

AGENDA

Audit and Governance Committee

Date: **Monday 9 May 2016**

Time: **10.00 am**

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

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

For any further information please contact:

Clive Lloyd

Tel: 01432 260249

Email: clive.lloyd@herefordshire.gov.uk

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

Agenda for the Meeting of the Audit and Governance Committee

Membership

Chairman

Councillor BA Durkin

Vice-Chairman

Councillor FM Norman

Councillor ACR Chappell

Councillor DG Harlow

Councillor EPJ Harvey

Councillor PD Newman OBE

Councillor RJ Phillips

Councillor J Stone

Councillor LC Tawn

AGENDA

PUBLIC INFORMATION AND FIRE INFO

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. NAMED SUBSTITUTES (IF ANY)

To receive 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 meeting held on 14 April 2016.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive the Chairman's announcements

6. APPOINTMENT OF AN INDEPENDENT PERSON FOR STANDARDS MATTERS

To recommend the appointment of an independent person for standards matters.

Pages

7 - 12

13 - 16

In the opinion of the Proper Officer, appendix B1 of the following item will not be, or is likely not to be, open to the public and press at the time it is considered.

RECOMMENDATION: **that under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during any discussion of appendix B 1. On the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act, as indicated below and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

3. Information relating to the financial or business affairs of any particular person

7. PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN

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.

8. ANNUAL GOVERNANCE STATEMENT

17 - 56

57 - 94

	To comment on the draft annual governance statement for 2015/16 prior to publication with the draft accounts.	
9.	COMPLAINTS PROCEDURE FOR STANDARDS MATTERS To recommend the adoption of a new complaints procedure.	95 - 106
10.	WORKING GROUP RISK REGISTER To consider the findings of the committee working group and to recommend the report to the executive for consideration.	107 - 120
11.	WORKING GROUP UPDATE - GOVERNANCE IMPROVEMENT To outline the current work of the governance improvement working group.	121 - 124
12.	FUTURE WORK PROGRAMME To agree the future work programme for the audit and governance committee for 2016/17.	125 - 130

The Public's Rights to Information and Attendance at Meetings

YOU HAVE A RIGHT TO: -

- Attend all Council, Cabinet, Committee and Sub-Committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

Public Transport Links

There are bus stops directly outside the building. Hereford train station is a 15 minute walk, Hereford country bus station and Hereford city bus station are both a 5 minute walk from the Shirehall.

RECORDING OF THIS MEETING

Please note that filming, photography and recording of this meeting is permitted provided that it does not disrupt the business of the meeting.

Members of the public are advised that if you do not wish to be filmed or photographed you should let the governance services team know before the meeting starts so that anyone who intends filming or photographing the meeting can be made aware.

The reporting of meetings is subject to the law and it is the responsibility of those doing the reporting to ensure that they comply.

HEREFORDSHIRE COUNCIL

SHIRE HALL, ST PETERS SQUARE, HEREFORD HR1 2HX.

FIRE AND EMERGENCY EVACUATION PROCEDURE

In the event of a fire or emergency the alarm bell will ring continuously.

You should vacate the building in an orderly manner through the nearest available fire exit.

You should then proceed to the Fire Assembly Point which is located in the Shire Hall Side Car Park. A check will be undertaken to ensure that those recorded as present have vacated the building following which further instructions will be given.

Please do not allow any items of clothing, etc. to obstruct any of the exits.

Do not delay your vacation of the building by stopping or returning to collect coats or other personal belongings.

HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Governance Committee held at Council Chamber, Shire Hall St Peters Square Hereford HR1 2HX on Thursday 14 April 2016 at 2.30 pm

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

Councillors: DW Greenow, EPJ Harvey, PD Newman OBE, J Stone, EJ Swinglehurst and LC Tawn

In attendance: Councillor AJW Powers

Officers: Annie Brookes, Peter Robinson and Claire Ward

121. APOLOGIES FOR ABSENCE

Apologies were received from Councillors DG Harlow, RJ Phillips and ACR Chappell.

122. NAMED SUBSTITUTES (IF ANY)

In accordance with paragraph 4.1.23 of the Council's Constitution, Councillor DW Greenow attended as substitute member for Councillor RG Phillips and Councillor EJ Swinglehurst attended as a substitute member for Councillor DG Harlow.

123. DECLARATIONS OF INTEREST

None

124. MINUTES

It was agreed and noted that the resolutions, originally taken from the committee report recorded in 116 of the minutes (external audit update) be amended to; 'the report be agreed and noted'

RESOLVED:

That the minutes of the meeting held on the 4 March as amended be confirmed as a correct record and signed by the chairman.

125. CHAIRMANS ANNOUNCEMENTS

It was noted that chairman's announcements did not appear on the agenda and with the committee's agreement this was added to the agenda.

Interviews had been held for the position of independent persons (standards) and Mr Richard Stow will be recommended for appointment. A report will appear on the May agenda for audit and governance.

An action sheet would be developed to record matters arising from the committee.

It was confirmed that the director of resources would write to the chairman to confirm that all actions contained in the external audit update report before committee in March 2016 had been actioned.

126. PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN

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

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

- home to school transport
- pensions auto enrolment
- capital accounting

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

A member raised concerns regarding school transport value for money and the adherence to contract procedure rules and sought assurances that a robust approach to these points was being pursued. It was also mentioned that in terms of the capital programme any improvements in the information contained in the reports particularly in regard to transport schemes would be welcome.

In response to discussion around the tracking of and the implementation of recommendations contained in audit reports it was explained that the role of audit reports was to provide assurance to committee that the necessary systems are in place and are being managed effectively. It is the responsibility of officers to implement the recommendations contained in reports, however, it would be helpful if some recommendations were monitored especially those attracting a level five priority.

Resolved:

That the report be noted.

127. COMMUNITY GOVERNANCE REVIEW

The governance manager presented the report.

The audit and governance committee had previously received a report in September 2015 setting out the reasons for considering undertaking a community governance review, with an agreed timetable by which the information necessary to assess the case would be collated.

Working closely with HALC (Hereford association of local councils) consultations to gather the views of parish councils to inform recommendations a range of information was collated including current elector numbers per parish, the number of uncontested seats in the 2015 local elections and the number of seats remaining vacant after the election. In addition parishes were asked to identify any issues they would wish a CGR to address and the views of the ward members were also sought.

Consultation responses from parishes had identified that there were a number of parish councils where a review would be beneficial. Moreover, research had identified a number of other parishes that might benefit from a review but which had not responded, or had not responded in favour of a review. It was recognised that a large number of

parishes had not responded to the consultation or had expressed satisfaction with the status quo.

In response to a question regarding possible budget availability to cover the recommendations in the report the governance manager confirmed that there was a budget available and that the different options in the report had a different cost but that it was not a big difference between them.

A member responded by recognising that resources at this time are spread thinly and that either way there would be associated costs.

The governance manager agreed with a comment that it appeared unlikely that an approach that would satisfy all would be found and added that if parishes were forced to adopt change then it is likely that this would be met with some opposition and that this should be considered in the approach taken.

A member reflected on the large amount of uncontested seats recorded in the report and suggested that this reflected a general lack of appetite for change and therefore this might not be the point in time to proceed with change and the resulting associated costs.

RESOLVED:

To progress a series of targeted CGRs focussed on the parishes/issues identified in paragraph nine of the report as requiring a review;

To request that draft terms of reference for such a review be drafted for full council consideration.

128. EMPLOYEE SURVEY REPORT

It was agreed by the committee that item seven on the agenda, the employee survey be brought forward for discussion.

The chief executive presented the employee survey report for 2015.

The employee survey has been conducted regularly over the last few years. In 2015 a new approach was taken which was meant that the survey was conducted three times during the year to a randomly selected third of the organisation each time. This was known as a pulse survey which enables the organisation to monitor how things were going within the organisation and the ongoing views of staff.

The 50% response rate was not as high as desired and it was accepted that further work was required in respect of colleagues accepting that their views were important.

The key findings from the survey results in comparison to the previous year were highlighted, these were;

- change for the better
- change for the worse
- strengths to build on
- areas for improvement

With the following points made

It was recognised that there had been a lack of resources in some areas in the past however the authorities continuing aim is to be a good employer and that attracting and retaining of staff remains important.

It was understandable that there was an opinion from staff that the council lacks a sense of direction given the ever changing financial situation that all councils are now having to manage. The council can do more in terms of communications to staff in terms of developments and changes that have to be managed.

Concern was expressed on the point of bullying and while it was recognised that the manner in which the public sometimes engage cannot be controlled, bullying and harassment from officers and members should not happen.

The chief executive also focussed on actions contained in point eight of the report.

The review of council office accommodation was ongoing with a view to reducing the property portfolio so that resources can be targeted towards provided services rather than maintain empty offices.

Council wide sessions had taken place to engage in staff dialogue and direction. Staff should be reminded and congratulated in their achievements in what has been and still is in many respects a fluid landscape in terms of local government.

The transition from appraisals to the personal development programme was explained which seeks to confirm individual objectives and clarity for staff. There will be a focus through these assessments of delivering results and the personal impact staff can bring to bear in achieving results.

In response to a members question regarding tackling harassment from members the chief executive explained that the fact that this point has been included in the survey goes some way in demonstrating that the council does take the subject seriously. He confirmed that he had taken the matter up with members and whilst the incidents were low everyone concerned should strive for a zero figure in this respect.

A member queried whether there was any correlation between services that experienced a higher volume of interaction between service users comparing adult wellbeing and economy and corporate and the figures given for harassment. From the responses given it was difficult to understand the underlying issues within each service delivery area but improved dialogue and communication between staff and managers a better understanding of the issues would emerge. It was also considered that if a service experiences a higher volume of interaction between users this should not automatically translate to a higher experience of harassment or bullying.

A member requested that in future trend analysis (quoting statement 24 in the report where it could be seen that the three quarterly figures shown for 2015 were 5%, 5% and 19%) could be included otherwise it was difficult to make any judgement on the reasons for the apparent rise in figures presented. In response to the members point it was agreed that some further analysis would be beneficial.

RESOLVED:

That the report be noted

129. WORK PROGRAMME UPDATE

The committee's updated work programme was presented, which required updating to include the appointment of the independent person for the May committee.

