

## Supplement to the agenda

### Audit and Governance Committee

Tuesday 11 June 2024, 2.00 pm

Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE

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8.	<b>Draft Annual Report of the Audit Committee</b>  To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2023/24 municipal year.	3 - 8



# Draft Annual Report of the Audit Committee

## Role of the Audit and Governance Committee

The audit and governance committee is responsible for providing assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme. The responsibilities for functions are set out in paragraphs 3.5.9(e) to paragraph 3.5.15 of the [Council constitution](#).

## Brief summary of report

This is a draft annual report from the Audit and Governance Committee which provides an update on the work undertaken as a Committee, during the municipal year. The senior officers who support the work of the Committee have each contributed sections to this report covering:

- Accounts
- Code of Conduct
- Governance
- Internal Audit
- External Audit
- Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions
- Regulation of Investigatory Powers
- Risk and Risk Register
- Shareholder Committee
- Waste Contract

### 1. Chairman's Introduction

This is the first annual report of the Audit & Governance Committee. The information summarises the work of the committee during the last municipal year and so is not new. The purpose is to put in one place an easy to read summary of the work of the committee.

I am pleased to draw attention to the Annual Audited Accounts which are amongst the first to be audited and signed off in the country. This gives assurance that the Accounts are accurate and can be relied upon. This cannot be said for many Councils who's Audits are several years behind. My Committee would like to thank the council officers who have worked hard to achieve this position.

I am pleased that we have begun the process of recruiting an Independent Person to the Committee. I look forward to welcoming them during the year.

### 2. Accounts

#### Statutory Accounts 2022/23

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Further information on the subject of this report is available from  
Jenny Preece, , email: [jennypreece@herefordshire.gov.uk](mailto:jennypreece@herefordshire.gov.uk)

The Finance Team prepared the council's Statement of Accounts for 2022/23 and published in line with the statutory deadline of 31 May 2023; presenting the draft, unaudited accounts to Audit & Governance Committee in June 2023. In October 2023, the Audit & Governance Committee approved the audited Statement of Accounts for 2022/23 and the Annual Governance Statement, providing assurance to Members and residents on the council's financial reporting processes, governance framework and internal controls in place throughout the financial year.

The Statement of Accounts was reviewed and decluttered for 2022/23 with significant changes to the presentation and ordering of the primary statements and supporting notes. These changes have made the accounts easier for the reader to understand whilst ensuring compliance with the required technical standards.

### **3. Code of Conduct**

During 2023/24, the Monitoring Officer received 45 complaints about alleged breaches of the Code of Conduct; 15 proceeded to formal investigation. There were 18 complaints in the previous year. 78% of complaints related to elected members of Town or Parish Councils.

The Council has four Independent Persons, who provide advice and consultation to the Monitoring Officer, as required by the Localism Act 2011. In accordance with the Council's resolution in May 2022, two Independent Persons are consulted on all cases that proceed to initial assessment or beyond.

The Committee agreed on 12<sup>th</sup> December 2023 to change transparency provisions in respect to officer decisions made under the arrangements for investigations to ensure that the Standard's Panel were aware of all decisions taken even if there is no further action. This will take effect in the new administrative year. The Committee received the Monitoring Officers Annual Report on the Code of Conduct on the 31 July 2023

At its meeting on 30 January 2024, Audit and Governance Committee was updated about a review of the process that is underway, and resolved that Cllr Woodall was delegated to be the member of the Committee to be an early consultee on the changes to be recommended on the Code of Conduct arrangements. The review is now complete and consultation is proceeding as planned.

### **4. Governance**

#### **I. Fees and Charges**

The Committee received a request in October 23 to change the Financial Procedure Rules in respect to Fees and Charges. This included the principles that needed to be considered when setting a fee and charge but also setting out an agreed process how these could be varied in year between budget setting.

#### **II. Independent Expert**

On 27 September 2023 the Committee received a report on the merits of appointing an external independent expert to act as an advisor to the committee. This was unanimously supported and recruitment of the expert will commence in May 2024. The Council's Independent Remuneration Panel has been asked to consider whether a small allowance is payable in respect to the expenses associated with the position.

#### **III. Whistleblowing**

The Whistleblowing Policy and associated guidance was updated and approved by the Committee on 23 June 2023. The Council's internal auditor also performed a review on the process, its visibility,

response training and compliance and provided a reasonable assurance opinion. There were 4 recommendations and each was completed during the review or shortly thereafter. This was reported to Committee on 24 October 2023.

In the year, three complaints were received using the whistleblowing policy and two were investigated by the relevant department and a response provided. The third related to an external body and signposting advice was provided to the individual.

## **5. Internal Audit**

The Committee have received quarterly Internal Audit progress reports during 2023/24 to review audit work completed and consider any weakness in internal controls and governance arrangements arising from testing undertaken. This update enables the Committee to consider the improvements identified and agreed by management and monitor subsequent implementation and effectiveness of such actions.

Through the presentation of the annual Internal Audit Plan, the Committee has had the opportunity to review proposed coverage of key business objectives and associated risks and consider whether planned work is sufficient to give an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. During 2023/24, the Committee reviewed a number of reports presented by Internal Audit where audit testing and review provided only 'limited assurance'. The role of the Committee in such instances is to understand weaknesses identified and gain assurance that recommended improvements will deliver effective accountability.

## **6. External Audit**

The council's external auditors issued an unqualified audit opinion in October 2023, with no material errors or adjustments to the financial statements identified through their audit testing. As part of the work undertaken by the external audit team, the appropriateness of the council's accounting policies, accounting estimates and financial statement disclosures were evaluated with no errors or omissions noted. As a result of continuing resource and skills challenges in local audit teams and a historical backlog of outstanding audit opinions across the sector, the issue of an unqualified audit opinion for 2022/23 represents a significant achievement for the council and is the result of high quality audit evidence and an effective relationship between the council's finance team and external auditors, supported by members of the Audit & Governance Committee.

