

AGENDA

Audit and Governance Committee

Date: **Tuesday 18 March 2014**

Time: **10.00 am**

Place: **The Council Chamber, Brockington, 35 Hafod Road,
Hereford, HR1 1SH**

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

Chairman

Councillor J Stone

Vice-Chairman

Councillor NP Nenadich

Councillor CNH Attwood

Councillor EMK Chave

Councillor PGH Cutter

Councillor MAF Hubbard

Councillor TM James

Councillor Brig P Jones CBE

Councillor PJ McCaull

Councillor DB Wilcox

AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the agenda.	
4. MINUTES To approve and sign the Minutes of the meetings held on 25 September 2013 and 26 November 2013.	7 - 14
5. INTERNAL AUDIT PROGRESS REPORT 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.	15 - 24
6. GRANT THORNTON AUDIT PLAN To note the external auditors audit plan for the financial year ended 31 March 2014.	25 - 42
7. GRANT THORNTON AUDIT AND GOVERNANCE COMMITTEE UPDATE To note and comment on the external auditors update report for Herefordshire Council.	43 - 66
8. REVIEW OF THE STANDARDS PROCESS To consider alternative options for the operation of the Council's Standards process.	67 - 76
9. STATUS OF ROSS-ON-WYE COMMUNITY GOVERNANCE REVIEW GROUP To clarify the status of the group conducting the Ross-on-Wye Community Governance Review.	77 - 80

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HEREFORDSHIRE COUNCIL

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Governance held at The Library, The Shire Hall, Hereford on Wednesday 25 September 2013 at 11.00 am

Present: Councillor J Stone (Chairman)

Councillors: CNH Attwood, PGH Cutter, TM James, Brig P Jones CBE, PJ McCaull, NP Nenadich and AJW Powers

Officers: D Powell (Chief Officer: Finance and Commercial, H Donaldson (Governance Services)

10. APOLOGIES FOR ABSENCE

Apologies were received from Councillors EMK Chave and AJ Hempton-Smith.

11. NAMED SUBSTITUTES (IF ANY)

Councillor AJW Powers substituted for Councillor EMK Chave.

12. DECLARATIONS OF INTEREST

There were no declarations of interest made.

13. MINUTES

RESOLVED: That the Minutes of the meeting held on 5 July 2013 be confirmed as a correct record and signed by the Chairman.

NOTE:

The Chairman reported to the Committee that the next Council meeting would consider the membership of the Audit and Governance Committee, because it was necessary to address issues relating to political proportionality, vacancies on the Committee and the appointment of a Vice-Chairman.

14. AUDIT FINDING REPORT

[Note: In order to further the efficient transaction of business, the Chairman agreed to consider agenda item 6 (Statement of Accounts) first, this agenda item second, and an additional agenda item (Community Governance Review – Ross-on-Wye) last.]

The Director of Grant Thornton UK, the Council's appointed external auditor, presented the report in respect of the audit findings from the annual audit of the Council's annual accounts. In addition, he tabled the Audit Opinion at the meeting. He added that, although the Opinion had been given, the accompanying Certificate would be temporarily withheld pending the receipt of a potential objection from a member of the public, who had notified him that it would be submitted later in the week. He reported that, overall, the draft accounts were of a good standard, and were a clear improvement on the previous year due to the Council's robust review of quality.

The following points were made during the ensuing discussion on the Audit Finding Report:

- In respect of Section 3 of the report (Value for Money), it was noted that the Council faced a particular challenge in relation to recovering its overspend, especially in the light of its economies of scale as a smaller authority. It was important to consider which of the Council's services would be prioritised for 2014/15, with the high costs of Adult Social Care being of foremost concern. The Director added that the move to bring Adult Social Care Services in-house was positive, and was likely to achieve savings in line with other authorities who had taken similar action.
- The Committee welcomed the continued involvement of the Overview and Scrutiny Committees in overseeing the budget, and seeking regular assurance from the budget monitoring representatives.
- Members requested that updates on the budget action plan, and identified risks, be considered at all of its meetings.

RESOLVED: That

- (a) the external audit findings and action plan for Herefordshire Council dated 31 March 2013, be noted; and**
- (b) an updated action plan and identified risks be considered by the Audit and Governance Committee at every meeting, along with a management response in respect of each point on the plan.**

15. STATEMENT OF ACCOUNTS

The Head of Corporate Finance presented the 2012/13 Statement of Accounts, which were a statutory requirement and had been produced in accordance with the CIPFA code of practice. The Statement as presented had been approved by the Chief Officer Finance and Commercial, and would need to be published by 30 September 2013. She drew the committee's attention in particular to the key considerations at paragraph 8.2 of the covering report. She gave members an overview of the full Statement of Accounts, and expanded in more detail on the following points in response to questions from members:

- Paragraph 2.2: The most significant overspend on the revenue account was £5.9 million in relation to adult social care, which was offset by savings in other directorates, savings on the treasury management budget, and by the sale of West Mercia Supplies.
- Paragraph 2.7: Of the earmarked reserves of £13.9 million, £5.5million were allocated to schools' balances, and could be used only for this specific purpose. A further £3.3 million related to as yet unused grants. General reserves were £4.6 million at 31 March 2013 compared to £6.1 million in the previous year.
- Paragraph 2.8: The increase in the deficit on the pension scheme, from £159.3 million in 2012, to £187.4 Million in 2013, would be eliminated over a period of years, starting with a review of the pension fund position later in the year. The Chief Officer Finance and Commercial reported that the pension fund was currently cash-positive, although with the pension base likely to diminish in future years due to government cuts, it was likely that a larger employee contribution

would be required. He added that the Council had requested Herefordshire representation on the pension committee, and suggested that the Audit and Governance Committee could continue to lobby for this.

- The reference to property, plant and equipment on the balance sheet on page 44 of the agenda, related solely to items in the Council's ownership, and not to those belonging to any of its contractors.
- In response to a general question about the Council's level of borrowing, the Head of Corporate finance confirmed that borrowing was not secured against property. Loans used for capital spending were always matched by an increase in the revenue budget; therefore the ability to re-pay loans was always factored into the base budget.
- With reference to the cash flow statement on page 46 of the agenda, it was noted that a new collection system for council tax and business rates would be introduced in 2014. Collection rates would continue to be monitored, and the impact of the new system would be assessed through the internal audit programme. A member commented that the change in the system would lead to a proportion of business rates coming directly to the Council, which he suggested could be used to assist the start-up of new businesses.

RESOLVED: That

- (a) the 2012/13 Statement of Accounts be approved; and**
- (b) the draft letter of representation be signed by the Chairman of the Audit and Governance Committee and by the Chief Officer Finance and Commercial.**

16. COMMUNITY GOVERNANCE REVIEW

[Note: The Chairman agreed that this item be put to the Audit and Governance Committee under paragraph 4.2.6.1 (b) of the Council's constitution, on the grounds that, it should be considered as a matter of urgency in order to progress the review.]

The Head of Governance presented his report in respect of a Community Governance Review (CGR) of the areas of Ross Town Council and Ross Rural Parish Council, which had been approved by the Committee on 21 September 2012. At that meeting, the Committee had set up a Community Governance Review Sub-Committee, and agreed a politically proportionate membership of Councillors AM Atkinson, CNH Attwood, PGH Cutter, AJ Hempton-Smith and JA Hyde. The CGR was due to start in the autumn of 2013, and the Head of Governance had agreed to arrange training for members ahead of the review.

The current position was that Councillors Atkinson and Hyde were not members of the Audit and Governance Committee. Councillor Hempton-Smith had advised his political group that he would tender his resignation later in the week, and it was therefore necessary to revise the Sub-Committee membership and appoint a Chairman and Vice-Chairman.

