B, agenda page 59), it was anticipated that this item could be considered at the meeting on 30 January 2023.
- 2021/22 Statement of Accounts and 2021/22 External Audit Findings: It was anticipated that these items could be considered at the meeting on 31 October 2022; the Head of Strategic Finance briefly commented on the implications of a national infrastructure asset issue.

- Re-presentation of the Constitution: This item would be moved to the meeting on 13 March 2023.

RESOLVED:

That, subject to the identified adjustments, the updated work programme be agreed.

35. DATE OF NEXT MEETING

The date of the next meeting was noted. Committee members agreed to move the start time from 2.00 pm to 10.15 am.

[Monday 31 October 2022, 10.15 am](#)

The meeting ended at 12.50 pm

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO 'REPORTED COMPLETE' ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE MEETING				RED TEXT INDICATES UPDATES MADE SINCE THE LAST MEETING BLUE TEXT INDICATES NEW ACTIONS ADDED AT THE LAST MEETING				
Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
91	16 March 2021	Corporate risk register	Consider how corporate centre will look at the aggregation of similar risks in or across directorates.	Head of Corporate Performance / Director of Strategy	Corporate Services	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This was planned as part of the annual refresh of the Risk Management Plan, which has been delayed due to staffing issues and the desire to incorporate any findings from the Risk Management Maturity Assessment. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	01/11/2021 31 May 2022 November 2022 September 2022 October 2022	
94	04 May 2021	Update on internal audit recommendations	The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.	Head of Corporate Performance and interim DMO	Corporate Services	Internal audit recommendations are now included in service business plans, which are updated on a regular basis. Reports will be presented quarterly to directorate leadership teams, commencing from July. This should remove the potential for recommendations to be 'missed' in the event of a lead officer leaving, as well as increasing visibility of progress. At the meeting on 27 June 2022, it was requested that an example of a service business plan be provided in order to evidence completion. At the committee meeting on 12 October 2022, committee members confirmed that they wished to receive a briefing on the incorporation of audit recommendations in service business plans.	01/09/21 30 April 2022 July 2022 September 2022 October 2022	
95	04 May 2021	Update on internal audit recommendations	The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.	SWAP internal audit services and Head of Corporate Performance	Corporate Services	SWAP advise 'Internal Audit follow up the significant findings priority 1 and 2. Priority 3 are through self-assessment from officers. The Council provides a report every 6 months on progress against all actions which includes priority 3 actions'. At the meeting on 12 April 2022, the committee requested that the Head of Corporate Performance / Corporate Performance Team review this action and report back in the November 2022 update on internal audit recommendations. Head of Corporate Performance / Corporate Performance Team to report to the committee in November 2022.	30 September 2021 November 2022	
99	04 May 2021	Corporate risk register	The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.	Head of Corporate Performance / Director of Strategy	Corporate Services	Discussed at the Risk Management Plan review session with committee on 25 June 2021. To be confirmed as part of Risk Management plan review. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	25/06/2021 30 April 2022 November 2022 September 2022 October 2022	
102	28 June 2021	Progress report on internal audit activity	Information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members.	Lead Development Manager Director of Resources and Assurance	Environment and Economy	The review of the spreadsheet is complete and this will be circulated to committee members shortly. At the committee meeting on 12 October 2022, the Director of Resources and Assurance advised that details of the Section 106 spreadsheet had been shared through a number of member briefings and would check with the Portfolio Manager whether this action could now be marked as complete.	30/09/2021 30 April 2022 [Date to be confirmed]	
106	28 June 2021	Progress report on internal audit activity	That follow-up audits completion be captured in action tracking by the head of corporate performance.	Head of Corporate Performance	Corporate Services	As per Action 94 above.	24/11/2021 30 April 2022	
110	30 July 2021	2019/20 external audit findings report	A briefing note on the management of council estate be provided to committee members	Interim Head of Property Services	Corporate Services	At the meeting on 12 April 2022, the committee noted the linkage to the Annual Governance Statement action plan (i.e. 'Produce the estates strategy for the use of council buildings'). A report is being prepared for Cabinet on the Strategic Asset Management Plan.	30 April 2022 Report to Cabinet in Autumn 2022	
115	27 September 2021	Corporate risk register	The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register	Head of Corporate Performance / Director of Strategy	Corporate Services	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions due for Management Board. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk.	24/11/2021 November 2022 September 2022 October 2022	
125	27 October 2021	Progress report on internal audit activity	The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.	Section 151 Officer	Corporate Services	At the meeting on 12 April 2022, it was noted that SWAP did not carry out this audit. [Update requested]	28/02/2022 July 2022	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
126	27 October 2021	Audit and governance - committee effectiveness and performance, skills matrix	A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.	Director of Governance and Law	Corporate Services	At the meeting on 12 April 2022, it was noted that it would be appropriate to action this following Annual Council on 20 May 2022. Discussed at Group Leaders meeting on 8 June 2022 and agreed this would be implemented as soon as possible. Training to be scheduled. At the meeting on 27 June 2022, it was confirmed that two skills matrixes were being developed, a specific one for the Audit and Governance Committee and a broader one for all councillors. It was requested that the matrix for the committee be circulated to committee members (to be circulated with other action updates, week commencing 18 July 2022). A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that a members skill questionnaire would be best introduced as part of the members' induction after the next local election.	May-2022 July-2022 September-2022 [Date to be confirmed]	
129	24 November 2021	Update on internal audit recommendations	That information on relevant internal audit recommendations be circulated regularly to scrutiny committee members.	Head of Corporate Performance	Corporate Services	In progress to be aligned to proposed new arrangements for scrutiny committees. This will be picked up following the appointment of a new Head of Corporate Performance with the Interim Statutory Scrutiny Officer. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action given that there were interim officers in place for the Head of Corporate Performance and the Statutory Scrutiny Officer positions. Due date now identified as September 2022. This has not been progressed. A meeting will be held with the Statutory Scrutiny Officer to agree the approach so that internal audit recommendations can be more widely shared.	31-March-2022 November-2022 September-2022 October 2022	
138	25 January 2022	Progress report on internal audit activity	An update be provided on the 'longstanding issues with the reconciliation of the holding accounts.', particularly in the context of previous internal update progress reports.	SWAP internal audit services	SWAP Internal Audit Services	The Payroll follow up review has been completed. One priority 2 action is still in progress; this relates to the reconciliation of the holding accounts. Senior management has taken action to address the process weaknesses. As an additional enhancement to controls, they have also requested changes to Business World to further reduce risk of error. This is scheduled for completion over the coming months, with testing currently in progress	June-2022 July-2022 March 2023	
140	25 January 2022	Annual governance statement 2020-21 actions	With reference to Action 13, an update be provided on how the Covid Recovery Plan will link to wider resilience plans, particularly in terms of adult social care.	Director of Public Health	Corporate Services	A Covid recovery plan is still in development and will likely form part of the new and emerging economic strategy and Health and Wellbeing Strategy. In terms of the health and wellbeing, an informal workshop was held with members of the Health and Wellbeing Board on 6 May 2022 where they were consulted on the scope and process for development the new Health and Wellbeing Strategy. This is now being taken forward. In terms of economic strategy, the council is in the process of developing a new Big Economic Plan for the county. Consultants have been appointed to help lead this work, including the development of the UK Shared Prosperity Investment Plan (required by government to access funding). The Big Economic Plan is due to be completed by December, to be considered by Cabinet at the start of 2023. An external Stakeholder Group has been formed to oversee the development of both plans. At the meeting on 27 June 2022, the committee requested an update on the schedule for the development of the Health and Wellbeing Strategy. The Health and Wellbeing Board received a briefing on the strategy on 21 July 2022; this identifies various milestones, including 'Cabinet approval to consult on draft strategy - December 2022' https://councillors.herefordshire.gov.uk/documents/s50102504/Appendix%201%20-%20HWP%20Strategy%20Briefing%20v2.4.pdf	31-May-2022 29-July-2022 December 2022	
143	25 January 2022	Annual report on code of conduct	The number of complaints referred to the police, even if nil, be included in the complaints received table in future reports.	Director of Governance and Law	Corporate Services	Information will be included in the next annual report. The annual report is due to be presented to the committee at its January meeting.	September-2022 30 January 2023	
146	12 April 2022	Corporate risk register	Where corporate or departmental risks have an integral component supplied by partnerships, consideration be given to identifying those partnerships in the relevant risk entries.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022. Not yet progressed. To be picked up in discussion between Head of Corporate Performance and Performance Lead (E&E and Corporate Services).	November-2022 September-2022 October 2022	
147	12 April 2022	Corporate risk register	A workshop be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance. This should be picked up as part of the work being taken forward by the Director of Strategy in looking at the council's approach to risk. At the committee meeting on 12 October 2022, it was suggested that the action owners be invited to identify a date for the workshop on the strategic risk register.	November 2022	
149	10 May 2022	Re-thinking governance	In the further review of the constitution and for the purposes of clarity, the presentation of the audit and governance functions be considered, in order to separate them from the 'Other functions'. Plus updates on progress with the operational delivery of outstanding actions arising from the Re-thinking Governance Working Group.	Director of Governance and Law	Corporate Services	To be included alongside other amendments to Planning Functions as set out in the constitution. At the committee meeting on 12 October 2022, it was requested that the action be expanded to include updates on progress with the operational delivery of outstanding actions arising from the Re-thinking Governance Working Group; the chair of the working group was to liaise with the clerk to identify the key elements to include in this action.	October-2022 [Date to be confirmed]	
153	10 May 2022	Auditor's Annual Report 2020/21	That further details be provided on the governance and oversight arrangements for the boards referenced in the report (e.g. Hoople Ltd), with an indication of a timeline for any updated arrangements.	Director of Governance and Law / Director of Resources and Assurance	Corporate Services	Work has commenced on updating the contractual arrangements between the council and Hoople. The new arrangements will reflect the broader range of services being delivered by Hoople on behalf of the council and clarity on reporting and oversight. Work is on-going on in producing new contractual arrangements to be entered into between the council and Hoople and it is hoped that the new contract will be ready for approval by the end of November 2022.	October-2022 November 2022	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
159	10 May 2022	Progress report on internal audit activity	The member development team be invited to consider opportunities to enhance training for all members on raising concerns with statutory officers and on initiating call-ins and other scrutiny activity.	Director of Governance and Law	Corporate Services	A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that this activity should form part of the members' induction after the next local election.	September 2022 [Date to be confirmed]	
160	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on the timeline for moving non-capital items onto the Verto system.	Director of Resources and Assurance	Corporate Services	A paper will be presented to the September 2022 meeting.	September 2022 [Update requested]	
164	27 June 2022	Minutes and action tracker	Action 122: The new Transformation Director be invited to meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working. Action 164: the Chairperson write to the Chief Executive to request clarification on the Director of Transformation position.	Chief Executive	Chief Executive's Office	At the meeting on 27 June 2022, it was noted that the position of Director of Transformation had been removed from the organisation chart. The Chief Executive had met with the Chairperson and Vice-Chairperson to update on delivery of the Transformation Strategy and it was agreed to provide an update to all members on transformation strategy through the weekly members' update in September and to follow up with a member briefing session before Christmas. At the meeting on 17 October 2022, it as agreed to combine Action 122 and Action 164.	July 2022 December 2022	
165	27 June 2022	Minutes and action tracker	That the Director of Resources and Assurance contact Councillor Jinman about the scope of the internal audit in relation to the South Wye Transport Package.	Director of Resources and Assurance	Corporate Services	Meeting being arranged with Councillor Jinman.	October 2022	
166	27 June 2022	Anti-Fraud, Bribery and Corruption Policy	The Members' Development Working Group be invited to consider the most appropriate means to raise the awareness of councillors to the Anti-Fraud, Bribery and Corruption Policy and the Counter Fraud and Corruption Strategy.	Director of Governance and Law	Corporate Services	A Members' Development Working Group meeting is to be scheduled for September 2022. The Director of Governance having considered the time remaining until the next election believes that this activity should form part of the members' induction after the next local election.	September 2022 [Date to be confirmed]	
169	25 July 2022	2021/22 Draft Statement of Accounts	That the Director of Resources and Assurance provide a paper on the increase in unusable reserves and on the Local Government Pension Scheme.	Director of Resources and Assurance	Corporate Services	Paper to be provided to the committee meeting scheduled for 31 October 2022	31 October 2022	Yes 31-Oct-22
171	25 July 2022	Update on internal audit recommendations	That an update on work being undertaken on significant partnerships be provided for the next scheduled meeting.	Director of Governance and Law	Corporate Services	Arrangements for the overview of Significant Partnership are part of the broader work being undertaken in relation to companies to which the council is a shareholder. This work is ongoing.	December 2022	
172	25 July 2022	Update on internal audit recommendations	That an update be provided in respect of recommendations relating to Education, Health and Care (EHC) Plans.	Head of Corporate Performance	Corporate Services	Update not yet received. The next report to the committee is scheduled for November.	November 2022	
175	25 July 2022	Update to finance and Contract Procedure Rules	Finance Procedure Rules – Guidance Notes, 59 – Netting off of expenditure: SWAP provide confirmation that this new paragraph satisfied a related internal audit recommendation.	SWAP Internal Audit Services	SWAP Internal Audit Services	This issue is being considered by SWAP.	October 2022	
176	25 July 2022	Update to finance and Contract Procedure Rules	Officers be delegated to make appropriate changes to Section 4.6.28 to reference sustainability considerations and environmental characteristics if this was possible from a technical perspective.	Director of Governance and Law / Director of Resources and Assurance	Corporate Services	At the committee meeting on 12 October 2022, it was confirmed that the updated Contract Procedure Rules had been published but publication of the updated Financial Procedure Rules was pending; links would be provided to committee members in due course. CPRs: https://councillors.herefordshire.gov.uk/documents/s50104260/Part%204%20Section%206%20Contract%20Procedure%20Rules.pdf FPRs: publication pending receipt of final documents	October 2022	

Reserve Balances

Usable Reserves: represent monies set side for agreed purposes which the Council is able to spend.