The timely completion of the statutory, independent, audit process provides valuable assurance over the local authority's arrangements to provide complete, accurate and timely financial statements as well as confirming the appropriateness of accounting policies and treatment of estimates and judgements. Herefordshire Council was one of the first unitary authorities to receive an audit opinion for 2022/23.

## **7. Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions**

Following the elections in May 2023, all councillors received information governance training. This included training in data protection, information requests and how these apply to councillors, information security, cyber security and data breaches.

In November 2023, the Audit & Governance Committee considered a report from the Information Governance Manager entitled 'Annual review of the Council's Information Requests & Complaints 2022/23'. This report detailed performance information for 2022/23, specifically around information security incidents and data breaches and information requests received by the council (Freedom of Information requests, Environmental Information Regulation requests, subject access requests under the data protection legislation and requests from the police and other organisations). The report

explained how the volume of requests received continued to be high, a trend which has continued into 2023/24, particularly in the number of subject access requests received. The report also detailed reporting arrangements and reviews of key policies relating to information governance.

An annual report on Complaint and Compliments for 2022/2023 was considered by the Audit Committee in November 2023. The report was compiled and presented by the Council's Complaints team who have responsibility for managing complaints, service requests, enquiries and compliments across the council. Alongside this, separate reports on the Local Government and Social Care Ombudsman's annual review letter.

The annual report noted a 15.6% overall increase in the volume of complaints received by the council in 2022-23, although the overall trend over the last 5 years has been on an upward trajectory. 2022-23 saw an increase in complaints received in Children and Young People Directorate, this trend has continued to be seen into 2023-24, particularly in the children in care service.

A theme of 'Service Failure' was consistently an area of concern this year with this category receiving the highest number of complaints with 167 relating to this area around the directorates. It is concerning that across all directorates this is an area that is continuously complaints about. 137 complaints were categorised as 'No / Poor Communication'. A common theme, when looking at the detail of the complaints, is there is a lack of follow-up communication following a meeting, a lack of communication following a service request and no communication when requesting to speak to a professional within Herefordshire Council. A number of complaints in this area relate to members of the public not being able to contact the department / team / professional they are attempting to contact. Whilst I appreciate we have over 700 lines within the council it is concerning that this is a common theme. Feedback from complainants has been that "no-one answers their phone" or "no-one calls me back". It is positive to see that of the 790 complaints, the fewest number were categorised as 'Delay / Wrong Information' with 65 in this area across the council. Given the consequences that providing wrong information to a member of the public can have, it is positive that this has been minimal this year.

The Local Government and Social Care Ombudsman also makes recommendations where it finds fault and the council. In 2022-23 44 complaints were submitted to the LGSCO, the LA were found to be at fault with 8 of those cases, in comparison to year 2023-24, 56 complaints were submitted to the LGSCO, however fault was only found with 4, this did include the corporate complaints policy, which has since been rectified.

## **8. Regulation of Investigatory Powers**

Regulation of Investigatory Powers Act 2000 (RIPA) provides a lawful means for public authorities to breach the right to privacy which is contained in the European Convention on Human Rights Article 8. A revised Code of Practice was published in December 2022 pursuant to section 71(4) of the Regulation of Investigatory Powers Act 2000.

No authorisation requests were received during 2023/24. Herefordshire Council's Policy and Procedures has remained under review and has been regularly updated. The Policy was approved by Cabinet in June 2021, revised in June 2023, and will next be reviewed in June 2026.

An inspection request was received by the CEO on 17 January 2024 from the Investigatory Powers Commissioners Officer requesting information in respect to the Council's operation of RIPA. Our response resulted in notification that there was no need for an in person inspection on the basis that the authorisation requests issued had been substantially compliant. Further training has been provided in April and planning for May 2024 for officers whose role may involve any form of RIPA or non RIPA surveillance. Officers with senior roles in the process are receiving further training in June 2024.

## **9. Risk and Risk Register**

The constitutional role of the Committee includes ensuring that the council's risk management process is carried out effectively. It is not the function of the Committee to examine specific risks in detail but should it have specific concerns it will raise these with officers or make a recommendation to the relevant Scrutiny Committee. At its March meeting the Committee received a report on Risk Management Policy. The committee also receives a report on the current Corporate Risk Register showing risks identified across the Council and actions being taken to mitigate such risks.

## **10. Shareholder Committee**

The Shareholder Committee has not met in a decision making capacity since April 2023. However, officers have briefed current members of the Shareholder Committee on Cyber Quarter Ltd and Hoople Ltd. The protocol in respect to the reporting of company performance has been drafted and will be recommended to the Shareholder Committee at its next meeting on the 17 June 2024 together with further briefings on Cyber Quarter Ltd and Hoople Ltd.

## **11. Waste Contract**

In December 2023, the Committee received an annual update on the council's energy from waste loan arrangement. This review enables the Committee to monitor administration of the loan, compliance with financial covenants and to consider any risks to the council as lender. The Committee received assurance that loan repayments of interest and principal amounts have continued and that loan covenants have been satisfied with no significant issues or risks to future loan repayments. The loan represents a significant asset in the council's balance sheet and this annual review, alongside external audit testing of balances, confirms that the financial affairs of the council are properly conducted and there is an adequate risk management framework in place.

### **Sources of further information**

The agendas, reports and minutes of the Audit and Governance Committee for the period under review can be found on the Council's website at:

[Browse meetings - Audit and Governance Committee - Herefordshire Council](#)