The risk register working group' report would be on the agenda in May for consideration by the committee.

A draft work programme for 2016/17 would be on the agenda in May for consideration by the committee.

It was discussed and agreed that a report on the activity of the committees working groups be a standing item on the agenda.

RESOLVED

That the work programme be updated

The meeting ended at 4.40 pm

CHAIRMAN



Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Appointment of an independent person for standards matters
Report by:	Monitoring officer

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To recommend the appointment of an independent person for standards matters.

Recommendation(s)

THAT:

- (a) Mr Richard Stow is recommended to council for appointment**

Alternative options

- 1 Not to recommend this appointment.

Reasons for recommendations

- 2 The Localism Act 2011 requires that the council must appoint “at least one independent person” whose views are sought and taken into account before it makes its decision on an allegation of a breach of the code of conduct that it has decided to investigate. Their view may also be sought in dealing with allegations which have not been investigated and may be available for subject members who are the subject of an allegation.

Key considerations

- 3 The council last appointed two independent persons in July 2013 and currently has one independent person, Mr John Sharman.
- 4 Council authorised recruitment of up to three independent persons to the monitoring officer in May 2012.
- 5 Following a recruitment exercise, Mr Stow was shortlisted and invited to an interview on 29 April 2016. The interview panel comprised Councillors BA Durkin, FM Norman, the monitoring officer and Mr John Sharman.
- 6 The interview took the form of questions which were scored. The unanimous decision of the panel was that Mr Stow was an excellent candidate and should be recommended for appointment. Character references were sought which came back as very satisfactory.
- 7 Mr Stow is currently a partner in a horticultural business in Rowlestone in south-west Herefordshire. He has previously been an elected member of Crucorney Community Council in Monmouthshire, including two years as Chairman. He was also previously a Welsh Government member of the Brecon Beacons National Park Authority, where he chaired the Audit & Scrutiny Committee and sat on the Planning Committee. He has an appreciation of standards matters from the perspective of the public and as an elected member, and has a keen interest in increasing public confidence in local democracy.
- 8 Mr Stow meets the requirements and qualifying criteria to be appointed to such a role and will be required to declare any interests.
- 9 The recruitment of Mr Stow will ensure good governance of the standards process and avoid any potential conflicts of interest, which can arise when only one independent person is available.

Community impact

- 10 The public expectation is that the council has adequate, objective and transparent measures in place to deal with standards complaints. The appointment of Mr Stow will help to ensure this.

Equality duty

- 11 There are no equality duty implications in this report.

Financial implications

- 12 Council agreed in May 2012 that independent persons will be entitled to reimbursement of expenses.

Legal implications

- 13 The appointment will ensure that the council is able to meet the requirements of the Localism Act 2011

Risk management

- 14 There is a reputational risk to the council if it is unable to manage effectively its standards complaints process. There is also a risk to councillors if there are no independent mechanisms in place to support them if they are subject to an allegation.

Consultees

- 15 Not applicable.

Appendices

- None.

Background papers

- None identified.



Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Progress report on 2015/16 internal audit plan
Report by:	Director of resources / internal audit

Classification

Report – open

Appendix B(1) – exempt by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A Local Government Act 1972, as amended

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

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

Recommendation

That:

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

Alternative options

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

Reasons for recommendations

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

Key considerations

- 4 The internal audit progress report is attached at appendix A. In the period covered by the report, a total of two priority 5 and ten priority 4 recommendations were made. All of these were accepted by management and a summary of the management response is provided in the appendix. Relevant service managers will be in attendance at the audit and governance meeting to respond to any specific queries that the committee may have.
- 5 Where internal audit reports relate to services directly provided by a third party organisation these reports are exempt from publication as they disclose information relating to the financial or business affairs of any particular person (including the authority holding that information), and have therefore been provided in a separate appendix available to members of the committee; should the committee wish to discuss the content of that appendix a resolution to exclude the public for that item should be passed.
- 6 The annual plan summary is provided at appendix D, and a glossary of terms provided at appendix C.

Community Impact

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

Equality duty

- 8 The report does not impact on this area.

Financial implications

- 9 None arising from the recommendations; any additional recommendations made by

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

the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

Legal implications

10 None.

Risk management

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

12 Risks identified by internal audit are mitigated by actions proposed by management in response.

Consultees

13 None.

Appendices

Appendix A – SWAP plan progress report 2015-16

Appendix B – High Priority Findings and Recommendations 2015-16

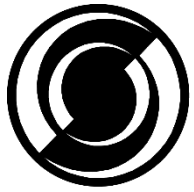
Appendix B(1) – Exempt from publication by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A Local Government Act 1972, as amended.

Appendix C - Summary of control assurance definitions, categorisation of recommendations and risk levels

Appendix D – Audit Plan Status 2015-16

Background papers

- None identified.



SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Herefordshire Council

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

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 07917628774

ian.baker@southwestaudit.co.uk

Jacqui Gooding

Assistant Director

Tel: 01432 260426 or

07872500675

Jacqui.gooding@southwestaudit.co.uk

22

Summary

Role of Internal Audit Page 1

Overview of Internal Audit Activity Page 1

Internal Audit Work Plan 2015-16

Audit Plan progress Page 2 - 4

Report on Significant Findings Page 5 – 6

Added Value, Special Reviews, Future Planned Work Page 7

Conclusion Page 8

Appendices

Appendix B - High Priority Findings and Recommendations (since last Committee)

Appendix C - Audit Definitions

Appendix D - Audit Plan Progress 2015-16

Our audit activity is split between:

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

See Appendix A for individual audits

Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 23 March 2016.

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

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

Overview of Internal Audit Activity

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

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

23

Update 2015-16

Completed Audit Assignment in the Period

Audit Plan Progress

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

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

Operational:

- Complete, 11 reviews - (1 Substantial, 6 – Reasonable; 3 – Partial, 1 Non –Opinion)
- Draft Report, 2 reviews
- Discussion Document, 2 reviews
- In Progress, 8 reviews
- Not Started, 3 reviews

Governance, Fraud and Corruption:

- Complete, 3 reviews (Non-Opinion)
- In Progress, 1 review

Follow Up Reviews: (Non-Opinion)

- Complete, 5 reviews
- In Progress, 1 review

Special reviews:

- Discussion Document, 1 review
- In Progress, 1 review

Completed Audit Assignments in the Period

Audit Plan Progress

School Themes –: Pupil Premium

- Complete - 6 reviews (1 Substantial, 5 Reasonable)
- Complete - Themed review

Key Control:

- Complete , 4 reviews (2 Partial, 1 Reasonable)
- In Progress, 1 review

ICT Reviews:

- Complete, 4 reviews (2 Non-opinion, 1 Reasonable, 1 Partial)
- Draft Report, 1 review
- In Progress, 3 reviews

Grants:

- Complete, 4 Claims,

Removed:

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

Completed Audit Assignments in the Period

Audit Plan Progress

Audits completed to final report since my last update are:

Operational

- Licensing – Partial
- Waste Collection Contract – Substantial

ICT

- Mobile Phone Usage and Strategy – Partial
- LAC and Fostering FWi Projects – Non-Opinion

Key Control

- Payroll – Partial

Waste Collection – Substantial

The audit of Waste Collection reviewed the contract service standards in relation to the Waste Collection contract. Waste collection covers general refuse, recycling, trade and clinical waste collection, and trade recycling. The total net budget for all services in 2015-16 is £3,257,422. The audit was given Substantial assurance the highest control assurance level. There were only two priority 3 findings with a significant number of well controlled areas identified during the audit. The waste collection contract is managed effectively, and there are appropriate monitoring mechanisms in place to ensure that the contract remains effective between the two parties.

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

Report on Significant Findings

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

Where a review has a status of ‘Completed’ and has been assessed as ‘Partial’ or ‘No Assurance’ or with a ‘High’ corporate risk, I will provide further detail to inform Members of the key issues identified. For the audits completed since my last report three audits - Mobile Phone Usage and Strategy, Licensing and Payroll and have been assessed as Partial assurance (some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives).

Mobile Phone Usage and Strategy and Payroll are reported in Appendix B1 – Exempt Item.

The full detail of each significant finding and the agreed management action and implementation is detailed in Appendix B1.

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

Report on Significant Findings Continued

Licensing – Partial Assurance

Licensing is a statutory function of the Council, and the service is responsible for regulating a large number of activities. It also must ensure it is a cost-neutral service to the Council in order to comply with EU directives. Key licence areas include activities under the Licensing Act 2003 (e.g. Premises Licenses, Temporary Event Notices), the Gaming Act 1968 (e.g. Amusements with Prizes), taxi licensing under various legislation, and Animal Licensing (e.g. Pet Shop Licences). The objective of the audit was to ensure that resources are used effectively to provide a transparent, consistent, and customer-focused licensing service.

Three priority 4 findings - important findings that need to be resolved by management were identified during the review and eight priority 3 findings.

There were a number of well controlled areas and the service ensure that licences are issued promptly and is proactive in identifying new activities that require a licence. The main area for service improvement is the need to improve its records of authorisation; as the software in use has weak controls in this area and it is critical that hardcopy records of licences officially granted by the Council are available. The three priority 4 findings identified the following weaknesses:

- A number of sampled licenses across various licence types did not have evidence of authorisation for the grant of that licence; as Civica allows any user to print a blank licence this is a weakness in a core control.
- Electronic signatures are available in a central location and may be used to authorise licences; however, this means that the Council has no audit trail to demonstrate who has approved a licence.
- The Council does not currently publish information regarding Licensing decisions as required by the Openness of Local Government Bodies Regulations 2014

All findings have been agreed with management with a target of 29 January 2016 for two priority 4 findings and 31 July 2016 for the other priority 4 finding as it will from part of the constitution review.

Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”. As part of the mobile phones audit a potential saving of approx. £10,000 has been identified pending investigations into actual use of mobile phones.

Special Reviews

Unplanned work, special reviews or projects carried out on a responsive basis are requested by the Director of Resources (Section 151 Officer).
There has been no requests for special reviews since my last report.