Unusable Reserves: represent technical accounting adjustment accounts. These represent monies set aside but which cannot be used to provide services. They are held to manage the accounting processes for non-current assets, financial instruments, the collection fund, retirement and employee benefits. They are not usable resources. These reserves absorb the differences between expenditure actually incurred in providing services and the expenditure an authority is required or permitted to charge against the General Fund balance each year under Council Tax setting rules.

Unusable Reserves: Movement in 2021/22	£m	Unusable Reserve	Explanation for Adjustment
Opening Balance at 1 April 2021	- 122.4		
Depreciation	16.6	Capital Adjustment Account	Depreciation is provided over the useful lives of Property, Plant & Equipment assets. This represents the annual depreciation charge.
Revaluations	- 13.7	Capital Adjustment Account	This represents the increase in asset values as determined by our external valuers which has been charged to the Surplus or Deficit on the Provision of Services.
Net Revenue expenditure funded by capital under statute (REFCUS)	0.3	Capital Adjustment Account	A transfer from the General Fund to the Capital Adjustment Account to reflect expenditure met from capital resources charged in the Income and Expenditure account.
Net book value of assets sold	1.4	Capital Adjustment Account	The carrying value (gross cost less accumulated depreciation) of assets sold in the year.
Adjustments for Council Tax and NNDR Receivable	- 11.7	Collection Fund Adjustment Account	This adjustment accounts for the difference between the Council Tax and NDR recognised in the Income & Expenditure Account and the amount allowed to be credited to the General Fund under regulation.
Capital financed by receipts	- 3.2	Capital Adjustment Account	This represents the value of capital additions in 20/21 which has been financed by capital receipts (asset sales).
Provision for the redemption of debt	- 10.7	Capital Adjustment Account	Minimum Revenue Provision (MRP) is charged to the General Fund with a matching entry in the Capital Adjustment Account. It represents the Council's annual contribution from revenue towards the provision for the reduction in the Council's overall borrowing requirement.
Revenue contribution to capital outlay	- 0.3	Capital Adjustment Account	The contribution from revenue in 2021/22 to fund capital expenditure.
Reversal of IAS19 Pension Charges	14.4	Pension Reserve	This transaction represents the reversal of retirement benefits charged to the Comprehensive Income & Expenditure accounts as required by the CIPFA Code.
Net movement on revaluation reserve	- 8.7	Revaluation Reserve	This represents unrealised gains and losses arising from the revaluation of the Council's long-term assets.
Short term leave adjustment	- 0.5	Short Term Absence Account	The short term absence account balance represents accumulated holiday due to employees which was not taken in the year. The transaction is the movement on this balance in 2021/22.
Actuarial Gain/Loss on Pensions	- 23.5	Pension Reserve	The actuarial gain on the pension liability in the year charged to the Income & Expenditure account is reversed through the Pension Reserve as required by the CIPFA Code.
Capital financed by grants and contributions	- 15.7	Capital Adjustment Account	This represents £9.3m of capital grants received and applied in 2021/22 plus £6.4m of capital grants (received and unapplied in prior years) transferred from the Capital Grants unapplied Account in 2021/22.
PFI Liability	- 0.2	Capital Adjustment Account	This represents movements in balances to finance PFI assets.
Movement of DSG as earmarked reserve	0.3	DSG Adjustment Account	This account holds the Council's DSG deficit.
Net increase in Unusable Reserves in 2021/22	- 55.2		
Closing balance at 31 March 2022	- 177.6		



Title of report: Progress report on internal audit activity

Meeting: Audit and Governance Committee

Meeting date: 31 October 2022

Report by: Chief Financial Officer/ Head of Internal Audit

Classification

Open

Decision type

Non-key

Wards affected

(All Wards)

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. To enable the committee to monitor performance of the internal audit team against the approved plan.

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.

Recommendation(s)

- (a) Note the internal audit plan and pipeline of future work to ensure there is sufficient coverage and delivery to give an annual opinion;**
- (b) Review the areas of activity and concern and be satisfied that necessary improvements are outlined and delivered; and**
- (c) Consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary.**

Alternative options

1. There are no alternative recommendations; it is a function of the committee to consider these matters in fulfilling its assurance role

Key considerations

2. The internal audit progress report is attached at appendix A.
3. A glossary of terms is provided in the report

Community impact

4. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. 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.

Environmental impact

5. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
6. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy

Equality duty

7. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
8. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

9. 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

10. None.

Risk management

11. 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.
12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months by the council's Corporate Performance Team.

Consultees

13. None

Appendices

Appendix A SWAP Report on Internal Audit Activity, Quarter 2 2022

Background papers

None identified

Appendix A

Herefordshire Council

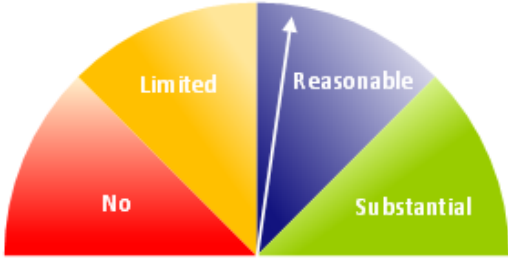
Report on Internal Audit Activity






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Quarter 2 2022

Internal Audit Progress Report Quarter 2 2022/23

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion. Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness.

Rolling Opinion	
	<p>There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.</p>
	<p>Corporate Risks</p> <p>No corporate risks identified to date.</p> <p>High Priority Findings</p> <p>No high priority findings to date.</p>

The Headlines for audits completed to date for 2022/23	
	<p>15 audits complete, 3 at draft report stage. The coverage and delivery of internal audit work is on track to deliver an annual opinion.</p>
	<p>The planning pipeline outlines the intended work programme until the end of Quarter 3. Engagement continues with Senior Management to ensure audit work is focused on Council priorities. The rolling pipeline of audits will provide the Committee with a sufficient, strategic view of potential future audits.</p>
	<p>Internal Audit activity in Quarter 2 focused on the delivery of special investigations and the certification of government grants for 21/22. This pattern is not unusual given the prescribed accounting deadlines. Quarters 3 and 4 have a more system and control-based profile of audit activity.</p>
	<p>SWAP is providing counter fraud services to the Council and are currently undertaking a complex special investigation. In addition, coordination and dialogue is in place to ensure internal audit work supports the mitigation of fraud risk.</p>
	<p>SWAP is contributing to the taskforce helping to deliver the actions arising from the Inspection of Children’s Services</p>

Assurance Opinions as @ Q2	
Substantial	0
Reasonable	10
Limited	1
No Assurance	0
Special/ Advisory	4
Progress/ Activity as @ Q2	
Complete	15
Draft	3
In progress	9
Total	27

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Internal Audit Progress Report Quarter 2 2022/23

Internal Audit Work Programme and Coverage

Primarily the work programme includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grant Assurance Work
- Other Special or Unplanned Review

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

Based on the corporate risks presented to Committee in April 2022, we have assessed internal audit coverage. This includes audits completed in 2020/21, 2021/22 and the current financial year (2022/23) and also future planned audits. Please note as future audits are not scoped yet there is potential for coverage to increase or decrease.

Risk Ref.	Audit Coverage	Future Coverage	Risk Narrative
CRR.60	None	Some	Development of Sufficiency strategy to support best value model. IF: the sufficiency strategy is not effective in a timely manner to meet outcomes for C&YP. THEN: high costs demands in order to meet service need will continue within the budget
CRR.61	Good	None	Market workforce economy. IF: the current limited capacity within the social care workforce continues. THEN: there will be a significant impact on availability of services – this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes
CRR.63	Good	Some	Hereford City Centre Transport Package. IF: the balance of land payments and costs for Business A and associated interests is higher than the allocated budget. THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further education was too significant then it may not be possible to meet the objectives of the business case without further capital funding. This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.
CRER.64	None	Some	Inability to recruitment and retain social care staff and other key roles within the service. IF: Unable to retain and recruit social care staff and other key roles. THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved
CRR.66	None	Some	Ofsted inspection. IF: There is an adverse Ofsted inspection outcome. THEN: This will have an impact on staffing and the progress on improvement
CRR.67	None	None	Ash Dieback (Chalara). IF: An action plan is not adopted to deal with the onset of Ash Die Back within the County boundaries. THEN: the authority faces significant unplanned financial burden linked to removal of a significant percentage of tree stock and an increased liability linked to personal injury and third party damage claims.

Internal Audit Plan Progress 2022/23

The pipeline of audits for the next 12 to 18 months is shown in Annex B

Risk Ref.	Audit Coverage	Future Coverage	Risk Narrative
CRR.68	None	None	Waste Collection Vehicles – lead time for supply of new vehicles. IF: Supply chain issues continue. THEN: there is a risk that we will not be able to secure the required new waste collection vehicles in time for the mobilisation of the new waste collection service in Nov 23.
CRR.69	Good	Some	CRR.69 – Hereford City Centre Improvement (HCCI) Programme. IF Delivery of HCCI is not delivered to programme. THEN this could increase revenue pressure on Public Realm

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

- Substantial
- Reasonable
- Limited
- No

The schedule provided in Annex B contains a list of those audits completed, in draft, and in progress.



Internal Audit Progress and Outcomes

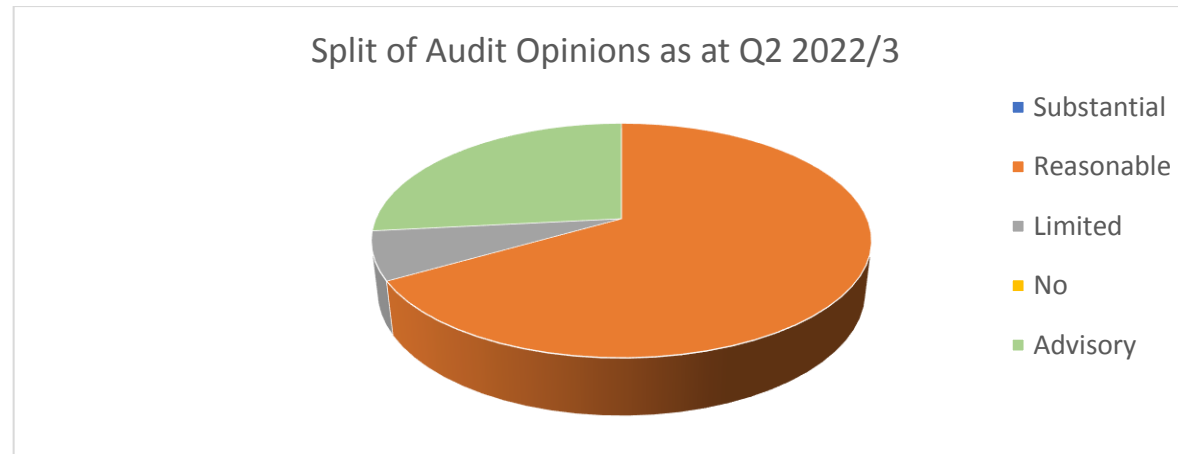
It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to deliver an annual opinion. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of agreed actions that have been raised with management. The assurance opinion ratings have been determined in accordance with the “Audit Framework Definitions” as detailed in Annex A of this document.

Fifteen audits have been completed and three audits are at draft report stage by the end of Quarter 2. A further 9 audits are in progress and will conclude in Quarter 3. These are shown in more detail in Annex B.

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. A score of 95% would reflect the fact that the client agreed that the review was delivered to a good standard of quality i.e., agreed with the statement in the questionnaire and satisfied with the audit process and report. The feedback score for the previous 12 months is 100%.

Internal Audit Plan Progress 2022/23

We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern



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There are no significant corporate risks that should be brought to the Committees attention for Quarter 2.



Significant Corporate Risks 2022/23

No priority 1 or 2 findings have been agreed to date and there are no significant corporate risks identified.

In this update, there are no final reports included with 'High' corporate risks.