Councillor Powers requested further discussion with his political group about representation, and it was agreed that he would notify the Committee of the nominee after the meeting. The remaining membership of the Sub-Committee was agreed as Councillors Attwood, Cutter, Jones and Stone, with Councillor Stone chairing.

RESOLVED: That

- (a) The nominations of Councillors CNH Attwood, PGH Cutter, P Jones and J Stone to the Community Governance Review Sub-Committee, be approved;**
- (b) The nominee from the It's Our County Group be notified to the Head of Governance by the group leader as soon as possible; and**
- (c) Councillor J Stone be appointed Chairman of the Community Governance Review Sub-Committee, and a Vice-Chairman be appointed from the Sub-Committee membership at its first meeting.**

17. CHIEF OFFICER FINANCE AND COMMERCIAL

The Committee noted that the Chief Officer Finance and Commercial, Mr David Powell, would leave the Council shortly to take up a new post at Powys County Council. The Chairman, on behalf of the Committee, thanked him for his professionalism and dedication over many years of service to the Council, and wished him every success in the future.

The meeting ended at 12.50 pm

CHAIRMAN

MINUTES of the meeting of Audit and Governance held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Tuesday 26 November 2013 at 10.00 am

Present: Councillor J Stone (Chairman)
Councillor NP Nenadich (Vice Chairman)

Councillors: CNH Attwood, EMK Chave, MAF Hubbard, TM James,
Brig P Jones CBE and DB Wilcox

In attendance: Councillors PJ Edwards and A Seldon

P Jones (Grant Thornton), T Tobin (Grant Thornton) D Gilbert (Internal Audit),
J Sharman (Independent Person), D Williams (Independent Person)

Officers: C Cameron (Senior Governance Support Officer), E Hermon (Statutory
Services Manager), J Jones (Monitoring Officer), P Robinson (Chief Finance
Officer), V Roissetter (Principal Auditor)

17. APOLOGIES FOR ABSENCE

Apologies were received from Councillors PGH Cutter and PJ McCaull.

18. NAMED SUBSTITUTES

There were no named substitutes present at the meeting.

19. WELCOME

The Chairman welcomed David Williams and John Sharman, the Council's Independent Persons on the Standards Panel, to their first meeting of the Committee.

Councillors MAF Hubbard, NP Nenadich and DB Wilcox were also welcomed to their first meeting of the Committee.

20. DECLARATIONS OF INTEREST

Councillor EMK Chave declared a non-pecuniary interest in agenda item 6 Standards Panel Recommendations – personal friend of Councillor Harvey.

Councillor MAF Hubbard declared a non-pecuniary interest in agenda item 6 Standards Panel Recommendations – friend of Councillor Harvey and attended the Standards Panel on 10 October 2013.

Councillor CNH Attwood declared a non-pecuniary interest in agenda item 5 Internal Audit Progress Report – Board Member of Hoople Ltd.

21. BUDGET MONITORING REPORT - SEPTEMBER 2013

The Committee considered the report of the Chief Finance Officer which gave an update on the financial position of the Council to 30 September 2013, together with the Treasury Management position:

- The Chief Finance Officer spoke to his report outlining the monitoring arrangements put in place, emphasising that the budgeting process will replenish the Council's reserves which had reduced.
- Attention was drawn to page 20 of the Report which identified a £2.3m saving which would not be achieved this financial year. It was confirmed that plans had been put in place to achieve this saving in the next financial year.
- A Member expressed concern that savings originally identified in the current year would not be fully achieved. They also expressed concern about the risks associated with the level of reserves.

The Chairman of the General Overview and Scrutiny Committee commented on the need for effective contract monitoring. He suggested that a joint Task and Finish Group should be established to review this issue.

A Member questioned the robustness of the budget and its capacity to take account of unexpected demand such as a flu pandemic. The Chief Finance Officer acknowledged that unexpected events were a high risk in respect of budget management.

Concern was expressed about the setting of effective and realistic targets for the delivery of savings. It was recognised that improvements were needed in this area of budget management.

RESOLVED: That:

- (a) the Report and the present position be noted; and**
- (b) the Chairman of the Committee and the Chairman of the General Overview and Scrutiny Committee consider setting up a joint Task and Finish Group to review the effectiveness of the Council's contract monitoring arrangements.**

22. INTERNAL AUDIT PROGRESS REPORT

Consideration was given to the report of the Head of the Internal Audit Service updating the Committee on the progress of internal audit work and also drawing attention to key internal control issues from work recently completed.

Members were pleased to note that improved assurances had been achieved in a number of areas such as the Agresso access controls and Hoople Ltd (Governance and Performance Management).

Performance Management, Sustainability and Business Continuity and the General Ledger and Creditors functions had all now been given "Adequate Assurance". However, concern was expressed about the lack of progress in respect of the review of the Council's Health and Safety function which had previously been given a "Limited Assurance". The Committee requested assurance that progress was being made following the Auditor's Report. The Statutory Services Manager reported that action was being taken and Property Services were implementing a robust review of the health and

safety issues identified in the report and plans were in place to implement follow up actions, the costs of which would be met from within existing budgets.

In response to a question it was confirmed that no improvement/enforcement notices had been served on the Council.

A discussion took place on the arrangements put in place by Hoople Ltd concerning its audit arrangements.

RESOLVED: That subject to the above comments the Report be accepted.

23. ANNUAL AUDIT LETTER 2012/13

The Committee considered the report of the Chief Finance Officer attached to which was the external auditor's statutory Annual Audit Letter for 2012/13. It was noted that the external auditors had highlighted four key issues for the Council to focus on in the coming year:

- the Council's financial position;
- Adult Social Care;
- Waste disposal; and
- Safeguarding Children

The Committee were pleased to note that an unqualified opinion on the accounts had been issued by the external auditors.

In response to a question, it was reported that work was still needed to improve the Council's process for the production of final accounts and it was recognised that additional training had been provided to staff on the use of the Agresso ledger system.

Following a Member's question it was explained that the Audit Fee was set by the Audit Commission and not Grant Thornton and that a 40% reduction from the previous year's fee had been negotiated.

RESOLVED: That subject to the above comments the report and the Annual Audit Letter for 2012/13 be noted.

24. REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE

Consideration was given to the report of Grant Thornton, External Auditors, which explained that as part of the work to support its value for money conclusions, the external auditors had reviewed the Council's arrangements for securing financial resilience.

The Committee noted the external auditors' conclusion that the Council faced very significant financial risks which needed to be responded to urgently.

Concern was expressed about the number of potential risks or weaknesses that had been identified and the fact that the level of the Council's Reserve Balances had been identified as a high risk.

The Committee was assured that arrangements had been put in place to address the risks identified by the Council's external auditors. These included making significant budget savings to replenish reserves and bringing adult social care in house with considerable savings.

Although the Committee accepted that plans were in place to address the risks, it remained concerned about the Council's level of reserves.

RESOLVED: That subject to the above comments the report be noted.

25. STANDARDS PANEL RECOMMENDATIONS

The Committee considered the report of the Monitoring Officer which contained the recommendations of the three Independent Persons following meetings of the Standards Panel on 10 September, 9 October, 10 October and 6 November.

There was a lengthy discussion about the Standards process for dealing with Standards complaints operated by the Council. It was accepted that the process had been approved by the Committee and reviewed earlier in the year, but it was felt that further consideration should be given to the procedure.

It was reported that Group Leaders had indicated that they would like the Committee to further review how the Council dealt with complaints against Councillors.

RESOLVED:

That:

- 1. The Monitoring Officer be asked to prepare alternative options for the operation of the Council's Standards process.**
- 2. (a) the Chairman's report of the Standards Panel meeting on 9 October 2013 (Reference 13026) be agreed and the subject Member be required to make a formal public written apology to the complainant.**
(b) the Chairman's report of the Standards Panel meeting on 10 October 2013 (Reference 13020 and 13022) be agreed and the subject Member be required to make a formal written apology to the complainant and the views of the Panel in respect of complaint reference 13020 be endorsed.
(c) the Chairman's report of the Standards Panel meeting on 6 November 2013 (Reference 13001, 13016 and 13017) be approved and the view of the Standards Panel in respect of these complaints be endorsed.