Future Planned Work Continued

As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Director of Resources (Section 151 Officer) with removal or deferral of audits to be formally agreed by the Audit Committee.
There has been no requests for additional work since my last report.

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

29

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

Conclusion

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

Payroll is a key financial system and it is essential that key controls are operating effectively. The Director of Resources commissioned the focus of this review to give management either assurance that controls are operating effectively or guidance on areas where controls are weak or not in place. A number of significant findings have been reported. Members can however take assurance that all recommendations have been agreed by management with agreed target dates for completion and the majority of significant findings have already been completed. Internal Audit will also complete a follow up review on all Partial assurance audits in 2016-17.

At the end of each audit review, a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a score of good. The current accumulative feedback for Herefordshire Council is 85%.

30

Internal Audit Plan 2015-16

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

APPENDIX B

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

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Licensing					
<p><u>Licence Authorisation Controls</u> The Civica system contains a fundamental weakness: no user restrictions are in place to prevent any system user from creating a blank licence. Consequently, licences are authorised prior to issue by one of three Council officers: the Team Manager - Licensing or the two Senior Licensing Officers. However not all licences require a signature (for example Premises licences are unsigned). Testing found that evidence of authorisation is not always retained on file If the Council does not retain records of licence authorisation, a licence may have been issued without due authorisation, resulting in licence holders operating contrary to required regulations. This may hinder any</p>	<p>A number of sampled licenses across various licence types did not have evidence of authorisation for the grant of that licence; as Civica allows any user to print a blank licence this is a weakness in a core control.</p>	<p>I recommend that the Team Manager – Licensing ensures that scans or photocopies of all licence authorisations are kept on file.</p>	<p>All licences will be manually signed and copies retained. At the time of signing two copies will be signed one to send to the applicant and one retained either physically or electronically. Some licences are not ones which can be signed as they are national standard forms; in these cases we are introducing a serial numbering system which will identify the correct licence. The check list will be retained to indicate which officer authorised the licence. If we are able to modify the form we will add an authorisation section at the end of the licence. I am making enquiries regarding this option, if we are able to do this, we will discontinue the serial numbering system. We are working toward a paperless system, however, the controls will include having a signed copy of all licences available, this may not be possible within a physical file, but will</p>	<p>25 January 2016</p>	<p>Team Manager - Licensing</p>

31

Internal Audit Plan 2015-16

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

APPENDIX B

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

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
relevant enforcement action, as the Council would not be able to demonstrate its decision on the licence.			be retained to demonstrate an original signature.		
<p><u>Use of Electronic Signatures</u> As noted above, the Civica system has no user restrictions in place to prevent any system user from creating a blank licence. Supplemental to this, the Team Manager – Licensing and two Senior Licensing Officers' signatures are available electronically in a central location as electronic signatures are used in some licence types. However, this means that an authentic licence may be prepared and issued by any member of staff with access to Civica and the folder structure. It is unlikely that the Council could prove conclusively who has issued a given licence, if challenged on a</p>	Electronic signatures are available in a central location and may be used to authorise licences; however, this means that the Council has no audit trail to demonstrate who has approved a licence.	I recommend that the Team Manager – Licensing ceases the use of electronic signatures on licences and removes electronic signatures from the Council's systems; if electronic signatures are needed (e.g. for mail merge letters) they should be created on a temporary basis and deleted after use.	These will be deleted and not used without written consent from the owner of the signature. Further they will never be used on a licence.	25 January 2016	Team Manager – Licensing

32

Internal Audit Plan 2015-16

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

APPENDIX B

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

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>licence with no record available.</p> <p><u>Transparency Requirements</u> It is a requirement under the provisions of The Openness of Local Government Bodies Regulations 2014 that where a decision is delegated to an officer to grant a permission or licence, that decision is recorded and available for inspection. When a member or officer takes a decision on matters that are the responsibility of the council's executive, this must be recorded in writing. The form of the written record is for the council to decide, but the following should be included:</p> <ul style="list-style-type: none"> • details of the decision and the date it was made; • reasons for the decision; • any other options considered and why those options were rejected; • details of any conflict of 	<p>The Council does not currently publish information regarding Licensing decisions as required by the Openness of Local Government Bodies Regulations 2014</p>	<p>I recommend that the Solicitor to the Council – People and Regulatory provides guidance to the service areas affected by the Openness of Local Government Bodies Regulations 2014 on how to meet the requirements of the regulations, and ensures that service areas are publishing the required information in accordance with that guidance.</p>	<p>This will form part of the constitution review. Once the new constitution is in place (anticipated May 2016) then any additional guidance and implementation support will be provided.</p>	<p>July 2016</p>	<p>Solicitor to the Council – People and Regulatory</p>

83

Internal Audit Plan 2015-16

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

APPENDIX B

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

Weakness Found	Risk Identified	Recommendation	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<p>interest declared by any executive member consulted in relation to the decision; and</p> <ul style="list-style-type: none"> a note of dispensation granted in respect of any declared conflict of interest <p>The Council has not yet finalised arrangements in place to provide this information to the public, and consequently may not be compliant with Regulations.</p>					