These are areas that we have identified as being significant control issues that should be brought to the attention of the Audit and Governance Committee.



Summary of significant concerns Q2

Internal Audit reviewed two grants on Homeless Prevention in quarter 2. The grant was submitted after the deadline, together with documents that were unable to support the full list of expenditure and eligible activity. As a result, the grant was returned to the Housing Solutions Team for further validation and evidence. A second submission has since been submitted and audit examination found inaccuracies in amounts, misallocations, and transactions outside of the timeframe. This will result in a repayment of grant of £25,121 to the Department of Levelling-up and Communities.

Internal Audit Plan Progress 2022/23

Following the audit process, the Service has outlined a number of measures including improved cost coding. However, weakness identified in administrative processes are concerning and therefore an audit of financial processes is included in the Quarter 3 work programme.

Follow-Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level. Evidence is obtained to demonstrate implementation and progress made in relation to all 2020/21 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers.

Where a key control audit received Reasonable or Substantial assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audits evidence is obtained to demonstrate implementation and progress for all recommendations.

Follow-up work is currently ongoing on the payroll audit. A future follows-up is programmed for the fraud baseline maturity assessment.

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.

A bench-marking exercise on Direct payments has gained information from across the Partnership as part of our audit work. Also, SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

Internal Audit Progress Report Quarter 2 2022/23

Contact Information

SWAP is an internal audit partnership covering 27 organisations. Herefordshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

The contacts at SWAP in connection with this report are:

Ian Halstead

Assistant Director

ian.halstead@swapaudit.co.uk

Janine Davies

Principal Auditor

janine.davies@swapaudit.co.uk

For further details see: www.swapaudit.co.uk

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



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Limited
- No

In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

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

Risk	Reporting Implications
	In addition to the corporate risk assessment, it is important that management 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. Each recommendation has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Table of Audits by Status								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) - Quarter 1	Economy and Place	To provide assurance that Herefordshire Council has complied with DEFRA Property Flood Resilience Recovery Support Scheme (2020) Local Authority Guidance April 2020, in the authorisation of owner’s expenditure on their property.	Complete	Reasonable	0	0	0	0
S106 Holmer Road - Special Review	Economy and Place	SWAP Internal Audit Services was commissioned by the Chief Finance Officer to complete a special review in relation to concerns raised by the Chief Executive regarding how the decision was made that there is no legal basis for the council to request the payment of part of the section 106 Transport Contribution assigned to the Holmer West Link.	Complete	Special Investigation	1	0	0	1
Local Authority Community Testing Funding Grant Determination 2020/21: January, February, March	Corporate Centre	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant Determination 2020/21: Nos 31/6054, 31/6097, and 31/6147 are adhered to and that all expenditure claimed is eligible within the scheme.	Complete	Reasonable	0	0	0	0
Payment Authorisation outside of Financial Management System	Corporate	The Interim Head of Corporate Finance (Deputy 151 Officer) requested that SWAP Internal Audit Services verify the controls in place within service areas, for requests received for payment approval outside of the financial management system (Business World).	Complete	Advisory	0	0	0	0
Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Adults and Communities	To provide assurance that the terms of the Protect & Vaccinate Grant Determination (2021/22) (No.31/5912) have been adhered to.	Complete	Reasonable	0	0	0	0

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Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Court of Protection – Special Review Phase 1	Adults and Communities	Restricted Disclosure - Authorised by S151 officer. Will be reported to Committee when appropriate.	Complete	Special Investigation	n/a	n/a	n/a	n/a
Court of protection- Additional Work Phase 2	Adult and Communities	Restricted-Additional request for work from the CFO. Will be reported to Committee when Appropriate.	Complete	Special Investigation	n/a	n/a	n/a	n/a
Supporting Families – Quarter 1 22/23	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable				
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 - October, November, and December	Corporate Centre	To provide assurance that the conditions of the Local Authority Support Payment Grant are applied	Complete	Reasonable				
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 (January, February, March)	Corporate Centre	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable				
Local Authority Covid 19 Test and Trace Contain Outbreak Management Fund Grant Determination 2021/22: No 31/5518	Corporate	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable				
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarter 2	Economy and Place	Grant Certification (Quarterly Review with End of Scheme Report).	Complete	Reasonable				
Local Transport Block Funding	Economy and Place	To ensure that grant funding spend to 30/6/22 has been accordance with the grant terms and conditions.	Complete	Reasonable				

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Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Supporting Families – Quarter 2	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable				
Homelessness Prevention Grant (HPG) GRANT DETERMINATION (2021/22) [No. 31/5546] & [No. 31/5863]	Adults and Communities	To ensure that grant funding spend has been accordance with the grant terms and conditions.	Interim	Limited	n/a	n/a	n/a	n/a
Green Homes Grant- Phase 1	Corporate Centre	Audit report issued 2021/22. Evidence and documentation reviewed. Results are with the legal team for determination	Draft					
Homelessness Prevention Grant (HPG) GRANT DETERMINATION (2021/22) [No. 31/5546] & [No. 31/5863]	Adults and Communities	To ensure that grant funding spend has been accordance with the grant terms and conditions.	Draft					
Public Health	Adults and Communities	Request of Chief Finance Officer to provide assurance that funding has been spent and achieved intended objectives/outcomes.	Draft					
Direct Payments	Adults and Communities	To provide assurance that the Council has processes and procedures in place to appropriately deal with potential fraud or mis use of direct payment funds via direct payment cards and that supporting processes and procedures are in place across adult social care teams to assist in identifying and dealing with fraud.	In Progress					
Payroll Follow Up	Corporate Centre	To provide assurance agreed actions have been implemented.	In Progress					

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Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Infection Control and Testing	Adults and Communities	Assurance that the grant monies have been spent correctly and achieved desired outcomes (note: not grant certification work).	In Progress					
Green Homes Grant – Phase 2	Corporate Centre	To ensure that grant funding spend has been in accordance with the grant terms and conditions.	In Progress					
Technology Framework Review	Corporate (ICT)	Identified as an area for further work via the Cyber Security Framework audit.	In Progress					
Registration Service	Corporate Centre	Financial and procedural review of registration of Births, Deaths, and Marriages	In Progress					
School Governance- Thematic Review	Children and Families	Review the effectiveness of governance arrangements in schools	In Progress					
Grant Administration – Working Group	Corporate Centre	Support grant administration and control arrangements to be more efficient and effective.	In Progress	Advisory				
Data Quality/Data Management	Corporate Centre	Response from CLT to thematic issue raised in Internal Audit Progress Reports 2021/22.	In Progress					
Leavers Process	Corporate Centre (ICT)	Provide assurance control framework operating effectively between service areas, HR and IT. Ensuring Councils assets are accounted for.	In Progress					
Drug Treatment: Universal Grant Funding (31/5494)	Public Health	SWAP was informed on 26/8/22 that this grant funding required CIA sign off. Funding of £220,000 had been provided by PHE.	In Progress					

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Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Court of Protection- Special Investigation -Phase 3	Adults & Communities							
Housing Solutions Team Financial Processes	Communities	New area following concerns raised during grant certification process about admin and financial processes	Planned					
Condition Funding Grant Determination (2021): No 31/5501	Children and Families	Grant Certification	Planned					
Disabled Facilities Grant Capital	Adults and Communities	Grant Certification	Planned					
Supporting Families – Quarter 3	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Planned					
Baseline Assessment for the Maturity of Fraud – 2 nd Phase	Corporate	Follow up of baseline assessment to demonstrate progress in fraud maturity.	Planned					
Green Homes Grant Phase 2	Economy and Place	Grant Certification	Planned					
Provider Portal Implementation	Adults and Communities	Provide assurance that previous actions agreed as part of the Provider Payments and Client have been actioned and that the new provider portal is operating and embedded to improve the control framework.	Planned					
Accounts Payable	Corporate	Key Financial Controls – Full Audit	Planned					
Council Tax & NNDR	Corporate	Key Financial Controls – Full Audit Liability and Billing including discounts and exemptions.	Planned					
Main Accounting System	Corporate	Key Financial Controls- Self Assessment	Planned					
Public Realm Contract	Economy and Place	Provide assurance regarding historic changes to the public realm contract and work carried outside of the	Planned					

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		annual plan in preparation for the contract ending. To include a follow up of the Contract Management BBLP, Commissioning and Value for Money (BBLP) agreed actions.							
Fraud Risk Assessment	Corporate	Ongoing advisory work to update and maintain the Fraud Risk Assessment	Planned						
Supporting Families – Quarter 4	Children and Families	Grant Certification (Monthly Review with Quarterly Report)							
Careleavers 16+	Children and Families	Assurance that control frameworks, processes and procedures are in place for the Council to complete its statutory duties.							
Homes for Ukraine	Adults and Communities	Assurance payments being made are appropriate and in line with outlined processes. Appropriate monitoring processes are in place once payments made.							
Accounts Receivable	Corporate	Key Financial Controls – Full Audit							
Housing and Council Tax Benefit	Corporate	Key Financial Controls – Full Audit							
Main Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.							
Treasury Management	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented. CIPFA published the revised 2021 Treasury Management Code and Prudential Code on 20th December 2021 – assurance that the Council are compliant with required changes.							
Capital Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.							

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Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation		
						1 = Major	2	3 = Medium
						1	2	3
Capital Programme/ Capital Projects	Corporate	Provide assurance that the newly implemented corporate processes are embedded and functioning effectively addressing previous control weaknesses.						
ICT Governance Framework Review	Corporate (ICT)	To support the future direction of the ICT Service by providing a focussed and targeted ICT audit plan, SWAP propose to undertake an outline ICT Risk and Governance advisory review of the Council's ICT Service's strategy, infrastructure, estate, and projects.						
Quality Assurance and Supervision Practices	Children's and Families	Assurance that quality assurance and supervision process are in place following the Councils high court judgement.						
Disaster Recovery Follow Up	Corporate (ICT)	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Education Health Care Plans Follow Up	Children's and Families	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Pool Cars Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed. Data analysis of usage to be completed if data allows.						
Payment authorisations outside of the Financial Management System	Corporate	Following on from the advisory work completed at the beginning of the year assurance that implemented control frameworks are operating effectively.						
Petty Cash & Procurement Cards	Corporate	Identified as an area for potential further work from the Fraud Risk Assessment. Chief Finance Officer would like assurance that the appropriate checks and balances are in place for Petty Cash and Procurement Cards. To include follow up of previously agreed actions in these areas.						

Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Enterprize Zone - reflection/Lessons Learnt	Economy and Place	Assurance that the Council achieved what it set out to achieve and lessons learnt for future work (model farm).						
Building Maintenance and Cleaning Agreement Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Staff Car Parking Business Passes – Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.						
S106 Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.						

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Title of report: Annual Governance Statement 2021/22

Meeting: Audit and Governance Committee

Meeting date: 31 October 2022

Report by: Head of Strategic Finance (Deputy S151 Officer)

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To seek the view of the committee as to whether the Annual Governance Statement (AGS) for 2021/22 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve.

Recommendation

That:

- a) **the committee determines whether the annual governance statement in Appendix 1 properly reflects the risk environment the council is operating in and that actions identified represent an appropriate response.**

Alternative options

1. None; the publication of an annual governance statement is a requirement of the Accounts and Audit (England) Regulations 2015.

Key considerations

2. The council is required, as part of an ongoing review of the effectiveness of its governance arrangements, to produce an AGS which forms part of the Annual Statement of Accounts. The AGS is primarily retrospective. It reports on the governance framework and internal controls in place for the financial year 2021/22 and considers any significant governance issues up to the

date of publication of the audited Statement of Accounts. The AGS notes actions taken or proposed to address the governance issues identified.

3. The AGS is informed by Directors' and Statutory Officers' declarations, reviews of compliance with laws and regulations, corporate strategies, policies, plans and arrangements and internal audit reports and opinions. It will be updated to include any governance issues identified between the balance sheet date and publication of the statutory accounts.
4. The AGS is a review of activities to ensure that the council's internal control and governance framework is operating effectively. The statement explains how the council has discharged its governance responsibilities during 2021/22 and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
5. The preparation and publication of the AGS has been undertaken with reference to the seven core principles of good governance as identified in the Chartered Institute of Public Finance (CIPFA) Delivering Good Governance in Local Government Framework 2016.
6. This CIPFA guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
 - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance.
 - b. reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate.
 - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
 - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues.
 - e. reference to how issues raised in the previous year's annual governance statement have been resolved.
 - f. a commitment to monitoring implementation as part of the next annual review.
7. There are several components that contribute to the AGS as follows:
 - a. Statutory officer comments;
 - b. Manager's checklist to inform each director's statement;
 - c. Self-assessment of significant partnership.
8. The manager's checklist has been completed at assistant director level, with opportunity for other managers to complete from. This is then forwarded to the director in each directorate (or monitoring officer in the corporate centre) to review and contribute to their own statement.
9. A self-assessment of significant partnerships is also completed, and reviewed by the directors or assistant directors in the corporate centre.