The meeting ended at 12.52 pm

CHAIRMAN

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	18 MARCH 2014
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS REPORT
REPORT BY:	INTERNAL AUDIT - FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

The purpose of this Internal Audit Report is to update Members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.

Recommendation

THAT subject to any comments the Committee wishes to make the report be noted.

Key Points Summary

- Audit Services is in the process of completing audits that have been set out within the Internal Audit Plan for 2013/14. We have finalised a number of audits, including those on the Procurement, NNDR and Council Tax, Housing Benefit functions and an audit of the Council's arrangements against ISO 27001. We have also completed our on-site work and issued draft reports in other areas such as Access Controls (Academy/IDOX).
- The remaining audits within the plan are currently being completed or being agreed with officers.
- Audit Services is continuing to provide support, guidance and information in a number of areas to Council Officers in respect of specific reviews. We have provided further information on these areas at paragraphs 14 to 15.

Alternative Options

1. This report is for information and therefore alternative options are not applicable.

Reasons for Recommendations

2. To ensure compliance with good practice as set out in the Public Sector Internal Audit Standards (PSIAS).

Further information on the subject of this report is available from
Darren Gilbert – Head of Audit Services on (01432) 260425

Introduction and Background

3. The purpose of this report is to ensure that the Committee is informed of the status of internal audit work and any key internal control issues identified from work completed.

Key Considerations

Audit work completed

4. The Internal Audit plan for 2013/14 was approved by the Audit and Governance Committee on 13 May 2013. We have set out the number and type of audit reviews to be completed in Appendix 1.
5. We have completed and finalised nine audits. We issued “Substantial” audit opinion reports over the Council’s NNDR and Council Tax, Benefits and ISO 27001 functions.
6. We issued “Adequate” audit opinion reports over the Council’s Treasury Management and Procurement functions. We noted that while some improvements could be made in these areas, no major areas for development were identified.
7. We issued “Limited” Assurance reports over the Council’s Data Protection, Public Health (Food Hygiene) and Income Collection (Industrial Lets) functions.
8. We previously reviewed the Council’s Data Protection function in 2013 and we graded the area as providing “Limited Assurance”. As part of our current review we noted that while the Council has made good progress in improving data protection controls and processes since our initial review, further work was required to ensure that a fully effective control framework is in place that prevents breaches of the Data Protection Act 1998 (“the Act”). Further work is required to ensure that the Council understands the type of information that it holds to ensure compliance with the Act. The Council is aware of the actions that it needs to take and has a plan in place that seeks to ensure compliance over the forthcoming year.
9. In 2013 we reviewed the process and controls which the Council has in place to ensure income due for the rent of its Industrial Buildings was fully collected in a timely manner. We reported that significant work was required in this area to ensure rents were being collected promptly. Our sample testing in 2013 found two instances where charges had been raised incorrectly totalling £8k. The errors were corrected promptly. Additionally, as a direct result of our previous review another error was identified and an additional £168k was collected by the Council. As part of our current review of this area we noted that while some progress has been made in income collection process, robust controls have still not been implemented which ensure that all rental income due to the Council is being billed and collected. As part of our testing we again found an example of where income was not being collected as required. The three recommendations which we made in 2013 remain outstanding and further work is required to ensure that an effective control framework is in place in this area.
10. We reviewed the Council’s Public Health (Food Hygiene) function in 2013 and issued a “Limited” Assurance opinion. We graded the function as providing “Limited Assurance” on conclusion of our current follow up review. The Council’s compliance with relevant legislation and statutory Codes of Practice in relation to food safety and food hygiene has improved and good progress has been made against the recommendations made in our previous audit. However, we have noted that one significant area of non-compliance still exists; this is in respect of the Council’s ability to complete a full programme of food hygiene inspections each year in line with the Food Law Code of Practice. We noted a specific decision has been made by management and endorsed by the Council’s Regulatory Committee where the Environmental Health (Commercial) Team will undertake a reduced inspections programme using a risk based

approach, with higher risk food establishments taking priority. Although this means the Council is planning to not comply fully with the Code, this is nevertheless a decision that has been reached transparently and taking account of the Council's challenging financial position. It does, however, increase the risk that the Council may not prevent or detect events or circumstances that could compromise the health and wellbeing of individuals, groups and the community as a whole. This risk was recognised in the report that was presented to the Regulatory Committee in June 2013 on the proposed food hygiene inspection programme for the current financial year. Given its significance, it is important that the Council keeps this decision under regular review.

11. We are due to issue draft reports on the Council's General Ledger, IT Strategy, Creditors and Payroll functions shortly. We have also commenced on site work on the following audits:
 - Budgetary Control;
 - Schools;
 - Transport team;
 - Anti-Fraud and Corruption (Hot Topics); and
 - Savings and Benefit Realisation.
12. Once these reports have been issued and finalised we will report any significant issues arising from these reviews to future meetings of the Audit and Governance Committee.
13. We are in the process of agreeing the remaining audits set out within the Internal Audit Plan with Council officers.

Other Audit Input

14. Audit Services has also reviewed the systems and controls the Council has in place over the Troubled Families Grant process and has issued a draft report in this area to officers. One of the conditions of the grant paying body was that there is an appropriate internal audit assurance mechanism in place to support the periodic returns the Council has to submit.
15. Audit Services is also completing work on the process and controls which the Council has in place over Social Care payments. This review will also focus on how the Council ensures that an effective relationship exists with other stakeholders, such as the Clinical Commissioning Group.

Community Impact

16. This report does not impact on this area.

Equality and Human Rights

17. This report does not impact on this area.

Financial Implications

18. There are no Financial Implications.

Legal Implications

19. There are no Legal Implications.

Risk Management

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

Consultees

21. The SLT and the Section 151 Officer were consulted in the drafting of this report.

Appendices

Appendix 1 – Status of Audit Plan 2013/14

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Appendix 3 – Rating of Recommendations

Background Papers

22. None

Appendix 1 – Status of Audit Plan 2013/14 – March 2014

Note: The scope and timing of audits is subject to confirmation and the agreement of the Project Sponsor.

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Core Support Systems					
Payroll	In progress	-	-		
Creditors	In progress	-	-		
Treasury Management	Final Report issued	Adequate	-	2	2
Income Collection (Follow up)	November 2013	Limited	1	-	-
General Ledger	In progress	-	-		
Council Tax/NNDR	Final Report issued	Substantial	-	-	2
Benefits (Housing and Council Tax)	Final Report issued	Substantial	-	-	-
Asset Register	In progress	-	-		
Procurement	Final Report issued	Adequate	-	4	2
Transport Team	In Progress	-	-		
Root and Branch (Governance)	-	-	Project no longer in place, audit resource moved to complete other audit reviews.		
Health and Safety	April 2014	-	-		
Business Continuity	April 2014	-	-		
Legal Services	April 2014	-	-		

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
IT Systems					
ISO 27001 Information Security	Final Report issued	Adequate	-	-	5
Access Controls review - Agresso, Academy, ISIS and Abacus	April 2014	-	-		
Data Protection (Follow Up)	Final Report issued	Limited	-	1	2
IT Strategy	In Progress	-	-		
Anti-Fraud Systems					
Anti-Fraud and Corruption – Hot Topics and Risk Areas	In progress	-	-		
Governance Systems					
Risk Management	April 2014	-	-		
Performance Management	April 2014	-	-		
Savings and Benefits Realisation	In progress	-	-		
Audit Commission – Anti-Fraud Return	Completed	N/A	N/A		
Operational Systems – Directorates					
Places and Communities - Public Health – Food Licensing (Follow Up)	Final Report issued	Limited	Follow Up Review		
Places and Communities – Highways Contract Management	April 2014	-	-		
Places and Communities – Delivery of Projects funded by the Skills Funding Agency	April 2014	-	-		

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Places and Communities – Broadband rollout – project and financial management	In Progress	-	-		
Places and Communities - HALO	March 2014	-	-		
Places and Communities - Homelessness & Housing	April 2013	-	-		
Corporate Services - Digital channels project	In Progress	-	-		
Schools					
Financial Management	In progress	-	-		

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Conclusion	Definition
No assurance	One or more priority one recommendations and fundamental design or operational weaknesses in more than one part of the area under review (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
Limited assurance	One or more priority one recommendations, or a high number of medium priority recommendations that taken cumulatively suggest a weak control environment (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in a significant exposure to reputation or other strategic risks).
Adequate assurance	One or more priority two recommendations (i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Substantial assurance	No or priority three only recommendations (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).