34

Audit Framework Definitions

Control Assurance Definitions

Appendix C

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

Categorisation of Recommendations

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

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

Definitions of Risk

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

Document is Restricted

Appendix D

Herefordshire Council 2015-16 Audit Plan

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Deferred/Removed	Elections	1	Removed	–	–	–	–	–	–	–
Economy Communities and Corporate	Follow Up	Accounts Payable 2015-16	1	Completed	Non-Opinion	0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Main Accounting 2015-16	1	Completed	Non- Opinion	–	–	–	–	–	–
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud Reviews	1	Contingency		0	0	0	0	0	0
Economy Communities and Corporate	Governance, Fraud & Corruption	NFI 2015-16	1	Completed		–	–	–	–	–	–
Economy Communities and Corporate	ICT	Hardware Asset Management	1	Completed	Reasonable	3	0	0	2	1	0
Information and communication technology	ICT	Public Services Network (PSN) code - assurance compliance	1	Completed	Non Opinion	–	–	–	–	–	–
Economy Communities and Corporate	Key Control	Payroll 2015-16	1	Completed	Partial	17	2	6	9	0	0
Economy Communities and Corporate	Key Control	Pensions - Auto enrolment 2015-16	1	Completed	Partial	2	0	2	0	0	0
Adults Wellbeing Service	Operational	Peer Challenge Benefits Realisation	1	Completed	Reasonable	5	0	0	5	0	0
Children's Wellbeing Service	Operational	Safer Recruitment	1	Completed	Reasonable	5	0	0	4	1	0
Children's Wellbeing Service	Operational	Use of Agency Staff 2015-16	1	Completed	Partial	14	0	6	8	0	0
Adults Wellbeing Service	Operational	Delivery of Projects funded by the Skills Funding Agency 2015-16	1	Completed	Reasonable	4	0	0	4	0	0
Economy Communities and Corporate	Operational	HALO contract	1	Completed	Reasonable	4	0	1	3	0	0
Economy Communities and Corporate	Operational	Home to School Transport	1	Completed	Partial	13	0	4	9	0	0
Children's Wellbeing Service	School	Pupil Premium - school theme report	1	Completed	Non-opinion	–	–	–	–	–	–
Children's Wellbeing Service	School	Trinity Primary School	1	Completed	Substantial	2	0	0	2	0	0
Children's Wellbeing Service	School	The Aconbury Centre	1	Completed	Reasonable	6	0	0	6	0	0
Children's Wellbeing Service	School	Much Marcle C of E Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	Madley Community Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	St Marys Church of England Primary School	1	Completed	Reasonable	2	0	0	2	0	0
Children's Wellbeing Service	School	Blackmarston School	1	Completed	Reasonable	4	0	0	4	0	0
Economy Communities and Corporate	Deferred/Removed	Incident and Problem Management	2	Removed		–	–	–	–	–	–
Economy Communities and Corporate	Governance, Fraud & Corruption	Buchanan Trust	2	Completed	Non- Opinion	–	–	–	–	–	–
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud and Corruption Survey	2	Completed	Non-Opinion	–	–	–	–	–	–
Economy Communities and Corporate	Grant	Local Transport Block Funding/Pothole Fund	2	Completed	Grant Certification	–	–	–	–	–	–

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

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Deferred/Removed	Energy Supply Contract	4	Removed - replaced with Midland Heart Care Provision	-	-	-	-	-	-	-
Children's Wellbeing Service	Follow Up	Schools Prevention of Fraud	4	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Deferred/Removed	Road Maintenance Follow Up	4	Removed - replaced with Initial Contract Management review	-	-	-	-	-	-	-
Economy Communities and Corporate	Grant	Repair and Renew Grant	4	Completed	Grant Certification	-	-	-	-	-	-
Economy Communities and Corporate	ICT	Corporate Services - Digital Channels Project	4	In Progress		0	0	0	0	0	0
	Operational	Initial contract Management review	4	Completed	Non-Opinion	-	-	-	-	-	-
Adults Wellbeing Service	Operational	Direct Payments	4	Draft Report		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Purchasing Strategy and Market Management - Care service	4	Initial Meeting		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Commercial Rents	4	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Income review - maximising income - income and charging guidance	4	Initial Meeting		0	0	0	0	0	0
All Directorates	Operational	Commissioning and Procurement	4	In progress		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Social Care Financial Practices	4	In Progress							
Economy Communities and Corporate	Operational	Planning Applications	4	Draft Report		0	0	0	0	0	0
Children's Wellbeing Service	Operational	Contract Management - Children's Wellbeing -	4	In Progress		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Midland Heart Care Provision	4	Draft Report		0	0	0	0	0	0
Economy Communities and Corporate	Special Review	Parking Permits	4	Discussion Document	Non-Opinion	0	0	0	0	0	0
Children's Wellbeing Service	Special Review	Statutory Returns	4	In Progress		0	0	0	0	0	0



Meeting:	Audit & governance committee
Meeting date:	9 May 2016
Title of report:	Annual governance statement
Report by:	Director of resources

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To comment on the draft annual governance statement for 2015/16 prior to publication with the draft accounts.

Recommendation(s)

THAT:

- (a) the committee reviews and comments on the draft 2015/16 annual governance statement (appended to the report); and
- (b) authority be delegated to the director of resources to make any amendments necessary having regard to the comments of the committee and to arrange publication of the draft statement in accordance with the requirements of the regulations.