10. The actions identified to deliver continuous improvement in governance arrangements following the review of 2021/22 will form part of an action plan and progress will be reported to this committee.

Community impact

11. Corporate governance is the term used to describe the systems, processes, culture and values the council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.
12. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

Environmental impact

13. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
14. Whilst this is a decision to agree the AGS which is a back office function and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual update we do not believe that it will have an impact on our equality duty.

Resource implications

17. Whilst the recommendations themselves do not have a direct resource implication, some of the actions may result in additional expenditure. Where this is the case separate governance will take place. The AGS does take resource to produce and deliver action plans but these are from existing staffing. If the committee proposes further actions the resource implications of implementing those actions will need to be considered.

Legal implications

18. The Accounts and Audit (England) Regulations 2015 include a requirement for all councils to produce an AGS, and set out the timescales by which they must be published. Approval of the statement ensures that the council will comply with these requirements.

Risk management

19. The statement itself identifies any high level or strategic governance risks and the action plan provides mitigation to those risks.

Risk / opportunity	Mitigation
Not all relevant information is captured.	There are several routes to collecting information – including additional feedback to finalise the AGS.
Not all gaps in assurance are covered.	Where there are gaps in information internal audit will be considered; inspections and peer reviews.
Resources to implement.	Though no direct resource implications additional activity may lead to a resource impact.

Consultees

20. The consultees have largely been internal, with internal and external audit and members of the Audit and Governance Committee commenting on the draft; minute 31 of 12 October 2022 refers ([link to the minutes on the Draft Annual Governance Statement 2021/22](#)). Independent persons have been asked for their view on the draft AGS, along with internal and external audit. This has influenced the final version presented to the Audit and Governance Committee.

Appendices

- Appendix 1 Annual Governance Statement 2021/22 (note: this document is to follow in a supplement to the agenda, week commencing 24 October 2022)

Background papers

None identified.



Title of report: 2021/22 External Audit Findings Report

Meeting: Audit and Governance Committee

Meeting date: 31 October 2022

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To consider the external auditors audit finding report for the year ended 31 March 2022.

This is one of a number of reports which the committee receives in order that it may provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.

Recommendation(s)

That:

- a) the report of the external auditor attached at appendix A be considered; and**
- b) the committee determine whether any issues raised in the report require inclusion in the committee's future workplan.**

Alternative options

1. There are no alternative options to receiving the report
2. It is open to the committee to determine its future work programme to enable it to provide assurance on the adequacy of the council's risk management, financial reporting and annual governance processes. It is also open to the committee to comment on the scope and depth of external audit work and to ensure it gives value for money.

Further information on the subject of this report is available from
Rachael Hart, Tel: 01432 383775, email: Rachael.Hart@herefordshire.gov.uk

Key considerations

3. The external audit findings report is attached at Appendix A and details the work and findings completed in relation to the council's financial statements of accounts for the year ended 31 March 2022.
4. The external auditor provides an independent opinion as to whether the group, being the council and Hoople Limited, financial statements give a true and fair view of the group and council's financial position and of the group and council's expenditure and income for the year, and have been properly prepared.
5. In addition the external auditor is required to determine if the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. This is called the Auditors Annual Report. Grant Thornton expect to issue this in line with the National Audit Offices revised deadline of no more than three months after the date of the opinion on the financial statements.
6. For 2021/22, a key issue affecting all local authorities is the accounting treatment and disclosure of infrastructure assets in the financial statements. Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.
7. A technical issue has arisen following audit challenge across the sector in 2020/21 which highlighted potential audit risks that the useful economic lives of infrastructure assets are not appropriate to component elements and that the gross cost and accumulated depreciation of these assets in the accounts are overstated if components of infrastructure assets are not derecognised (i.e. removed) as they are replaced.
8. For the majority of local authorities, including the council, component elements have not been historically derecognised on the assumption that the cost of an asset has been fully consumed when the replacement expenditure takes place, with the council's depreciation policies reflecting this principle. In practice, infrastructure assets are typically held by councils for decades, making the identification of historic transactions challenging.
9. The Chartered Institute of Public Finance (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) has recently approved an update to the Accounting Code that will remove the requirement to disclose gross cost and depreciation. The Code update is still subject to formal consideration by the Government's Financial Reporting Advisory Board (FRAB) and CIPFA is currently working with the Government on a time limited statutory prescription (override) in respect of component derecognition.
10. At the time of writing this report, the audit fieldwork is substantially complete and all identified adjustments have been agreed and corrected in the 2021/22 Statement of Accounts. The external audit team are waiting to receive a formal report from the auditors of Worcestershire Pension Fund to provide assurance over the outcome of their audit of the 2021/22 Pension Fund accounts.
11. Subject to receipt and resolution of the items noted above, Grant Thornton are expected to issue an unqualified opinion on the statement of accounts and there are currently no issues to bring to the attention of the committee. The use of key judgements and estimates in the accounts have been assessed as appropriate, neither optimistic nor cautious.
12. Representatives of Grant Thornton, the council's external auditors, will be attending the meeting to provide an update.

Community impact

13. In accordance with the code of corporate governance to support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

Environmental impact

14. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
15. Whilst this is a report for information and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a report for information, we do not believe that it will have an impact on our equality duty.

Resource implications

18. The external audit fee detail is provided on page 30 of the appendix. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit contract.

Legal implications

19. Under Part 3 paragraph 5.11 it is a function of the Audit and Governance Committee to review and agree the External Auditor's Plan.
20. There are no legal implications arising from this report.

Risk management

21. The council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. The external audit is not designed to test all internal controls or identify all areas of control weakness, however, if external audit identify any control weaknesses, these are reported. The external audit work continues in this area, the audit findings report attached at appendix A details the conclusions on work completed.

Consultees

22. None

Appendices

Appendix A The Audit Findings for Herefordshire Council report – 2021/22 (note: this is to follow in a supplement to the agenda, week commencing 24 October 2022)

Appendix B Grant Thornton 21/22 Audit Progress Report, 14 October 2022

Background papers

None identified.



Herefordshire Council 21/22 Audit

14 October 2022



Contents

1. Completed areas – fully complete and through all levels of review
2. Completed areas – complete but pending resolution of Engagement Lead and Manager's review
3. In Progress

Progress as at 14 October 2022- Completed areas

Section of the Financial Statements	Percentage complete	Matters Arising	Outstanding information	Impact on the audit [if applicable]	Overruns expected?
1. Completed Areas – fully complete and through all levels of review					
Planning Work (subject to Infrastructure assets)	100%	None	None	None	None
Key Account reconciliations	100%	None	None	None	None
Accounting policies review	100%	Adjustment- Policy regarding extraordinary items to be removed	None	None	None
Analytical review on draft financial statements	100%	None	None	None	None
Audit fees	100%	None	None	None	None
Property, Plant and Equipment - Depreciation	100%	None	None	None	None
Investments	100%	None	None	None	None
Property, Plant and Equipment - Opening balances	100%	None	None	None	None
Borrowings	100%	None	None	None	None
Creditors	100%	None	None	None	None

Progress as at 14 October 2022- Completed areas

Section of the Financial Statements	Percentage complete	Matters Arising	Outstanding information	Impact on the audit (if applicable)	Overruns expected?
1. Completed Areas – fully complete and through all levels of review					
Grants received in advance	100%	None	None	None	None
Completeness (income/debtors)	100%	None	None	None	None
Other expenditure	100%	None	None	None	None
Capital disclosures (including Minimum Revenue Provision)	100%	Adjustment of immaterial prior period errors in the current year accounts	None	None	None
Completeness (expenditure/creditors)	100%	None	None	None	None
Fees & Charges income	100%	None	None	None	None
Cash & Cash equivalents	100%	None	None	None	None
Debtors	100%	None	None	None	None
Financial instruments	100%	None	None	None	None

Progress as at 14 October 2022- Completed areas pending review

Section of the Financial Statements	Percentage complete	Matters Arising	Outstanding information	Impact on the audit (if applicable)	Overruns expected?
2. Completed Areas – complete but pending resolution of EL & Manager’s review					
Cash Flow statement	95%	None	None	None	None
Related parties	95%	None	None	None	None
Property, Plant and Equipment - Additions Expenditure – REFCUS	95%	None	None	None	None
Accounting estimates	95%	None	None	None	None
Journals	95%	Recommendation in relation to increased and consistent documentation for high value journals review	None	None	Possible overrun by 1-2 day due to multiple calls required for Transactions listing
Grant income	95%	None	None	None	None

Progress as at 14 October 2022- In progress areas

Section of the Financial Statements	Percentage complete	Matters Arising	Outstanding information	Impact on the audit (if applicable)	Overruns expected?
3. In progress Area					
Property, Plant and Equipment balances	70%	1. Infrastructure assets treatment 2. There have been material reclassifications during the year including a prior period adjustment for transfer of EfW plant to Plant & Equipment	None. Information received and under process	None	None
Revaluations of Property – operational and investment	85%	None	None. Information received and under process	None	None
Expenditure Funding Analysis	90%	None	Requested extract from updated draft accounts to ensure all changes have been correctly capture in accounts	None	None
Pension liability	85%	We will need Pension fund auditor's responses to complete our work	None	None	None
Movement In Reserves Statement	90%	Adjustment needed for £0.3m in Pensions note to ensure consistency across accounts	Requested extract from updated draft accounts to ensure all changes have been correctly capture in accounts	None	None
Private Finance Initiative (PFI) Liability	65%	Revised Whitecross model was received after delay	None. Information under process	None	None
Employee Benefit expenditure	85%	None	None. Query responses on Starters and Leavers under process	None	None

Progress as at 14 October 2022- In progress areas

Section of the Financial Statements	Percentage complete	Matters Arising	Outstanding information	Impact on the audit [if applicable]	Overruns expected?
3. In progress Areas					
Housing Benefit expenditure	90%	None	1 query outstanding since 12/10/2022	None	None
Income & expenditure disclosures (Operating leases, IFRS 16, Pooled budgets)	85%	None	1 query on DSG outstanding since 12/10/2022	None	None
Collection fund	70%	None	Information requested for Council Tax and NNDR reliefs samples	None	None
Going Concern	40%	None	Going Concern paper for HC and Hoople	None	None
Provisions	90%	None	None	None	None
Remuneration disclosures	50%	None	None. Query responses received and to be processed	None	None
Other information (AGS, Narrative Report)	50%	None	None	None	None
Consolidated financial statements & Groups	10%	None	Responses from Hoople auditors for Group instructions after the Hoople accounts have been signed (appendices 5.5 to 5.9)	None	None
Laws & regulations/ Litigations and claims	60%	None	None	None	None



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Title of report: 2021/22 Statement of Accounts

Meeting: Audit and Governance Committee

Meeting date: 31 October 2022

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To approve the 2021/22 Statement of Accounts and associated letter of representation from Grant Thornton, the external auditors.

Changes to the statement of accounts following the external audit are listed in the audit findings report. The letter of representation attached at appendix B confirms that the group and parent council financial statements are free of material misstatements, including omissions.

Recommendation(s)

That:

- a) **the 2021/22 statement of accounts (at appendix A) be approved; and**
- b) **the letter of representation (at appendix B) be signed by the chairperson of the committee and the chief finance officer.**

Alternative options

- 1. It is an annual statutory requirement to approve the accounts and sign the letter of representation.

Key considerations

2. The Local Audit and Accountability Act 2014 requires the council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the accounts to be approved by the Audit and Governance Committee by 31 July. This deadline was extended via the Accounts and Audit (Amendment) Regulations 2021 to 30 November.
3. The Statement of Accounts (appendix A) have been drawn up in accordance with the Accounts and Audit Regulations 2015, and the Chartered Institute of Public Financial Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code consolidates the statutory requirements and accounting standards that the council is legally required to follow.
4. The most significant matters in the 2021/22 accounts and a summary of the council's financial position are set out in the introductory narrative report within the accounts. Key points include the following:
 - a. The impact of the pandemic on council finances remains a national issue for all local authorities. The council has been working closely with partner authorities to assess the present and ongoing financial impact and to look for ways to mitigate these effects together with government support.
 - b. The council delivered a small underspend, in the management accounts, for the year of £0.5m due to £4.8m of direct COVID additional grant being provided by central government.
 - c. The Community Wellbeing Directorate delivered a significant net underspend of £6.9m which was largely the result of the pandemic, either because monies couldn't be spent due to restrictions, or because budgets we would have spent were offset by COVID grants.
 - d. There was a net overspend in Children and Young People Directorate of £3.6m due to the cost of residential placements for children in council care which are all provided by private sector operations, these continue to cause significant cost pressures for the service.
 - e. Economy and Environment Directorate's net overspend of £0.4m reflects pressure on income targets as a direct or indirect result of COVID restrictions e.g. reduced parking revenue and reduced income from planning applications.
 - f. The central, treasury management, capital financing and reserves underspend reflects the delayed need to borrow from a combination of high cash balances and slippage in the delivery of the capital investment programme.
 - g. The capital budget was re-profiled in year. There was an underspend of £31.5m on the 2021/22 revised budget of £69.1m which related to some projects that were no longer required, or projects and programmes that have been rolled forward to 2022/23.