Appendix 3 – Rating of Recommendations

At the last Audit and Governance Committee Members requested further clarification on how audit recommendations are graded. We detail below how we assess the importance of recommendations which we make. Within the table we also set out how we can apply these priorities to recommendations we could make in a particular audit. This example is a review of Health and Safety.

Priority	Definition	Health and Safety Example Audit
Red <i>(Priority 1)</i>	A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation ; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Any recommendations in this category would require immediate attention .	Issues that result in non-compliance with Health and Safety Legislation, i.e. No Health and Safety Policy in place.
Amber <i>(Priority 2)</i>	A potentially significant or medium level weakness in the system or process which could put the Council at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring, if not addressed .	Issues that may result in non-compliance with Health and Safety legislation if not corrected or improved, ie Health and Safety Policy in place, however, incomplete in one or two sections.
Green <i>(Priority 3)</i>	Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.	Issues that are best practice, ie Health and Safety Policy in place, however, could be subject to minor improvement, such as listing new job titles for staff.



MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	18 MARCH 2014
TITLE OF REPORT:	GRANT THORNTON AUDIT PLAN
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To note the external auditors audit plan for the financial year ended 31st March 2014

Recommendation(s)

THAT: The Audit and Governance Committee note the report.

Alternative Options

1. There are no Alternative Options

Reasons for Recommendations

2. International Standards on Auditing prescribe matters which external auditors are required to communicate with those charged with governance. The Audit Plan outlines our external auditors' (Grant Thornton) strategy and plan to deliver the audit for the financial year ended 31st March 2014.

Key Considerations

3. Grant Thornton's audit plan for Herefordshire council is attached as an appendix to this report. It sets out their approach to the audit for the financial year ended 31st

Further information on the subject of this report is available from Peter Robinson, Chief Financial Officer, on Tel (01432) 383519

March 2014 and highlights the risks that have been identified.

Community Impact

4 None

Equality and Human Rights

5 There are no implications arising from this report

Financial Implications

6 The audit fees will be £173,203 including grant certification

Legal Implications

7 None

Risk Management

8 The audit plan has identified the key risks and Grant Thornton will report their findings to future meetings of the Audit and Governance Committee

Consultees

9 None

Appendices

- The Audit Plan for Herefordshire Council

Background Papers

- None identified.



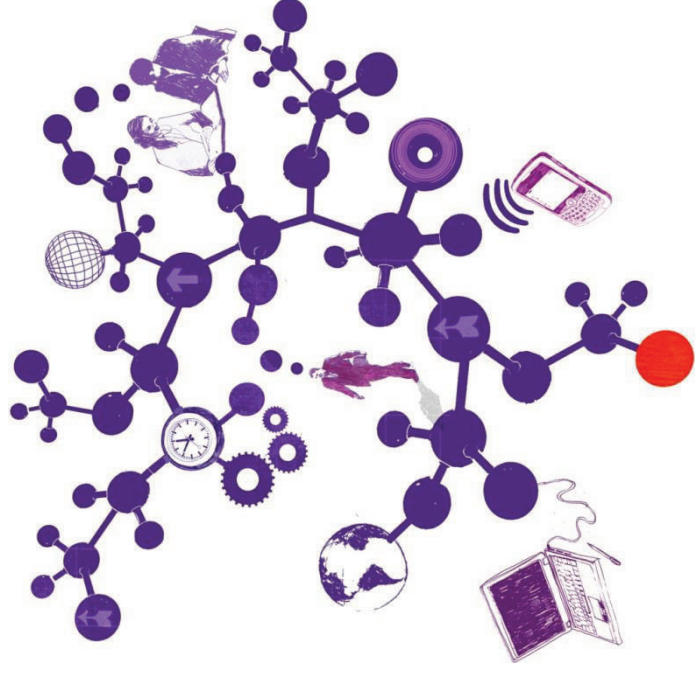
The Audit Plan for Herefordshire Council

Year ended 31 March 2014
February 2014

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

Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Results of interim work
8. Value for Money
9. Logistics and our team
10. Fees and independence
11. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Medium Term Financial Plan & Financial Pressures

- The Council is operating in an era of significant uncertainty about the financial position for 2013/14 and beyond. The Council will need to save £33m between 2014/15 and 2016/17. Savings proposals have been identified to meet this gap, including £15.4m in 2014/15

2. Adult Social Care

- This area is presenting the Council with a very significant financial challenge. Adult Social Care faces significant future pressures due to increased life expectancy and future demand due to an ageing population

3. Safeguarding Children

- Significant changes are planned to be made to address issues raised by Ofsted around arrangements for the protection of children.

4. Waste Disposal

- The Council is, in conjunction with its partner Worcestershire County Council, seeking to vary the existing waste disposal contract to provide a waste from energy plant. This has attracted significant media and public attention.

5. Better Care Fund

- The Better Care Fund (formerly the integrated transformation fund) is a single pooled budget for health and social care services to work more closely together in local areas. Authorities need to plan with their partners for access to the fund by submitting plans in early 2014.

Our response

- We will undertake a review of the financial resilience as part of our VFM conclusion.
- We will review the Council's achievement of savings plans.
- We will review the Council's use of its reserves.

- Through discussions with key officers and document review, we will monitor progress in this area as part of our VFM work.

- Through discussions with key officers and document review, we will monitor progress in this area as part of our VFM work.

- We will continue our dialogue with offices over this issue and respond appropriately to correspondence from members of the public. We will also review the decisions made and consider their impact on the Value for Money conclusion.

- We will meet with senior management and members on a regular basis to discuss their response to the opportunities and challenges facing the Council.