Alternative options

- 1 The draft document is presented for comment; it is open to the committee to propose alternative actions for consideration.

Reasons for recommendations

- 2 To inform development of the annual governance statement.

Further information on the subject of this report is available from Peter Robinson, Director of resources on Tel (01432) 383514

Key considerations

- 3 The council has a responsibility for conducting at least annually a review of the effectiveness of the governance framework including the system of internal control. This is reported through the annual governance statement which is reviewed and approved by the committee as an element of the annual statement of accounts. Following changes to the regulations governing the timeframe for approval of the accounts it is now a requirement to publish a draft annual governance statement by the end of May; approval of the final statement is scheduled for the committee's meeting on 4 July. The annual governance statement also provides commentary on how the council's governance framework including the system of internal control can be improved. Whilst the statement by its nature is only signed off once a year, the process of review is continuous. Reports presented to the audit and governance committee inform the development of the annual governance statement, and the committee receives half year progress reports on implementation of the action plan supporting the annual governance statement.
- 4 A draft statement is attached at appendix A, together with a draft action plan at appendix B; also attached for information, at appendix C, is the previous year's action plan with progress updates shown using tracked changes. A final progress update on that plan will be reported to committee in July; where appropriate, ongoing actions have been rolled forward to the current year's action plan.

Community impact

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

Equality duty

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

Financial implications

- 8 None arising directly from this report.

Legal implications

- 9 The Accounts and Audit Regulations 2015 include a requirement for all councils to produce an annual governance statement, and set out the timescales by which they must be published.

Risk management

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

Consultees

- 11 None.

Appendices

Appendix A – draft annual governance statement 2015/16

Appendix B – draft action plan 2016/17

Appendix C – action plan 2015/16

Background papers

- None identified.

Annual governance statement 2015/16

Scope of responsibility

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

The purpose of the governance framework

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

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

The governance framework

9. The council's corporate governance framework was adopted by full Council on 31 October 2008 and has been reviewed annually by the section 151 officer to ensure it remains fit for purpose. It seeks to ensure that the principles of good governance are embedded into all aspects of the council's work. The five principles agreed within the code link to the six principles of good governance outlined in the SOLACE/CIPFA publication "Delivering good Governance in Local Government".
10. For ease of reference, the following table matches the council's five principles with those contained in the SOLACE/CIPFA guidance:

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

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

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

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

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

such as local councils and the voluntary and community sector. More formal partnership arrangements with other councils, such as the Marches Local Enterprise Partnership, have been established as joint executive committees which themselves are subject to the relevant statutory requirements for open and accountable decision-making.

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

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

Principle 3 – Require high standards of conduct

23. The council has agreed values, which act as a guide for decision-making and a basis for developing positive and trusting relationships both within the council and between the council and its partners. The council follows CIPFA recommended standards of conduct; although the s151 role is not fulfilled by a director the role has direct lines of accountability to the chief executive and is a member of the senior management team.

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

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

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

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

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

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

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

Review of effectiveness

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

Cllr Barry Durkin
Chairman, audit & governance committee

Signed:
Date:

Alistair Neill
Chief executive

Signed:
Date:

Peter Robinson
Director of resources

Signed:
Date:

DRAFT

1.	Improvement area: A lack of evidence that system wide processes to ensure safeguarding of both children and adults are sufficiently robust in all agencies and that accountabilities are clear and understood			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Provide the best possible service to the people of Herefordshire Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	Action(s)	Lead*	By	Progress update including challenges and interdependencies
1a	Herefordshire safeguarding children board business plan in place to address weaknesses	JD		
1b	Complete the benefits realisation review of Making Safeguarding Personal (MSP), incorporating outstanding findings from the peer review, audit findings and the results from national evaluations, and deliver the resulting action plan	MS		
1d	Appropriate safeguarding and corporate parenting training in place for members (and employees) to ensure understanding and responsibilities are clearly understood in every council service	GH		
2.	Improvement area: Contract management is not consistently focused on achievement of contracted outcomes			
	Improvement outcome/evidence base: Reduction in number of contract procedure rule waivers (baseline 2015/16 - 43) Number of contract performance actions implemented increased. Number of procurement challenges reduced.			

	Full compliance with transparency code requirements.			
	Link to corporate code principles: Provide the best possible service to the people of Herefordshire Take sound decisions on the basis of good information			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
2a	Complete a council-wide review of commissioning and contract management, taking account of relevant internal audit recommendations	NS		
2b	Following review agree commissioning and commercial strategy	NS		
2c	Implement action plan to include training for employees on core elements of contract management and record keeping.	NS		
3.	Improvement area: As public sector resources reduce there is a need to ensure that the council's vision and objectives are clearly understood by the wider public sector.			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Provide the best possible service to the people of Herefordshire Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
3a	Fully engage with relevant partners with the aim of jointly leading public sector reform in Herefordshire to maximise use of resources. (Having regard to the opportunities and risks associated with devolution, combined authorities, and	AN		