2021/22 Statement of Accounts

5. The financial statements are prepared in accordance with international financial reporting standards. These comprise: a narrative report, the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet, a cash flow statement and supporting explanatory notes. The S151 officer is satisfied that the statement of accounts presents a true and fair view of the financial position of the council and its group as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Movement in Reserves Statement

6. The movement in reserves statement shows the movements in reserves during the year, analysed into the different funds held by the council and classified as either “usable” reserves, which can be used to fund future expenditure, or “unusable” reserves which are maintained to meet specific statutory responsibilities.

Usable Reserves

7. Total usable reserves as at 31 March 2022 were £165.2m, an overall decrease of £8.5m from 31 March 2021. A summary is provided in the table below. Earmarked reserves are reviewed annually by Cabinet; the last review was on 29 September.

	General Fund £m	Earmarked Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied Reserve £m	Total Usable Reserves £m
Balance at 31 March 2021	9.1	105.6	44.6	14.4	173.7
Balance at 31 March 2022	9.6	96.5	43.3	15.8	165.2
Overall increase / (decrease) in 2021/22	0.5	(9.1)	(1.3)	1.4	(8.5)

Unusable Reserves

8. Unusable reserves are not available to be spent. They are maintained to meet specific statutory responsibilities and include the pension reserve, revaluation reserve and capital adjustment account.
9. The unusable reserves totalled £177.6m at 31 March 2022 compared with £122.4m at 31 March 2021.

Comprehensive Income & Expenditure Statement (CIE&S)

10. This statement shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure and Funding Analysis, note 2 to the accounts, compares the CIE&S with the outturn reported to Cabinet, showing the adjustments made between the management and statutory reports.

Balance Sheet

11. The Balance Sheet summarises the council’s assets, liabilities and reserve position at the end of the financial year. Net assets are matched by reserves which may be “usable” or “unusable”, see above.
12. At 31 March 2022 long term assets totalled £764.3m, compared with £730.8m at 31 March 2021. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital spend during the year.
13. Current assets totalled £121.7m at 31 March 2022, compared with £119.3m at 31 March 2021.
14. Long term liabilities totalled £455.9m at 31 March 2022 compared to £468.7m at 31 March 2021. This is mainly due to a decrease in the pensions liability as provided by the external actuary, Mercer Limited.

Cash Flow Statement

15. The cash flow statement shows how the council generates and uses cash and cash equivalents and explains the reasons for changes in cash balances during the year. During 2021/22 there was a net increase in cash and cash equivalents of £19.0m.

Group Accounts

16. The group accounts consolidate the performance of the council with Hoople Limited in 2021/22. The impact of the consolidation increases the council's reserves position by £3.3m (£2.7m in 2020/21) which includes a minority interest reserve balance of £0.5m (£0.4m in 2020/21).

The Collection Fund

17. The collection fund demonstrates how income raised from local taxpayers has been re-distributed to the council and to other precepting authorities for the provision of services. Collection fund income from council taxpayers and business ratepayers totalled £178.3m in 2021/22 compared with £156.9m in 2020/21.
18. Expenditure includes precept payments to West Mercia Police (£16.4m), Hereford and Worcester Fire Authority (£6.5m) and parishes (£4.9m). These are paid from income collected from taxpayers on their behalf.

External Audit

19. The external audit has identified a number of presentation/classification adjustments and where appropriate these have been reflected in the accounts.
20. The Value for Money fieldwork to inform the audit opinion will commence in October 2022 and the council's external auditors expect to publish the 2021/22 Auditor's Annual Report, which includes commentary on arrangements to secure value for money, no later than January 2023.

Annual Governance Statement

21. The approved 2021/22 Annual Governance Statement will be added to the statement of accounts attached at appendix A.

Letter of Representation

22. Attached at appendix B is the council's letter of representation confirming that, to the best of the council's knowledge and belief, the financial statements, at appendix A, give a true and fair view in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

Community impact

23. In accordance with the code of corporate governance to support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

Environmental impact

24. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

25. Whilst this is a decision on approving the 2021/22 statement of accounts and associated letter of representation to the external auditor of those accounts so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit has been completed remotely, reducing travel impact and paper usage.

Equality duty

26. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
27. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a report for information, we do not believe that it will have an impact on our equality duty.

Resource implications

28. The external audit fee detail is provided on page 30 of the appendix. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit contract.

Legal implications

29. Regulation 9 of the Accounts and Audit Regulations 2015 require the following:

The S151 officer must sign and date the statement of accounts, and confirm that he is satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year. This was completed on 29 July 2022.

30. The period of the exercise of public rights for the inspection of the accounts commenced on 1 August 2022. The Accounts and Audit (Amendment) Regulations 2021 delay the deadline for relevant authorities to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of August in the financial year immediately following the financial year to which the accounts relate. These amendments apply only to the commencement of the relevant period for accounts relating to a financial year beginning in 2021 or 2022.
31. Following the conclusion of the period for inspection, the committee must approve the statement of accounts by a resolution and ensure that the statement of accounts is signed and dated by the person presiding at the committee. In order for the committee to do so the S151 officer has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view.

32. The Accounts and Audit (Amendment) Regulations 2021 for local authorities the publication date for audited accounts moved from 31 July 2022 to 30 November 2022.

Risk management

33. The external auditors have issued an unqualified opinion on the statement of accounts, see external audit findings report elsewhere on today's agenda.
34. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the chief financial officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources which Grant Thornton provide a value for money opinion, this report will follow at a later date.

Consultees

35. The statement of accounts were made available for public inspection between 1 August and 12 September 2022. No representations or objections were received.

Appendices

Appendix A Statement of Accounts 2021/22

Appendix B Letter of Representation for 2021/22

(note: both documents are to follow in a supplement to the agenda, week commencing 24 October 2022)

Background papers

None identified



Title of report: Corporate Risk Register

Meeting: Audit and Governance Committee

Meeting date: Monday 31 October 2022

Report by: Head of Corporate Performance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To consider the status of the council's corporate risk register in order to monitor the effectiveness of risk management within the performance management framework.

Recommendation(s)

That:

- a) The committee determine any recommendations it wishes to ensure effective risk management.**

Alternative options

1. The committee could choose not to review the Corporate Risk Register. This is not recommended as regular monitoring should provide assurance that risk is being managed effectively within the council.

Key considerations

2. In accordance with the council's Performance Management Framework (PMF) and associated Risk Management Plan, it is the committee's role to ensure that risk management is effectively managed and in line with the processes set out in the PMF.
3. Risks are identified as part of daily council business, self-assessment as part of business planning processes, as well as a result from regulator and audit activity. As these risks are identified, they are scored based on the likelihood and impact, using the methodology within the Risk Management Plan (RMP). Risks are reported and escalated based on their residual or

Further information on the subject of this report is available from
Appy Reddy, Tel: 01432 383675, email: Appy.Reddy2@herefordshire.gov.ukl

current score. The council's Corporate Risk Register therefore holds the highest, most immediate risks across the organisation; the table below provides a summary of risks based on their scores, the associated monitoring required and the action necessary.

	Green	Yellow	Amber	Red
	Low	Medium	High	Extreme
Score	1-4	5-8	9-15	16-25
Register*	Service		Directorate	Corporate
Action	Unlikely	Might	Should	Must
Review frequency	Quarterly	Monthly	Monthly	Monthly

- NB: Risks that appear on the Corporate Risk Register will also appear on their relevant Directorate and Service Risk Registers

4. It is the responsibility of risk owners to ensure that risk scores are regularly reviewed and scores, controls and future mitigating activity are updated where necessary.

Corporate risk register

5. The heat map below shows the current risks on the council's Corporate Risk Register as at the end of September 2022. References and the full details of the risks can be found at appendix A. At the request of the committee, changes in the Corporate Risk Register have been identified in red text in the appendix.

Corporate Risk Register - September 2022

		IMPACT			
		4		5	
LIKELIHOOD	5	CRR.74 E		CRR.67 --	
	4	CRR.61 --	CRR.72 *	CRR.60 --	
		CRR.63 --	CRR.73 *	CRR.64 --	
		CRR.69--	CRR.75 *	CRR.68 --	
		CRR.70 E	CRR.76 *	CRR.78 *	
		CRR.71 E	CRR.77 *		
		Directorate RR (9 - 15)	Service RR (5 - 8)	Service RR (1 - 4)	Closed
					CRR.66
		-- No Change		★ New in quarter	
		E Escalated		↑ Residual Risk Increased	
		D De-escalated		↓ Residual Risk Decreased	

6. Since the last report to committee (April 2022), there have been 6 new corporate risks and 6 risks escalated to the corporate risk register:

- a) An escalation of the risk in relation to Hereford City Centre Transport Package - land budget (CRR.70)
- b) An escalation of the risk in relation to Hereford City Centre Improvements - delivery within LEP timescale (CRR.71)
- c) An escalation of the risk in relation to School Assets (CRR.74)
- d) A new risk in relation to Adult Social Care Reform (CRR.73)
- e) A new risk in relation to Removal of ring-fence around Public Health budget (CRR.74)
- f) A new risk in relation to SEND inspection - Risk of adverse inspection (CRR.75)
- g) A new risk in relation to Educational Placements (CRR.76)
- h) A new risk in relation to Increase in out of county educational placements (CRR.77)
- i) A new risk in relation to Impact of Statutory Direction (CRR.78)

7. The table below provides a breakdown of the current corporate risks by directorate, as well as the number of risks currently being managed at directorate level.

	Corporate Risks	Directorate Risks*
Community Wellbeing	3	19
Children and Young People	7	12
Economy and Environment	6	43
Corporate Support	-	33
Total	16	107

* Includes corporate risks

8. Directorate risk registers can be found at appendices B-E. A summary of changes across directorate risk registers is found in the table below.

	Community Wellbeing	Children and Young People	Economy and Environment	Corporate Support
New risk	2	4		
Closed risk		1		
Escalated		1	2	
De-escalated from DRR				
Increased score				
Reduced score				

* Some risks have both increased in residual score and escalated to the Directorate Risk Register; in this instance, the table above only counts these risks in the escalation row.

Community impact

9. In accordance with the principles of the council's adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective risk management is an important component of this performance management system.

Environmental impact

10. This decision itself has minimal environmental impacts, however effective risk management will increase the likelihood of the council achieving its strategic objectives, including to "protect and enhance our environment and keep Herefordshire a great place to live".

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

12. There are no equality duty implications arising from this report.

Resource implications

13. There are no resource implications arising from this report, however effective risk management should increase the likelihood of the council delivering its budget.

Legal implications

14. There are no legal implications arising directly from this report.

Risk management

15. There are no direct risks as a result of this report. It is clear that we still have some way to go to embed the new approach. By reviewing the corporate risk register on a regular basis, greater assurance is given that the council manages its risk effectively.

Consultees

16. None.

Appendices

Appendix A Corporate risk register

Appendix B Community wellbeing directorate risk register

Appendix C Children and young people directorate risk register

Appendix D Economy and environment directorate risk register

Appendix E Corporate centre risk register

Background papers

None identified.