Developments relevant to your business and the audit

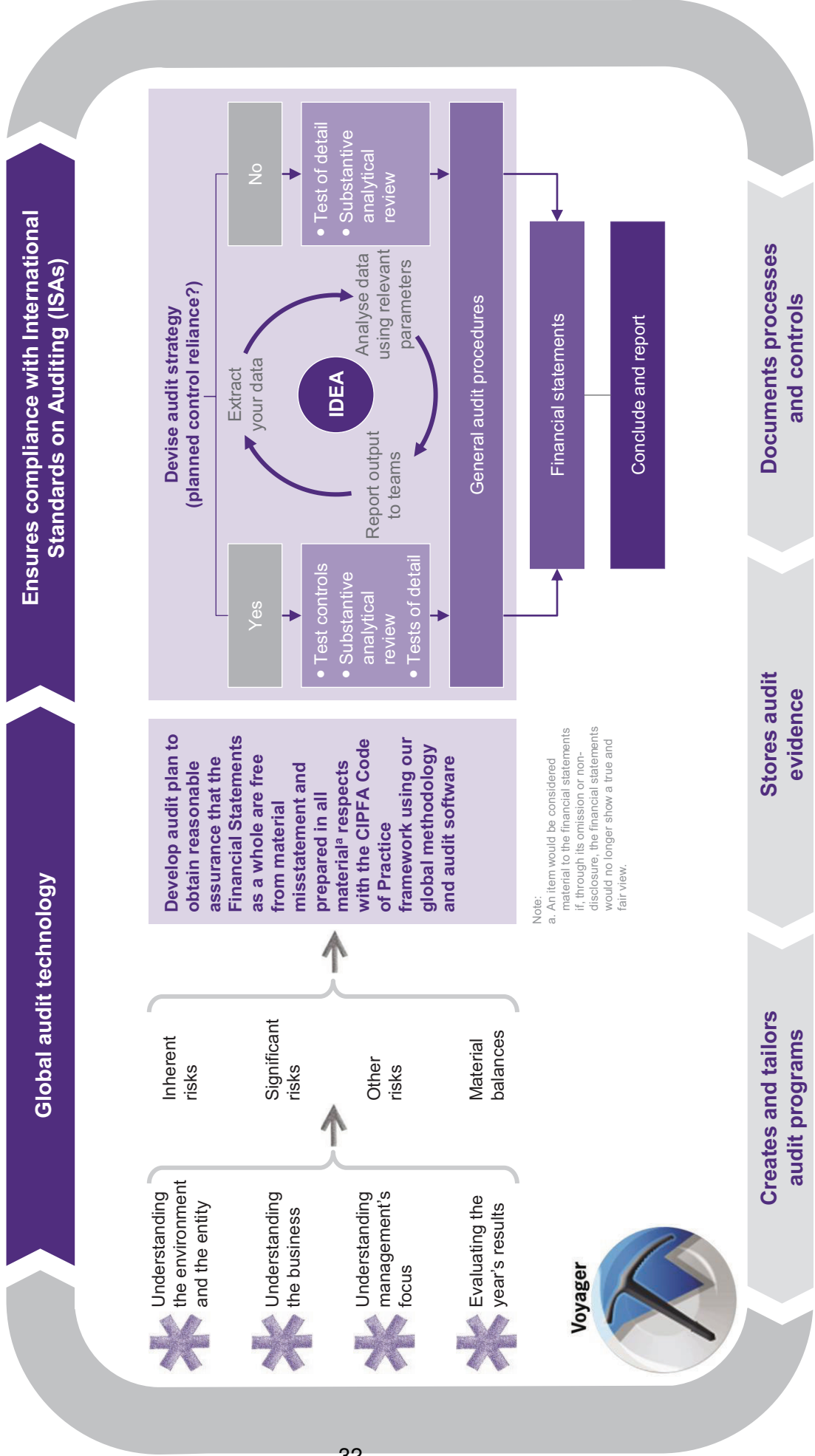
In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice (the code') and associated guidance.

Developments and other requirements				
<p>1. Financial reporting</p> <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Clarification of Code requirements around PPE valuations Changes to NDR accounting and provisions for business rate appeals Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> Local Government Finance settlement Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans
<p>6. Other requirements</p> <ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes grant claims and returns on which audit certification is required 				

Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing schools are accounted for correctly and in line with the latest guidance 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management. 	<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan We will undertake a review of Financial Resilience as part of our VFM conclusion
<ul style="list-style-type: none"> We will carry out work on the WGA pack in accordance with requirements We will certify grant claims and returns in accordance with Audit Commission requirements 				

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>We will:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for operating expenses and carried out walkthrough tests to confirm the operation of controls. 	<p>We will carry out testing including:</p> <ul style="list-style-type: none"> the completeness of the subsidiary system interfaces and control account reconciliations review of monthly trend analysis of payments cut off testing of purchase orders and goods received notes(both before and after year end) <p>Testing will also cover a sample of operating expenses covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for and in the correct period.</p>
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for operating expenses and carried out walkthrough tests to confirm the operation of controls. 	<p>We will carry out testing including:</p> <ul style="list-style-type: none"> the completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements sample of payments in made in April & May to ensure payroll expenditure is recorded in the correct year. review of monthly trend analysis of total payroll <p>Testing will also cover a sample of employee remuneration payments covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for and in the correct period.</p>

Other risks identified

Other reasonably possible risks	Description	Work completed to date	Further work planned
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for operating expenses and carried out walkthrough tests to confirm the operation of controls. 	We will carry out testing in accordance with the methodology required to certify the housing benefit subsidy claim.
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for operating expenses and carried out walkthrough tests to confirm the operation of controls. 	We will carry out testing on a sample of PPE transactions covering the period 1/4/13 to 31/3/14.
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for operating expenses and carried out walkthrough tests to confirm the operation of controls. 	<p>We will review the qualifications, term of reference and the assumptions and methods used by the Valuer, in their work carried out as an expert for the Council.</p> <p>We will review valuation reports to support the accounting entries.</p>

Value for money

Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
<p>The organisation has proper arrangements in place for securing financial resilience</p>	<p>The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future</p>
<p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness</p>	<p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity</p>

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Review the Council's financial resilience, as reflected in the medium term financial strategy and the savings factored into the annual budgets.
- Follow up on the actions that have been undertaken to address the Ofsted report
- To review the arrangements the Council has put in place to ensure VfM in relation to the proposed variation to the waste contract.
- We will monitor the Council's progress in planning for the Better Care Fund.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

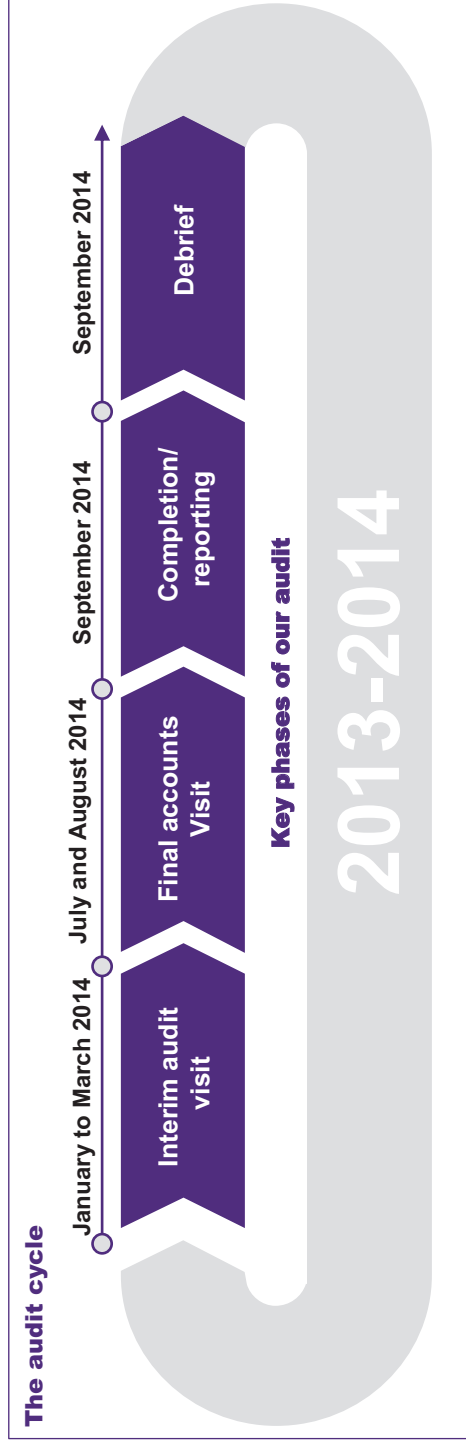
We will report the results of our interim work to the Audit and Governance Committee. The work to be carried out is detailed in the table below. Should the outcome of our interim work impact upon our overall audit plan and strategy, we will report any changes back to those charged with governance

	Work to be performed	Outcome of the work to be performed
Internal audit	<p>We review internal audit's overall arrangements in accordance with auditing standards.</p> <p>We also review internal audit's work on the Council's key financial systems to date.</p>	<p>We will conclude whether the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work will identify whether there are any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We complete walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work determines whether internal controls have been implemented in accordance with our documented understanding.</p>	<p>We will conclude whether our work has identified any weaknesses which impact our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performs a high level review of the general IT control environment, as part of the overall review of the internal controls system. We also perform a follow up of the issues that were raised last year.</p>	<p>We will conclude whether our work identifies any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Interim audit work continued

	Work to be performed	Outcome of the work to be performed
Journal entry controls	We review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.	The work will identify whether there are any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.
Early substantive testing	Where practical, we will complete testing on initial samples of employee remuneration, operating expenses and income.	The work will inform our approach to the audit of the Council's accounts and contribute to the assurance for material items.
Value for Money Conclusion	We will carry out an initial review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resource	The work will inform our conclusion on the arrangements to secure value for money.
Other work to be performed	We will follow up the Council's progress in implementing the recommendations made in our Audit Findings Report for 2012/13.	The work will inform our approach to the audit of the Council's accounts including our conclusion on the arrangements to secure value for money.