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Risk Owner
CRR.60	Development of Sufficiency strategy to support best value model IF: the sufficiency strategy is not effective in a timely manner in order to meet outcomes for C&YP THEN: high costs demands in order to meet service need will continue within the budget	Jun-21	25 (5*5)	<ul style="list-style-type: none"> •Panels have been implemented to ensure robust monitoring and approval of all placements. •Data and information systems shared between the service, finance teams, and the placement team have been strengthened. 	20 (4*5)	Further mitigation required	<ul style="list-style-type: none"> •Working with Adults All Age Commissioning to support the review of contracts and inform future sufficiency and needs by March 2022 •Revision of the sufficiency strategy. •Reviewing of current contracts to ensure value for money. •Develop and implement a recruitment and retention model to increase fostering, short breaks / respite provision and emergency foster care. •Commissioning to urgently liaise with local providers to increase the capacity in the interim •Develop options and business case for potential future residential provision 	Service Director, Safeguarding and Family Support
CRR.61	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be a significant impact on availability of services - this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes.	Mar-17	16 (4*4)	External market workforce project launched. The council is in receipt of a £450,000 workforce development grant series of work streams using this funding are about to commence. It will now work collaboratively with local NHS partners and others to deploy innovative and proactive approaches to attracting people to careers in the Health and Care sectors. Regular provider forums with commissioned services and close monitoring of market capacity and responses.	16 (4*4)	Further mitigation required	Ensuring that the Adult Social Care agenda is high on priority list for other Directorates and wider system partners. Working with economic partners on master planning to shape the future market. The council will use its new contractual arrangements from 2021 onwards to support the care sector in sustaining and developing the workforce by encouraging providers to enhance the terms & conditions and pay rates of care workers. Taking all opportunities to highlight through regional and national networks the need for different approaches to enabling sufficient supply of workers into the care workforce.	Corporate Director, Community Wellbeing
CRR.63	Hereford City Centre Transport Package IF the balance of land payments and costs for the BP garage and associated interests is higher than the allocated budget THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further reduction was too significant then it may not be possible to meet the objectives of the business case without further capital funding. This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.	Oct-20	20 (4*5)	Continue to pursue a negotiated settlement in conjunction with specialist agents. Consider mediation as an alternative to settling through upper land tribunal. Seek specialist CPO legal support to rebut claim through tribunal.	16 (4*4)	Further mitigation required	Weekly discussions continuing with LSH, PM and BW. Further planning and Counsel advice being sought.	Interim Service Director, Environment, Highways and Waste
CRR.64	Inability to recruitment and retain social care staff and other key roles within the service IF: Unable to retain and recruit social care staff and other key roles THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved	Jun-21	25 (5*5)	<ul style="list-style-type: none"> •We have a small, dedicated recruitment team in Children's Services to ensure recruitment is consistently done in a timely manner •we have a dedicated senior HR lead supporting the service •We are introducing a recruitment and retention bonus from 1st October 2022. •A new recruitment microsite to be introduced in October 2022 •Establishment control re-established Sept 2022 •We entered a strategic partnership with Community Care from Feb 2022 to raise the profile and reputation of Herefordshire regionally and nationally •We have a blanket exception for MOU for social work post with a review after six months 	20 (4*5)	Further mitigation required	<ul style="list-style-type: none"> •Develop a unique employer identity and recruitment microsite •Refresh our regional comparator work to understand how our total reward package compares to others in the region - look at other features and benefits e.g. green lease cars •Complete the job families and career progression work; ensure the learning offer supports this; advertise as part of our employment offer •Use up to date research to understand generational and cultural needs of our own and prospective staff •Workforce and OD strategy requires further revision with a better learning and development offer. 	Corporate Director, Children and Young People
CRR.67	Ash Dieback (Chalara) IF: An action plan is not adopted to deal with the onset of Ash Die Back within the County boundaries THEN: the authority faces significant unplanned financial burden linked to removal of a significant percentage of tree stock and an increased liability linked to personal injury and third party damage claims.	Oct-16	25 (5*5)	Cross service "working group" being set up to assess the situation and pull together a council wide response to the risk. 2016 Report and 'way forwards' plan produced for relevant consultation and refinement. Draft 'endorsed' by national advisor to DEFRA, DEFRA and FERA officers and more progressed local authorities (Devon, Suffolk, Kent). Hfds Chalara Action Plan being kept updated ready for use as needed. The concern being raised to DMT. BBLP working on programme of work for network improvement with respect to trees on the network. This is plan Once programme of work is understood HC will look to fund and mitigate further.	25 (5*5)	Further mitigation required	Review of current controls in place, and risk to be completed by March 22, due to the unknown number of Ash Trees and location, high level of risk remains.	Interim Service Director, Environment, Highways and Waste
CRR.68	Waste Collection Vehicles - lead time for supply of new vehicles IF: Supply chain issues continue THEN: there is a risk that we will not be able to secure the required new waste collection vehicles in time for the mobilisation of the new waste collection service in Nov 23.	Feb-22	25 (5*5)	Soft market testing undertaken to engage potential suppliers - confirmed supply chain risks and potential 12 month+ lead times. ITT currently live for technical support to develop service spec in order to commence procurement for collection contract Identified at Project Board as a risk for escalation to the programme board	20 (4*5)	Further mitigation required	<ul style="list-style-type: none"> Contacting Local Authority Recycling Advisory Committee (LARAC) to ask members for their current experience or knowledge of delivery expectations. Contacting the Chartered Institution of Wastes Management to ask for their current experience or knowledge of delivery expectations. Contacting the Environmental Services Association to ask for their current experience or knowledge of delivery expectations. Contacting vehicle suppliers directly through market engagement exercise. (Extend current contract with SLR who have just completed soft market test). FCC to provide cost outline for extending current collection service to April 2024. 	Interim Service Director, Environment, Highways and Waste

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Risk Owner
CRR.69	Hereford City Centre Improvement (HCCI) Programme IF Delivery of HCCI is not delivered to programme THEN this could increase revenue pressure on Public Realm	Nov-21	16 (4*4)		16 (4*4)	Further mitigation required	Need to understand the potential revenue pressure and work in to annual plan and funding requirements	Interim Service Director, Environment, Highways and Waste
CRR.70 (NEW)	Hereford City Centre Improvements - delivery within LEP timescale IF The ability to deliver required works within the timescale of the LEP funding cannot be met THEN resulting in possible loss of funding.	Apr-21	20 (4*5)	Develop robust spend profile and programmes to focus on individual elements of the project that have been developed previously. Continue regular cabinet member and cabinet briefings to establish requirements to progress governance decisions. Identify delivery routes that will support required spend profile.	16 (4*4)	Further mitigation required		Interim Service Director, Environment, Highways and Waste
CRR.71 (NEW)	Hereford City Centre Improvement - decision making and VFM IF LEP decision making drive poor decision making and VFM	Apr-21	25 (5*5)	Regular project reviews to ensure VFM and robust decision making	16 (4*4)	Further mitigation required		Interim Service Director, Environment, Highways and Waste
CRR.72 (NEW)	Adult Social Care Reform: IF the expected numbers of current self funders become eligible for ASC without an appropriate level of Government funding THEN financial pressures on the Council to deliver individuals care and support needs will be unsustainable.	Aug-22	16 (4*4)	Budgetary provision for existing cohort and growth has been built into next years budget based on this years demand. Modelling of service users and if they are self funders to enable us to better understand who and where individuals are and their needs. System development for an online financial assessment form has been approved. This will enable service users to undertake their own assessments and upload their own documents potentially freeing up key staff. Regular DLT meetings to review, monitor and implement actions to mitigate financial pressures. Regular liaison between Director Community Wellbeing and Section 151 Officer, in addition both roles attend West Midlands ADASS meetings and link in with regional and national updates	16 (4*4)	Further mitigation required	A programme management approach is planned to commence in September 2022 to deliver against the requirements of Adult Social Care reform. This will give an opportunity to review how we maximise our ways of working within the Directorate and with our wider partners. Scope will include for example working practice model, end to end financial processes, Prevention work.	Corporate Director, Community Wellbeing
CRR.73 (NEW)	Removal of ring-fence around Public Health budget Increased call on Public Health Budget to off-set council savings due to inflationary pressures Ensure public health grant is utilised in accordance with the conditions of the grant. Any reduction or reallocation to the grant may reduce the councils ability to meet demand led services e.g. increased demand as a consequence of the pandemic e.g. growing mental health problems, suicides rates, obesity, winter deaths, sexual health LARC replacements etc.	Jul-22	16 (4*4)	Allocate and reprofile PH budget fully at the beginning of the year in order to achieve the public health outcomes SWAP audit being undertaken on Grant during Summer 22	16 (4*4)	Further mitigation required	Awaiting findings from audit and subsequent actions SLA's to be established with relevant departments following audit Opportunities to undertake MCDA to review all PH spend across the council	Director of Public Health
CRR.74 (NEW)	School Assets IF: The condition of school estate continues to deteriorate with insufficient budget to maintain school assets proactively THEN: There may be an increase in costs due to unplanned significant spend	Jun-21	20 (5*4)	The capital programme board is now chaired by the DCS as part of the overview and monitoring in line with corporate infrastructure	20 (5*4)	Further mitigation required	The capital programme is being managed by the project managers office as agreed by the corporate infrastructure. This is a permanent risk as schools will continue to require maintenance and there is currently an underfunding of maintenance works (priority 1); there good oversight on this risk and mitigation continues to drive this work forward alongside the need for additional funding	Service Director Education, Skills and Learning
CRR.75 (NEW)	SEND inspection - Risk of adverse inspection IF: We fail to prepare adequately for the SEND Inspection in a robust manner THEN: This will have an impact on the service and the progress on improvement of the service to meet the needs of the SEND children in Herefordshire	Sep-22	16 (4*4)	Peer review undertaken and feedback received to enable the service to prepare for inspection Multi-agency strategy group being established DFE support requested.	16 (4*4)	Further mitigation required	Interim SEND strategy needs to be developed and introduced. Timeliness and quality of EHCP must improve. Quality Assurance Framework needs to be developed and introduced. Policies procedures and documentation need to be reviewed and updated to ensure that the organisation are in a robust position prior to inspection taking place. Engagement Strategy needs to be developed and implemented.	Service Director Education, Skills and Learning
CRR.76 (NEW)	Educational Placements IF: Delays lead to EHC plan pupils not being allocated school places on time THEN: this leads to us failing to comply with the legal requirements to provide education placements to meet their needs	Sep-22	16 (4*4)	Ensure that EHC pupils are offered admission places within the normal timescales as this has knock on effect on school placements for all pupils	16 (4*4)	Further mitigation required	Establishing a strategic board to have oversight and provide challenge where necessary to ensure plans completed within timescale	Service Director Education, Skills and Learning
CRR.77 (NEW)	Increase in out of county educational placements IF: There is an increase in out of county educational placements for EHC Plan Pupils THEN: This places pressures on SEN Funding	Sep-22	16 (4*4)	Review is underway in terms of sufficiency of placements in county; and work is underway to reduce reliance on out of county placements	16 (4*4)	Further mitigation required	Free school special schools bids are being drafted to increase capacity in county	Service Director Education, Skills and Learning
CRR.78 (NEW)	Impact of Statutory Direction IF: We are unable to demonstrate and/or meet the Department for Education's (DFE) expectations as set out in the statutory notice to improve THEN: We could face more formal statutory intervention with the risk of the removal of children services from the councils control into a children's trust	Sep-22	20 (4*5)	Project management support in place together with governance arrangements. Regular oversight on progress is monitored by the Children's Commissioner, the Children's Improvement Board, CLT, Cabinet and Scrutiny Additional resources in place. New suite of performance and management information reports being developed and introduced.	20 (4*5)	Further mitigation required	Too soon to see impact of mitigation This is being kept under review	Corporate Director, Children and Young People

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Risk Owner
Risks de-escalated from the corporate risk register								
Closed risks								
CRR.66	Ofsted inspection IF: There is an adverse Ofsted inspection outcome Then: This will have an impact on staffing and the progress on improvement	Dec-21	20 (5*4)	Work is being completed to produce an accurate self evaluation Preparations are continuing in respect of inspection readiness Support for preparations is being provided by Sector Led Improvement Partner	20 (5*4)	Further mitigation required	This is being kept under review	Corporate Director, Children and Young People

Community Wellbeing Directorate Risk Register August 2022

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain					
	4 Likely				AC.01; AC.51; PH.01	
	3 Possible			AC.36; AC.37; AC.41	AC.06; AC.08; AC.34; AC.35; AC.38; AC.39; AC.48; AC.49; PH.02; PH.03; PH.04; PH.05;	
	2 Unlikely					AC.13
	1 Rare					

Reference	Description	Corporate Risk
AC.01	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be a significant impact on availability of services - this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes.	Yes (CRR.61)
AC.06	Staffing & Recruitment IF: we are unable to recruit to key worker roles THEN there will be a risk to delivering our services placing residents at risk	
AC.08	Use of Temporary Accommodation IF: the availability of temporary accommodation fails to match demand THEN this will mean that we are unable to meet our statutory duties under the Housing Act 1986 and Homelessness Reduction Act 2017	
AC.13	Continuing budget pressures and future of ASC funding IF: There continues to be uncertainty around the future and sustainability of adult social care funding, THEN the risk of not meeting statutory functions increases as does the risk of failure within the reliant social care economy in the county, such as care homes. In addition, the opportunity to re-model the way we provide services is limited	
AC.34	Discharge to Assess Funding WHEN NHS funding of discharge to assess model to manage hospital discharges during the Covid 19 outbreak ended 31st March 2022.	

	Capacity has been maintained, funded by reserves generated from underspending in previous years. There is sufficient funding for the services to be retained up to 31st March 2023, after which available recurrent funding is not sufficient to maintain current capacity. THEN without sufficient capacity and appropriate funding of pathway resources for example, bedded care that can be accessed in a timely way; responsive and safe discharge outcomes for patients may not be achieved. We are however now witnessing emerging post D2A and community pressures due to inflationary pressures and workforce challenges in the market challenging capacity to pick up cases.	
AC.35	Talk Community facilitation & Coordination in voluntary and community sector IF the facilitation and coordination of the voluntary and community sector isn't developed THEN the growth in the sector will be disparate and gaps in support will increase.	
AC.36	Talk Community development & growth in voluntary and community sector IF the development and growth of the volunteer base across the county doesn't increase within all demographics THEN the opportunity to develop support through volunteers will reduce and impact on areas of future delivery.	
AC.37	Talk Community reduced funding in voluntary and community sector IF the voluntary and community sector have reduced funding or funding ceases to organisations THEN the organisations and support will reduce across the county which will impact on supporting vulnerable people.	
AC.38	Talk Community adoption by internal and external partners IF Talk Community is not adopted by internal and external partners to address the population health, inequalities and well-being agenda THEN the support to the residents of Herefordshire could be less effective and impactful and the Talk Community strategy will not be implemented.	
AC.39	Staffing & Recruitment for Occupational Therapy IF the current vacancies are not filled THEN this could impact on service delivery and staff health and well being	
AC.41	Housing Benefit Decision Making The recent pattern of decisions around housing benefits claims for supported housing raises continuing risk that commissioning budgets will need to carry higher levels of cost for services than in the past. Continuing concerns and formal representations from supported housing providers indicates risk of more services being withdrawn or providers not competing to provide them.	
AC.48	Eligibility and Statutory obligations – Care Act 2014 With increasing volumes of people not receiving their assessed care packages this may result in harm to the individual or even their death.	
AC.49	Provision for unpaid family carers. The current approach to carers is strengths based, community focused and promoting independence and the draft strategy from 2021 will continue and expand on this. However, this strategy is not yet signed off. Furthermore, the recent approach has seen very low	

	levels of spend by the council directly related to carers or their needs, by regional or national comparisons. The Council may not be able to effectively meet the needs of all unpaid family carers. There is also a risk that carers will challenge this and seek public and media profile of the council's relatively low resourcing of carers.	
AC.51	Adult Social Care Reform IF the expected numbers of current self-funders become eligible for ASC without an appropriate level of Government funding THEN financial pressures on the Council to deliver individuals care and support needs will be unsustainable.	Yes (CRR.72)
PH 1	Removal of ring-fence around Public Health budget Increased call on Public Health Budget to off-set council savings due to inflationary pressures Ensure public health grant is utilised in accordance with the conditions of the grant. Any reduction or reallocation to the grant may reduce the councils ability to meet demand led services e.g. increased demand as a consequence of the pandemic e.g. growing mental health problems, suicides rates, obesity, winter deaths, sexual health LARC replacements etc.	Yes (CRR.73)
PH 2	Fixed term roles and permanent staff to meet demand IF current fixed term contracts end and there are no extensions or permanent roles created THEN Public Health will have less staff to deliver a wide range of services.	
PH 3	Substance use recovery service and vacancies IF the Substance Use Recovery service is unable to fill vacancies THEN contract may not be fulfilled and population health outcomes will be poorer	
PH 4	Demand for services post Covid and capacity to meet this Increased service demand post Covid results in long waiting lists. For example sexual health services. Services may not have capacity to meet demand.	
PH 5	Risk of inflationary pressures placed on existing contracts with providers Contracts don't include any uplift	
PH 6	Oral health and dentist access IF access to dentists remains a challenge in the county, THEN there is a risk to the work to improve oral health which includes messaging about visiting dentists for check-ups and access to fluoride varnish etc.	
PH 7	Another Pandemic and resource and capacity to meet it IF there is another significant pandemic THEN Public Health and the Council would have limited capacity and staff resource to step into key roles and manage the outbreak.	

Children and Young People Directorate Risk Register September 2022

		Impact			
		2	3	4	5
Likelihood	5		CF.06 --	CF.05 ↑	
	4	N/A		CF.11 * CF.12 * CF.13 *	CF.01 -- CF.02 -- CF.14 *
	3	N/A		CF.07 -- CF.08 --	
	2	N/A	N/A	N/A	CF.04 -- CF.09 --

Reference	Description	Corporate Risk
CF.01	Inability to recruitment and retain social care staff and other key roles within the service IF/AS: Unable to retain and recruit social care staff and other key roles THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved	Yes (CRR.64)
CF.02	Development of Sufficiency strategy to support best value model IF: the sufficiency strategy is not effective in a timely manner in order to meet outcomes for C&YP THEN: high costs demands in order to meet service need will continue within the budget	Yes (CRR.60)
CF.04	Multi Agency Safeguarding Hub IF/AS: We do not create an integrated MASH then there will be inconsistent decision making will occur Then: Children will not be safeguarded in a timely manner	
CF.05	School Assets IF: The condition of school estate continues to deteriorate with insufficient budget to maintain school assets proactively THEN: There may be an increase in costs due to unplanned significant spend	Yes (CRR.74)
CF.06	Special School Demand IF: Demand continues for special school places, we are not be able to place locally and we might run out of independent and non-maintained places within daily travel THEN: There is a risk to the High Needs budget which in turn carries a reputational risk, there is a risk of legal challenge as we will not be able to meet need and children might unnecessarily placed residentially disrupting family life	

CF.07	<p>Storing and recording of records IF: We fail to store records in the correct manner and comply with information governance policy THEN: Critical key data in respect of the child's journey could be lost, mislaid or not used; which, would potentially impact on the outcomes for the child and family</p>	
CF.08	<p>ICT Systems IF: The technology ICT systems/ platforms are not utilised to the full potential THEN: We fail to provide consistent service delivery for children and families in Herefordshire</p>	
CF.11	<p>SEND inspection - Risk of adverse inspection IF: We fail to prepare adequately for the SEND Inspection in a robust manner THEN: This will have an impact on the service and the progress on improvement of the service to meet the needs of the SEND children in Herefordshire</p>	Yes (CRR.75)
CF.12	<p>Educational Placements IF: Delays lead to EHC plan pupils not being allocated school places on time THEN: this leads to us failing to comply with the legal requirements to provide education placements to meet their needs</p>	Yes (CRR.76)
CF.13	<p>Increase in out of county educational placements IF: There is an increase in out of county educational placements for EHC Plan Pupils THEN: This places pressures on SEN Funding</p>	Yes (CRR.77)
CF.14	<p>Impact of Statutory Direction IF: We are unable to demonstrate and or meet the Department for Education's (DFE) expectations as set out in the statutory notice to improve THEN: We could face more formal statutory intervention with the risk of the removal of children services from the councils control into a children's trust</p>	Yes (CRR.78)

Economy and Environment Directorate Risk Register September 2022

		Impact						
		2	3	4	5			
Likelihood	5	EE.20 EE.21 EE.38	EE.46 EE.47		EE.15			
	4		EE.05 EE.07 EE.09 EE.17 EE.39	EE.23 EE.27 EE.32 EE.33	EE.12			
	3		EE.02 EE.06 EE.10 EE.11 EE.31	EE.40 EE.48 EE.49	EE.19 EE.24 EE.25 EE.26 EE.30	EE.34 EE.35 EE.36 EE.37 EE.41	EE.42 EE.43 EE.44 EE.45	EE.03 EE.04 EE.13 EE.14 EE.28
	2	N/A	N/A	N/A				

Reference	Description	Corporate Risk
EE.02	Food Hygiene Inspection Program IF: there is non-compliance with the Food Standards Agency (FSA) Code of Practice with regards to the interventions at D & E rated food businesses THEN: possible FSA intervention and increased public health risk	
EE.03	Waste management services contract - best decision IF: we fail to make best decision in regard to WMSC extension THEN: value for money to the council will not be delivered.	
EE.04	Waste management services contract - resourcing of review IF: we do not appropriately resource the review THEN: there is a risk that we may not meeting the tight timescales to be able to re--procure a new service in time	
EE.05	Herefordshire fuel poverty level IF/AS: Fuel poverty levels in the county rise (the latest sub-regional statistic (2018) is above the national average) THEN: There is a public health and reputational risk that we are not addressing fuel poverty levels and moving forward incidences of excess winter deaths and costs to health, social care will rise.	
EE.06	Destination Hereford - last year of secured DfT funding IF: There is no follow up funding opportunity to apply to OR if we are unsuccessful in this if there is a next funding round THEN: the vast majority of the Destination Hereford project will finish in Sept 2022	
EE.07	Herefordshire on street cycle hire scheme (Beryl) IF: we are unable to secure additional external funding THEN: there will be a £125k revenue pressure in 22/23.	
EE.09	Corporate Energy Bills IF: Forecasted energy prices for next year do not start to decline THEN: The cost of energy bills for the council's corporate estate will rise considerably next year (in the region of 17-19% for gas and 11-14% for power). This is currently estimated by WME at ~£120k for 2022/23.	
EE.10	Solar PV for Schools IF: Schools have roof condition surveys and PV install not go ahead THEN: The project will not be able to realise full spend	
EE.11	Warm Homes Fund- Delivery and funding drawdown IF: Supply chain issues continue THEN: there is a risk that delivery will not be completed in line with targets and funding will not be maximised.	
EE.12	Waste Collection Vehicles - lead time for supply of new vehicles IF: Supply chain issues continue THEN: there is a risk that we will not be able to secure the required new waste collection vehicles in time for the mobilisation of the new waste collection service in Nov 23.	Yes (CRR.68)

EE.13	Wetlands IF: Wetlands are to deliver the required phosphate reduction to enable housing development in the Lugg catchment areas THEN: The delivery of these wetlands must be driven at pace to ensure that (1) the effective moratorium is unblocked ASAP and (2) the requirement to spend £1m of the LEP grant by 31/3/22 is met so that the £1m LEP funding does not have to be returned.	
EE.14	Ecology Resource IF: The ecology team does not get additional resource THEN: The delivery of their statutory role in planning consultations will not be met and the internal expertise to deliver many of the council's environmental actions within the corporate plan will also be at risk.	
EE.15	Ash Dieback (Chalara) IF: An action plan is not adopted to deal with the onset of Ash Die Back within the County THEN: the authority faces significant risk and liability linked to personal injury and third party claims. The current significant risk on the network is in the Public Realm and Property. There is a significant risk of unplanned financial burden linked to removal of a significant percentage of tree stock on council land and the potential impact of trees adjacent to the Public Realm and Property. Chalara also poses a significant risk to the county's biodiversity as the loss of the county's ash population would also have wider negative impacts for woodland biodiversity and ecology.	Yes (CRR.67)
EE.17	BBBLP Annual Plan Delivery Covid 19 cost IF: additional cost continues to be identified due to the current resource situation (the costs are captured in the AP EW's and RR meetings) THEN: there will be delivery/financial implications for the Annual Plan *Additional funding from government is expected but the extent is not known.	
EE.19	Severe Weather and other Emergencies IF: Severe weather, or other major emergencies events occur (for example severe and prolonged winter periods) the need will exceed programmed operational resources THEN: The service will need to call on corporate revenue reserves if it is to continue to meet the Council's duties as a highway authority.	
EE.20	Highway Condition IF: The maintenance of the highway network continues at the current level THEN: the condition of the network will continue to deteriorate and the cost of rectifying this deterioration will increase with adverse reputational impact.	
EE.21	Local flood risk management strategy IF: The implementation of the LFRMS is not fully embedded THEN: HC will not be able to manage local flood risk in a more co-ordinated way and won't be able to help individuals, communities, businesses and authorities understand and manage flood risk within the county.	
EE.23	HCCI - Delivery of HCCI programme could increase revenue pressure on Public Realm Council promoted schemes such as HCCI - programme could increase revenue pressure on Public Realm due to asset management.	Yes (CRR.69)

EE.24	HCCI - WPD sub-station IF A new location for the WPD substation and the replacement works are not progressed. THEN The ability to progress the next phase of construction and meet the LEP spend requirements for 21/22 financial year may be compromised.	
EE.25	Infrastructure Projects IF Projects are to be let through open procurement outside the public realm contract THEN There may be delays to scheme progression or significant pressure on resources to meet the scheme delivery and management requirements.	
EE.26	Hereford City Centre Transport Package - BP garage IF there is a delay to concluding the claim received for the BP Garage THEN significant costs may be incurred if the matter is taken to a tribunal.	
EE.27	Hereford City Centre Transport Package - land budget IF the balance of land payments and costs for the BP garage and associated interests is higher than the allocated budget THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further reduction was too significant then it may not be possible to meet the objectives of the business case without further capital funding. This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.	Yes (CCR.63)
EE.28	Phosphate Pollution in Lugg Catchment IF: A way forward cannot be found in relation to the moratorium on housing development in the River Lugg catchment arising from elevated phosphate levels THEN: the 5 Year Housing Land Supply figure will fall further which will have a severe impact upon the weight of Neighbourhood Development Plans and the outcome of planning appeals, leading to a 'plan led' rather than a 'policy led' county.	
EE.30	CCTV - camera location IF funding isn't available to upgrade or provide additional CCTV cameras in Hereford city due to the installation of trees impeding the views of CCTV THEN there is a possibility that the service will cease delivery, or need to provide a reduced service.	
EE.31	Hereford City Centre Transport Package - upper land tribunal Increase in costs associated from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.	
EE.32	HCCI - delivery within LEP timescale IF The ability to deliver required works within the timescale of the LEP funding cannot be met THEN resulting in possible loss of funding.	Yes (CRR.70)
EE.33	HCCI - decision making and VFM IF LEP decision making drive poor decision making and VFM	Yes (CRR.71)
EE.34	HCCI - exceed budget IF Proposed works exceed budget	