Key dates



Date	Activity
January 2014	Planning
January to March 2014	Interim site visit
March 2014	Presentation of audit plan to Audit and Governance Committee
July and August 2014	Year end fieldwork
August 2014	Audit findings clearance meeting with the Chief Financial Officer
September 2014	Report audit findings to those charged with governance Audit and Governance Committee
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	£164,803
Grant certification	£8,400
Total fees (excluding VAT)	£173,203

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	18 MARCH 2014
TITLE OF REPORT:	GRANT THORNTON AUDIT & GOVERNANCE COMMITTEE UPDATE
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To note and comment on the external auditors update report for Herefordshire Council.

Recommendation(s)

THAT: the Audit and Governance Committee note the report.

Alternative Options

1. There are no Alternative Options

Reasons for Recommendations

2. This report provides the Audit and Governance Committee with a progress report from Grant Thornton in delivering their responsibilities as Herefordshire Council's external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to Herefordshire.

Key Considerations

3. Grant Thornton's update report for Herefordshire council is attached as an appendix. This report provides the Audit and Governance Committee with a progress report

Further information on the subject of this report is available from Peter Robinson, Chief Financial Officer, on Tel (01432) 383519

from Grant Thornton in delivering their responsibilities as Herefordshire Council's external auditors.

4. The paper also includes a summary of emerging national issues and developments that may be relevant to Herefordshire and the Committee may want to consider what assurances you would like to receive on these issues.

Community Impact

- 5 None

Equality and Human Rights

- 6 There are no implications arising from this report

Financial Implications

- 7 None

Legal Implications

- 8 None

Risk Management

- 9 The report has identified the key areas of risk and Grant Thornton will report their findings to future meetings of the Audit and Governance Committee.

Consultees

- 10 None

Appendices

- The Audit Update Report

Background Papers

- None identified.



Audit and Governance Committee Update for Herefordshire Council

Year ended 31 March 2014

27 February 2014

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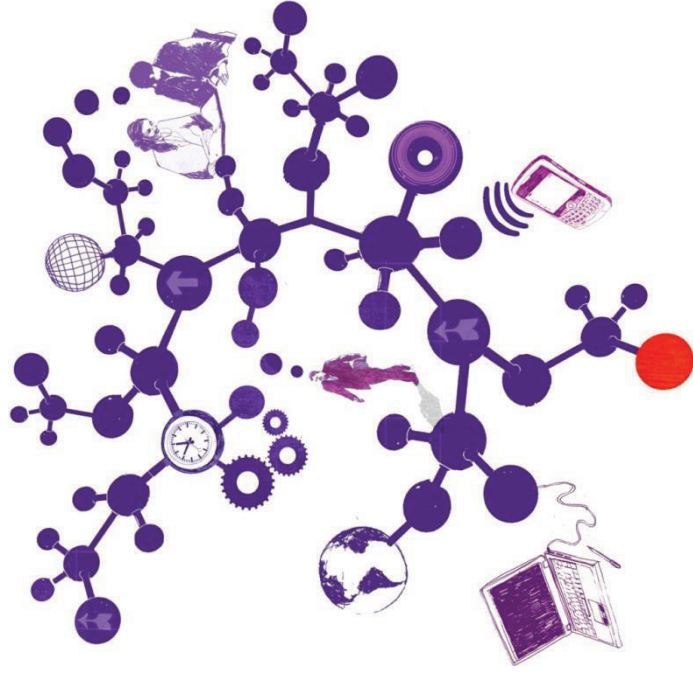
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you and you may want to consider what assurances you would like to receive on these issues.

Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

Progress at 27 February 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	Y	Being discussed at March Committee.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January-April 2014	N	<p>This work is underway.</p> <p>We are attending a workshop at the end of March for Finance staff aimed at improving the quality of the closedown process, with a particular emphasis on improving supporting working papers.</p> <p>Finance staff are also attending a technical training event we are holding in the Midlands to discuss significant technical changes for the 2013/14 accounts..</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2014	N	

Progress at 27 February 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • a initial risk assessment; • a detailed review of arrangements against the criteria; • bringing forward knowledge from previous year; • reviewing key documents; and • discussion with officers. 	June-September 2014	N	The Better Care Fund (discussed later in this report) is a particular focus of the VfM work this year.
<p>Certification Work Auditing grant claims and returns</p>	July –October 2014	N	
<p>Annual Audit Letter Summary of work undertaken in the year</p>	October 2014	N	

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Issues to consider:

- Is the local Health and Wellbeing Board on track to finalise and sign off the joint health and social care plan for submission to the NHS England area team?
- Has the size of the pooled budget been clarified?
- Is the Authority collaborating with its partner bodies to work through funding and delivery arrangements?
- Have roles and responsibilities been defined and understood for the Authority and its partner CCGs, NHS Trusts and the Health and Wellbeing Board?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

How do you recognise a PFI?

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

The Government financial reporting manual (FReM) and the Local Government CIPFA Code of Practice have now adopted IPSAS 32 (International public sector accounting standards) – Service Concession Arrangements.

Previously under IAS 17 (International Accounting Standards – Leases), the recognition point for an asset and a liability in the financial statements for such a scheme was at the commencement date of the contract, when the asset was handed over to the public sector and ready for use.

Now under IPSAS 32, the recognition point is when:

- it is probable that future economic benefits associated with the asset will flow to the organisation
- the cost of the asset can be measured reliably.

This suggests that some authorities may need to consider recognising service concession assets during the construction phase as assets under construction. In reaching a judgement as to whether to recognise an asset under construction, we would expect authorities to consider the extent to which they bear construction risk and whether they can get reliable information on the cost of construction from the operator.

Keeping your PFI accounting up to date

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

⇒ We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Reporting the costs of public health

Accounting and audit issues

Changes to SeRCOP – new public health line

SeRCOP for 2013/14 introduces a new cost of service line for 'Public health'. This has been introduced to reflect new responsibilities placed upon local authorities following restructuring in the NHS. We expect this new service line to be presented on the face of the CIES within cost of services. If there were material amounts relating to this service in 2013/14, we would expect comparative figures to be restated.

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively. The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.



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MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	10 MARCH 2014
TITLE OF REPORT:	REVIEW OF THE STANDARDS PROCESS
REPORT BY:	SOLICITOR TO THE COUNCIL

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To consider alternative options for the operation of the Council's Standards process.

Recommendation(s)

THAT :

- (a) **subject to consultation with the appointed independent persons and Herefordshire Association of Local Councils (HALC), a revised complaints process be recommended to Council which includes:**
- **retention of the standards panel; and**
 - **that the standards panel in future considers only written evidence: and**
- (b) **delegated authority be given to the Solicitor to the Council, in consultation with the Chairman of Audit & Governance Committee to agree the final draft complaints process, following consultation, for recommendation to Council.**

Alternative Options

1. Remove panel meetings from the process and pass responsibility for investigating allegations to the monitoring officer.