EE.35	HCCI - change in aspirations IF The aspirations of the current cabinet diverge from the existing scheme requiring more substantial changes to be made impacting costs and programme.	
EE.36	HCCI - contractor sub-performance IF Contractor sub-performance may affect the quality, programme and cost of the project.	
EE.37	HCCI - emerging cost pressures IF There are emerging cost pressures on a number of the HCCI elements which require careful decision making. It should be noted that the below are estimates made on the 'worst-case' scenario.	
EE.38	Green Homes Grant Local Authority Delivery (GHG LAD) phase 2 project IF: Funding is not defrayed for green home measures by project end THEN: allocated Herefordshire funding will need to be returned to Midlands Net Zero Hub (MNZH)	
EE.39	Green Homes Grant LAD 1a project IF contractor evidence is not provided of scheme (MoU) compliance THEN further funding may need to be returned to BEIS.	
EE.40	Electric Vehicle Charge Point Concession Contract IF connection costs at each site are too high to be commercially viable THEN the contractor risks under delivering against the number of sites committed to in the contract	
EE.41	Road conditions programme IF: The ongoing programme of road condition improvements is not sustained in accord with the asset management strategy THEN: the overall customer satisfaction with the condition of roads will decrease as a consequence of the deterioration in the highway asset.	
EE.42	Public Realm - Managing End of Contract - Asset, data	
EE.43	Public Realm - Managing End of contract - performance and budget	
EE.44	Public Realm - Shaping new Contract, performance and contract time	
EE.45	Public Realm - Response to the Audit - contract improvement plan.	
EE.46	Public Realm - Increased inflationary pressure on the Annual Plan budget	
EE.47	Resident Parking Zones Validity IF Resident parking Zones in Hereford are not compliant to the Traffic Regulation Order THEN rectification works will need to be undertaken to correct the situation. The cost and reputational damage could be significant.	
EE.48	Resources (Highways and Transport) IF: Resource levels are not enhanced THEN: The capability to monitor and manage the network is compromised, responses to workload and issues will be limited.	
EE.49	Response to DMMO Applications IF: Resource levels are not enhanced THEN: The capability to monitor and manage the network is compromised, responses to workload and issues will be limited.	

Corporate Centre Directorate Risk Register August 2022

		Impact			
		2	3	4	5
Likelihood	5				
	4	N/A	CS.01 -- CS.02 -- CS.03 -- CS.04 -- CS.05 -- CS.06 --		
	3	N/A	CS.18 -- CS.25 -- CS.19 -- CS.26 -- CS.20 -- CS.27 -- CS.21 -- CS.28 -- CS.22 -- CS.30 -- CS.23 -- CS.32 -- CS.24 --	CS.07 -- CS.14 -- CS.08 -- CS.15 -- CS.09 -- CS.16 -- CS.10 -- CS.29 -- CS.11 -- CS.31 -- CS.12 -- CS.33 * CS.13 --	
	2	N/A	N/A	N/A	CS.17 --

Reference	Description	Corporate Risk
CS.01	Mandatory IG and IS Training IF staff do not complete their mandatory IG and IS training before being given access to business systems THEN this may lead to data breaches or the mis-management of information and risk referral to the Information Commissioner and/or legal challenge with resultant unbudgeted costs and reputational damage for the Council.	
CS.02	Fastershire delivery IF coverage and take up falls short of plans with the revised broadband strategy THEN premises will not be able to take up a service or make the most of investment in the fibre network effecting economic performance and community vitality.	
CS.03	New projects expectations and requirements IF insufficient capacity in procurement team to support due to increasing demand through new project and expectations THEN tender strategies and approaches may fall short of best practice and policy requirements.	
CS.04	Legal resourcing Inability to control external fees spend within allocated budget of £400k	

Reference	Description	Corporate Risk
CS.05	SARS Requests IF SARS requests continue to increase to the council THEN there will be increased workload for staff.	
CS.06	Access to the dentist If access to dentists remains a challenge in the county, then there is a risk to the work to improve oral health which includes messaging about visiting dentists for check-ups and access to fluoride varnish etc.	
CS.07	Covid impact on population health If due to Covid, people's health got worse, then we will increase inequalities and have a negative effect on the whole system.	
CS.08	Recruitment Strategy IF: the council is unable to recruit and retain the level and scale of staff required across the organisation due to inability to attract and/or an unsustainable employable local demographic THEN: there will be insufficient staff to meet service demands; an inability to progress service development; and a financial implication of using agency staff/contractors.	
CS.09	Cyber-attack IF: we do not protect against a potential cyber-attack THEN: we could be at risk of losing data in breach of principle 7 of the Data Protection Act which would lead to potential fines from the Information Commissioner Office and reputational damage	
CS.10	Council Redesign/Resources IF: Reducing resources in the form of grant, uncertainty and the requirement to deliver transformation at speed combine THEN: there will be a risk of failure to meet statutory and/or legal duties and powers.	
CS.11	Risk of Challenge If staff do not comply with the Contract Procedure Rules and Public Contract Regulations (2015) Then there could be a challenge to the contract award process which could result in a failure to uphold the law, reputational damage and impact	
CS.12	Procurement Support IF tenders are not adequately planned or resourced reflecting addition in grant funded projects and new escalated delivery THEN there may not be sufficient resources within the team to support the procurement process, which could result in delays to projects, inadequate application of best practice, potential for mistakes, business continuity issues and delivery of council goals.	
CS.13	Records Management If staff do not comply with records management policy, practice and procedures - including using the systems available THEN important information can be lost including for court cases, subject access searches and FOI.	
CS.14	Major Capital Projects IF: We don't deliver Major Capital Projects within budget or within	

Reference	Description	Corporate Risk
	timescale THEN: this will lead to increased costs and reputational damage	
CS.15	EU exit IF: there is uncertainty, inflation and resource restrictions THEN: there may be an impact on the economic and social programmes of the Council and its partners which would impact affordability and result in resource gaps	
CS.16	NHS Health checks stopped due to service requirements during pandemic. If these are not restored then there is the potential of high risk individuals not accessing prevention and support at an early stage to reduce or resolve potential long term health issues.	
CS.17	Evacuation of buildings IF we do not have sufficiently trained fire wardens to assist in the evacuation of staff from buildings during a fire THEN the employer may fail in their duty of care to make sure anyone using our buildings can safely evacuate	
CS.18	IT budget If it is not clear on the spend for IT with links to contracted spend THEN there is a risk of overspend.	
CS.19	Public Health staff capacity If PH staff capacity is not sufficient then we won't be able to deliver our objectives.	
CS.20	Covid 19 funding issues IF: Government does not fully fund the financial implications of responding to the Covid 19 pandemic THEN: we will overspend our revenue budget, placing pressure on revenue reserves and ultimately the financial failure of the council	
CS.21	Good decision-making IF: officers and members do not uphold the principles of good decision-making THEN: the Council may make poor decisions which either result in lost opportunities or increased costs.	
CS.22	IT skills and culture IF the workforce do not have the IT skills or the willingness to make the most of technologies THEN the council is not making the most of the tools available to create efficient services or progress service delivery	
CS.23	IT development IF the council does not invest in digital solutions working across the organisation THEN opportunities for better customer engagement, communications and efficient services delivery will be effected and the council will fall behind on what residents and businesses want and what other council can provide. To always be based on should business cases and value for money with return on investment.	
CS.24	Emergency events IF: significant events happen (e.g. severe weather, major flooding, terrorism and/or influenza pandemic risks) THEN: there could be a significant cost implication to the Council and it may be necessitate	

Reference	Description	Corporate Risk
	staff redeployment to backfill and maintain critical services. Failing to respond effectively to major emergencies/incidents could result in a loss of public confidence through adverse publicity, loss of life to public or council employees, loss of service, economic damage or environmental impacts. Lack of trained staff (deployed or other) means we may not respond as quickly/effectively as we should.	
CS.25	PH delivery of grant spend If recruitment to vacant roles remains challenging there is a risk to spend of universal funding granted to Turning Point.	
CS.26	Medium Term Financial Strategy IF: the Council does not deliver its MTFS strategy, either through poor budgetary control or inflationary pressures THEN: there is a risk that the organisation will not achieve a balanced budget and risk service failure	
CS.27	Legal recruitment Inability to recruit to the new structure will lead to challenges in managing the demand for legal support	
CS.28	Accountability for grants IF the council does not properly manage grants THEN: the council could be liable for financial and reputational risks	
CS.29	Information governance IF: staff do not treat the information they access appropriately THEN: this may lead to the risk of referral to the Information Commissioner and/or legal challenge with resultant unbudgeted costs and reputational damage for the Council.	
CS.30	Staff Retention in Property Services IF: Staff leave/retire THEN: Key knowledge, programme delivery and statutory compliance will be compromised	
CS.31	Infrastructure projects land acquisition IF: we are unable to acquire land to enable major infrastructure THEN: there is a risk to delivery of major infrastructure (e.g. roads/highways)	
CS.32	Winter maintenance plan IF: we have no maintenance plan THEN: we will be unable to prioritise limited budgets to ensure continued service delivery	
CS.33	Complaints not being dealt with IF: complaints are not being investigated in a timely manner by the services THEN: then time scales will be missed and escalated to the LGSCO	



Title of report: Work programme

Meeting: Audit and Governance Committee

Meeting date: 31 October 2022

Report by: Democratic Services Officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

(All Wards)

Purpose

To consider the committee's work programme (Appendix A).

Recommendation(s)

That subject to any further updates made by the committee, the work programme for the Audit and Governance Committee be agreed.

Alternative options

- 1 There are no alternative options, as the committee requires such a programme in order to set out its work for the coming year.

Reasons for recommendations

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

Key considerations

- 4 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

- 5 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.

Environmental impact

- 6 Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

- 7 This report does not impact on this area.

Resource implications

- 8 There are no financial implications.

Legal implications

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

Risk management

- 10 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

- 11 The Director of Finance and Assurance / S151 Officer, Director of Governance and Legal Services / Monitoring Officer, and committee members contribute to the work programme; the work programme is reviewed at each meeting of the committee.

Appendices

Appendix A Work programme for the Audit and Governance Committee

Background papers

None identified.

Audit and Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.									
3.5.10	Internal Audit	Internal Audit								
a	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Internal Audit Plan and Internal Audit Charter Progress Report on internal audit plan (see part b for timing) Internal Audit Annual Opinion			Opinion					Internal Audit Plan and Audit Charter
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on internal audit plan	Progress report				Progress report		Progress report	Progress report
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services.									
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Tracking of internal and external audit recommendations		Tracking Report				Tracking Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.	Progress Report on internal audit plan (see part b for timing)								
3.5.11	External Audit	External Audit								
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress.	Annual audit fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Auditor's Annual Report External Audit Annual Plan		External Audit Plan (including indicative fee)			External Audit Findings Report		External Audit Plan Auditor's Annual Report	
b	To consider specific reports from the External Auditor.	External Audit progress update	Progress Report						Progress Report	Progress Report
c	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council's local (external) auditor.									
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	Governance									
a	To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract and Finance Procedure Rules Re-thinking Governance	Re-thinking governance report		Accounting Policy Update (if required) Contract and Financial Procedure Rules					Re-presentation of the Constitution
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work programme Corporate Risk Register	Work programme Corporate Risk Register	Work programme	Work programme	Work programme	Work programme Corporate Risk Register	Work programme Corporate Risk Register	Work programme	Work programme Corporate Risk Register
c	To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.	Whistleblowing policy Anti-fraud & corruption strategy	Anti-fraud update as part of internal audit progress report	Anti-fraud, bribery and corruption policy				Whistleblowing	Annual update on anti-fraud, bribery and corruption	Anti-fraud update as part of internal audit progress report
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	Statement of Accounts			Statement of Accounts		Statement of Accounts			
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement				Draft AGS	Final AGS			
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report							AGS Progress Update	
g	To annually review the council's information governance requirements.	Information Governance Review						Annual review of information access / governance		

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Audit and Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, caldicott guardian and equality and compliance manager reviews).	Annual Governance Statement Annual Governance Statement Progress Report								
i	To adopt an audit and governance code.									
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only								
3.5.13	Waste Contract									
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.	Energy from Waste Loan Update				Energy from Waste Loan Update				
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable.	Energy from Waste Loan Update				Energy from Waste Loan Update				
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update				Energy from Waste Loan Update				
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update				Energy from Waste Loan Update				
3.5.14	Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council									
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council.	Annual Code of Conduct Report							Annual code of conduct report	
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council.	Part of Re-thinking Governance Review	Re-thinking Governance							
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.	Part of Re-thinking Governance Review	Re-thinking Governance							
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct.	Part of Re-thinking Governance Review	Re-thinking Governance							
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment.	Recruitment done on an as required basis and not currently scheduled.								
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report							Annual code of conduct report	
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer.	On an ad hoc basis only								
3.5.15	Accounts									
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report			Statement of Accounts					