Advantages

- This would meet the statutory requirement to have in place arrangements for

Further information on the subject of this report is available from
Hazel Lavelle, Democratic Services Officer on Tel (01432) 260167

investigating allegations;

- It would simplify the process.

Disadvantages

- Having one council officer responsible for receiving, assessing and investigating complaints could be perceived as not being open and transparent by the public and subject members;
- In practice, the monitoring officer would need to appoint an investigating officer in cases where an investigation was necessary. This could prove costly and might still result in unacceptable delays. Investigations under the previous system involved a lengthy process of interviewing all parties and witnesses, and producing a written report. Investigations were unlikely to be completed within three months.

2. Consider adopting another authority's system.

Many other authorities have adopted systems that largely replicate the previous regime. These systems tend to involve a standards committee and sub-committees, independent investigation officers and public hearings, or variations on that model. These are far more complex and time-consuming systems than the Herefordshire Council one. (See summary attached at Appendix 2). The model closest to the Herefordshire one is Staffordshire, which uses a similar panel arrangement but has the advantage that the panel meets to consider written submissions, rather than inviting the parties to attend.

3. Retain the present system unchanged.

Advantages

- This meets the statutory requirement to have in place arrangements for investigating allegations;
- In comparison with other authorities, Herefordshire Council's system appears much simpler and more straightforward. The vast majority of complaints are dealt with informally, without the need for a panel meeting. (Statistical information on standards complaints is attached at Appendix 1). Since the new regime was implemented, 35 complaints have been dealt with. Of these, 27 (77%) were dealt with informally by the monitoring officer, eight were referred to a panel and four panel meetings were held.

Disadvantages

- Can be a lengthy process because of the need to set up meetings and arrange for attendance of all parties;
- Duplicates work by enabling parties to present orally what has already been presented in writing;
- Can be confrontational.

Reasons for Recommendations

4. The recommended option is to retain the system as it is, but for panel meetings to consider only written submissions. This would have the advantage that a date could be

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set at an early stage in the process, and it would not require the presence of the parties to the complaint or any witnesses. It would meet the statutory requirement to have in place arrangements for investigation, without the need to appoint an independent investigation officer. It would also meet the statutory requirement relating to the appointment of an independent person.

Key Considerations

5. The Localism Act 2011 abolished the standards regime administered by Standards for England, under which local standards committees were established, together with the national code of conduct which was supported by a statutory scheme of sanctions. Following the removal of the previous regime, the council was required to adopt a new code of conduct, and to implement a process for handling complaints.
6. Options for a new process for handling complaints were considered by the standards committee prior to its abolition on 30th June 2012, and their proposals for a new regime were considered by council on 20th July 2012. The new process was agreed with HALC, to ensure the involvement of town and parish councils. At the meeting of council on 20th July 2012, council resolved to:
 - adopt the code of conduct;
 - adopt the complaints process; and
 - extend the powers of the Audit and Governance Committee to enable it to determine complaints about member conduct.
7. Currently the procedure for dealing with complaints provides for the monitoring officer to undertake an initial appraisal of the allegation. The monitoring officer attempts to resolve the complaint informally wherever possible and appropriate. Whether or not there appears to have been a breach of the code of conduct, the complaint may be resolved informally by, for example, providing advice or training, inviting an apology or mediation. The monitoring officer normally consults one of the council's appointed independent persons as part of the initial appraisal. The majority of complaints are resolved informally and there is no right to request a review of the monitoring officer's decision.
8. If the complaint cannot be resolved informally and requires further investigation, it is referred to a panel chaired by an independent person. The other members of the panel are normally an elected member of Herefordshire Council and a town or parish council representative. The panel investigates the allegation by meeting to consider submissions made in person or in writing by the complainant, the subject member and the monitoring officer. Following the meeting, the independent person produces a report of the investigation.
9. If the panel considers that the member has breached the code of conduct, the report makes a recommendation for resolving the complaint. The report and recommendations are presented to the council's Audit and Governance Committee in the case of a member of Herefordshire Council, or to the relevant town or parish council in the case of a complaint against a town or parish council member. That body then decides whether to accept and action the recommendations.
10. The Audit and Governance Committee has broad discretion about the action it can take, for example, censuring the member, reporting the findings to council for information or requiring the member to undergo training. However, it cannot fine, suspend or disqualify a member from membership of the authority itself. Town and parish councils have similar

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discretion and powers.

11. Both the Audit and Governance Committee, and town and parish councils, have the option to reject the recommendations of the standards panel.

Reasons for reviewing the process

12. The current procedure has now been in place for almost two years. When the current regime was introduced, it was recommended that it be periodically reviewed in the light of experience.
13. Group leaders have expressed concerns that the standards panel involves a lengthy process, which is unsatisfactory for both complainants and members. They consider that the sanctions that can be applied to a member found by the panel to have breached the code of conduct are ineffectual, and do not justify the process.
14. In November this Committee requested that alternative options for the operation of the Council's Standards process should be prepared.

Community Impact

15. None

Equality and Human Rights

16. The recommendation pays due regard to the council's public sector equality duty as set out below, having due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct ... prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it."

Financial Implications

17. Any financial implications arising from the proposed change to the complaints process would be minimal in terms of reduced expenses for attendance at panel meetings.

Legal Implications

18. In compliance with the requirements of the Localism Act 2011, in July 2012 Council adopted a local code of conduct and a complaints process the latter having been devised in consultation with HALC as the process is used to handle complaints about town and parish councillors as well as this council's own members. Where the council has decided to investigate an allegation, there is a statutory requirement to appoint an independent person and to take that person's views into account after the council has investigated, but before it makes its decision; the proposed changes make no alteration to this element of the process.

19. In recommending the proposed changes to the complaints process regard must be had to both proportionality and fairness. Should there be circumstances where written submissions may present a barrier to engagement with the process, appropriate support must be made available.
20. No changes are currently proposed to the Code of Conduct, although members may wish to note that this will be reviewed as part of an ongoing programme to review the council's constitution in the forthcoming year.

Risk Management

21. There is a risk that the proposed changes may reduce confidence in the fairness of the process. This will be mitigated by providing appropriate support to ensure that the requirement for written submissions does not present a barrier to complaints being progressed.

Consultees

22. Subject to the views of the committee members, it is proposed to consult with appointed independent persons and HALC on the minor amendments proposed, prior to making any recommendation to Council.

Appendices

1. Standards complaints statistics
2. Summary of standards processes of other authorities

Background Papers

- None

Standards complaints: statistics

2012

After the introduction of the new process in July 2012, 15 complaints were received. 13 of these were dealt with by the monitoring officer (MO) and resolved informally. Two complaints were referred to a panel. They both related to the same subject member and similar issues. One panel meeting was held.

2013

In 2013, 36 complaints were received. 16 were withdrawn or invalid. Of the remaining 20 complaints, 14 were dealt with by the monitoring officer and resolved informally. Six complaints were referred to a panel meeting. Three complaints related to the same subject member and were dealt with at one panel meeting. Two complaints related to the same subject member and the same matter and were dealt with by one panel meeting. The final panel meeting dealt with one complaint.

Timescales

In the case of the two complaints that were referred to a panel in 2012, the first was received 28 October 2012 and the second on 19 November 2012. Both complaints related to the same subject member and the same issue. The 12 week dates were 17 January 2013 and 10 February 2013 respectively. The panel meeting took place on 4 February 2013. The panel meeting was within the 12 week period for the second complaint. It was outside the 12 week period for the first complaint because that complaint was held over so that both complaints were dealt with together.

In 2013, the three complaints linked complaints were dealt with by a panel meeting on 6 November 2013. This means that the times between receipt of the complaint and panel meeting were:

Number	Date received	12 week date	Panel date	Time after 12 week date
13001	8 Jan 13	4 Apr 13	6 Nov 13	31 weeks
13016	10 Apr 13	5 July 13	6 Nov 13	18 weeks
13017	10 Apr 13	5 July 13	6 Nov 1	18 weeks
13020	16 May 13	12 Aug 13	10 Oct 13	8 weeks
13022	28 May 13	20 Aug 13	10 Oct 13	6 weeks
13026	17 June 13	10 Sept 13	9 Oct 13	4 weeks

Summary

Year	Received	Dealt with	MO	Panel	P/meetings
2012	17	15	13	2	1
2013	36	20	14	6	3
Totals	53	35	27 (77%)	8	4

Summary of Standards Processes of Other authorities

Authority	Standards system
Gloucestershire	Monitoring officer, in consultation with independent person, makes initial assessment. May decide no action; refer to police; resolve informally or refer for investigation. If investigated, appoint an investigation officer, who produces a report. If breach found, MO may resolve or refer to Hearings Panel (a sub-committee of A & G). The panel comprises five politically proportionate members. Panel holds a hearing and makes decision. Not clear whether hearing is public, but as sub-committee of A & G, likely that it is.
Worcestershire	Has a Standards and Ethics Committee. Initial assessment by MO. May decide no action, investigation or other action. If investigation, MO appoints an investigation officer. Investigator produces draft report for comment by complainant and subject member, then final report for MO which is presented to the S & E Committee. The committee holds a consideration hearing, followed, where a breach is identified, by a full hearing. Hearings are normally held in public.
Shropshire	Monitoring officer makes initial assessment and tries to resolve informally. If investigation required, MO appoints an investigation officer. Investigator produces draft report for comment, then final report to MO. If breach identified, report sent to sub-committee of the Standards Committee, and a hearing is held. The standards sub-committee comprises three members appointed on ad hoc basis
Staffordshire	MO makes initial assessment. If apparent breach, complaint referred to panel comprising five members of the council's Audit and Standards Committee. Panel meets to consider written submissions, then reports findings to A & S Committee.
Cheshire East	Four Independent Persons. Pool of 15 members of A & G to select panel and sub-committee members from. Complaint referred to A & G Initial Assessment Panel. Panel decides whether to take no action, refer complaint for local resolution; refer complaint for formal investigation by external investigator; refer complaint to police or other relevant regulatory agency. Local Resolution is an ad hoc panel of three members plus independent person, which meets in public. Complainant & subject member, plus any witnesses attend. Panel may conclude complaint and determine sanctions, or refer for formal investigation. For formal investigation, an independent investigation officer is appointed. If possible breach, complaint referred to standards Hearing Sub-committee, and a public hearing is held. There is a right of appeal against the hearing Sub-committee decision. Appeals Panel is three different A & G members plus independent person. Appeals panel conducts a complete reconsideration of the whole complaint. Their decision is final.
Bracknell Forest	Council has a standards committee made up of four independent persons, three borough councillors and one parish councillor. When complaint received, MO consults the chairman of the standards committee. They decide whether to take no action, refer complaint for informal resolution or refer for formal investigation. If formal investigation, MO appoints an investigation officer. If breach found and informal action not appropriate, complaint referred for full hearing before the Standards Committee.
Cornwall	Council has a Standards Committee with 29 Members: 9 members of Cornwall Council, 10 independent members and 10 parish/town and city council representatives. Independent members and parish/town and city council representatives sit on the committee as co-opted non-voting members. Initial assessment by MO. MO may determine complaint or convene a panel of members of the standards committee. Complainant/subject member may request a review of decision. Assessment and review of complaints conducted in private session. Written summary of the assessment or review published as decision notice. If investigation required, investigation is conducted by member of the council's legal team.
North Lincolnshire	Council has a Standards Committee and Hearings Panel, which operate as under the previous system. They also have an assessment panel. Initial decisions may be made by the MO or assessment panel. MO or panel decides whether complaint should be investigated. If so, MO appoints officer or external investigator. Investigator's report goes the standards committee who may refer the complaint to the Hearings Panel.



MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	18 March 2014
TITLE OF REPORT:	STATUS OF ROSS-ON-WYE COMMUNITY GOVERNANCE REVIEW GROUP
REPORT BY:	SOLICITOR TO THE COUNCIL

Classification

Open

Purpose

To clarify the status of the group conducting the Ross-on-Wye Community Governance Review.

Recommendation(s)

THAT: it be noted that the group set up to conduct the Ross-on-Wye Community Governance Review is a working group reporting to the Audit & Governance Committee.

Alternative Options

- 1 There are no alternative options. The establishment of committees (which includes sub-committees) and appointment of members to those committees is a matter reserved to Council.

Reasons for Recommendations

- 2 To correct the previous misconception and clarify the status of the working group.

Key Considerations

- 3.1 On 21 September 2012, the Audit and Governance Committee considered a report recommending the setting-up of a sub-committee. The purpose of the sub-committee would be to conduct a community governance review and to make recommendations to the Audit and Governance Committee as to the future community governance of the Ross Town Council and Ross Rural Parish Council areas.
- 3.2 Council had previously decided that a community governance review of the areas of Ross Town Council and Ross Rural Parish Council, would take place in the autumn of 2013, and had empowered the Audit and Governance Committee to undertake all

Further information on the subject of this report is available from Hazel Lavelle, Democratic Services Officer on Tel (01432) 260167

community governance reviews and to make recommendations to council on the matter.

- 3.3 Members agreed to proceed with the Community Governance Review for Ross Town and Ross Rural Parish Councils. The committee resolved that a Community Governance Review Sub-Committee be formed.
- 3.4 However, the council's Constitution (Part 3-The Functions Scheme, Section 2 – Council Functions) provides that 'Setting the terms of reference of committees, deciding on their composition, and allocating seats on them' is a function of the Council. That function is not delegated to Audit and Governance Committee, and the Audit and Governance Committee is not, therefore, empowered to appoint sub-committees, and should have appointed a working group to conduct the Community Governance Review.
- 3.5 The Committee is asked to note that a report on changes to the membership of the proposed sub-committee was considered by the Audit and Governance Committee on 25 September 2013, but that decision has not been fully implemented. Given that a sub-committee was not formed the rationale for the report to the Committee in September 2013 does not apply. For the avoidance of doubt it is proposed that the following Councillors who have been involved in meetings to date should complete the review, making recommendations to the Audit and Governance Committee: AM Atkinson, CNH Attwood, PGH Cutter (Chairman), EPJ Harvey, JA Hyde and J Stone.

Community Impact

4. There are no community impact implications.

Equality and Human Rights

5. The recommendation pays due regard to the council's public sector equality duty as set out below, having due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct ... prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it."

Financial Implications

6. There are no financial implications.

Legal Implications

- 7.1 The proposal will regularise the current position, ensuring that the Community Governance Review Working Group is established in accordance with legal requirements. (The Constitution, Part 3 – The Functions Scheme, Section 1 – Introduction. 3.1.7: References in the Scheme to the Functions Regulations are to the Local Authorities (Functions and Responsibilities (England)) Regulations 2000 as amended. Any reference in this Constitution to any function, and any delegation of function or responsibility includes all action associated with that function or power and all related enforcement and other actions.

Further information on the subject of this report is available from
Hazel Lavelle, Democratic Services Officer on Tel (01432) 260167

7.2 The confirmation of the status of the working group has no impact on its work, and it will continue to report, and make recommendations to, the Audit and Governance Committee. The Audit and Governance Committee will make recommendations to Council.

Risk Management

8 There are no risks attached.

Consultees

9 This is an administrative matter and there were no consultees.

Appendices

None.

Background Papers

- None identified.