	health system changes such as sustainability and transformation plans).			
3b	A programme of local debate will take place concerning the shape and nature of national educational policy and how the council will fulfil its statutory roles.	JD		
3c	Further embed the public health function throughout the council, ensuring effective oversight and governance of the multi-agency preventative work	MS		
4.	Improvement area: Internal audit reports have identified some weaknesses in key control systems			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
4a		PR		
4b				
5.	Improvement area: The public have a clear understanding about who takes decisions which affect them, the information which is used to inform those decisions, and how they may engage in the decision making process.			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Take sound decisions on the basis of good information Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
5a	Constitution (including codes & protocols) to be reviewed in	CW	09/16	

	conjunction with cross-party constitution working group			
5b	Ensure constitutional arrangements of partnership bodies are clear and robust and roles and responsibilities are clear and understood	GH	09/16	
5c	Reporting quality and accuracy will be reviewed through identified audits to ensure that the data reported reflects the correct information and evidence outcomes.	GH		
5d	Complaints trend data actively used to inform improvement	GH		
5e	Implement a programme of governance training (to include report writing training) for employees	AB		
5f	Implement training for decision-makers and scrutiny members to ensure the principles of good decision-making are understood and upheld	CW		
5g	Review decision-making governance processes to ensure there is a proportionate approach to transparency re decision-making so that information is available about decisions taken, that schemes of delegation are clear, but that the process of	CW	09/09	

	documenting decisions is not overly bureaucratic.			
5h	Complete a programme of work to ensure that the sharing of information is effective and robust whilst all partnerships understand the requirements to share information	NS		
5i	New website in place to improve transparency and make it more user-friendly	NS		
6.	Improvement area: Insufficient linkages between corporate strategies and plans (including risk management), project management, and individual decisions			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Take sound decisions on the basis of good information Be transparent and open: responsive to Herefordshire's needs and accountable to its people			
	Action(s)	Lead*	Timescale	Progress update including challenges and interdependencies
6a	Review performance management arrangements to ensure compliance issues are addressed	RB		
6b	Business case to be more routinely used and review of benefits realised scheduled at point of agreement to ensure robust follow up	PR		
6c	Implement consistent approach to tracking progress re implementation of recommendations/decisions	GH		

6d	Performance risk and opportunity management framework refreshed and embedded	RB		
6e	Undertake ECC peer review	GH	12/16	
6f	Schedule corporate peer review for 2017/18	AN	03/17	
7.	Improvement area: Staff surveys and standards complaint numbers indicate continued concerns exist regarding instances of bullying and harassment. Although comparatively low levels the council does not tolerate any instances			
	Improvement outcome/evidence base: Reduction in number of code of conduct complaints upheld (baseline 2015 xx) Decrease in number of staff saying they feel bullied or harassed (baseline 2015 XX)			
	Link to corporate code principles: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness Require high standards of conduct			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
7a	Maintain annual programme of training and awareness amongst elected members	CW		
7b	Promote awareness campaign amongst staff about appropriate behaviours and correct report mechanisms	AN		
8.	Improvement area: Fraud – A lack of focus across the authority and input by internal audit			
	Improvement outcome/evidence base:			
	Link to corporate code principles: Require high standards of conduct			
	Action(s)	Lead*	Times cale	Progress update including challenges and interdependencies
8a	Implement e-learning module	PR		
8b				
9.	Improvement area: Staff reductions have placed a new level of work pressure on staff and on particular departments. Whilst there are signs that morale related to working for Herefordshire Council has improved, we still need to work hard on giving staff a clearer sense of our direction of travel.			

	Improvement outcome/evidence base: Improvements in staff saying : <ul style="list-style-type: none"> • The council has a clear sense of direction (baseline:) • The council is a good place to work (baseline:) • They are treated fairly and equally (baseline:) 		
	Link to corporate code principles: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness		
	Action(s)	Lead*	Times cale
9a	Ensure clarity of vision and purpose for the organisation	AN	
9b	Ensure effective staff and member engagement in change and clear, resourced succession planning processes are developed	PR	

*** Lead:**

RB = Richard Ball, assistant director place based commissioning

AB+ Annie Brookes, head of corporate governance

JD = Jo Davidson, director children’s wellbeing

AN = Alistair Neill, chief executive

MS = Martin Samuels, director adults and wellbeing

PR = Peter Robinson, director of resources

NS = Natalia Silver, assistant director communities

CW = Claire Ward, monitoring officer

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

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					safeguarding boards as to multi agency safeguarding training has been adopted to make best use of resources in implementing a training strategy, the implementation of which should be in place for 2016/17.	
		b) Making Safeguarding Personal (MSP) implementation plan is completed and benefit realisation review takes place	MS	Dec 15	<p>MSP went live in January 2015 including weekly monitoring across operational teams continues. This has focussed attention on historical problem areas to ensure operational managers are able to drive improvement.</p> <p>A review of MSP was formally commissioned at the quarterly adult wellbeing performance review meeting, which will be lead on by the head of safeguarding. This will be linked in to the Herefordshire Safeguarding Adults Board agenda.</p> <p>A review of MSP is currently underway and is now due to be completed in May 2016; this will incorporate the findings of the Safeguarding Peer Review from September 2015, findings from internal and multi-agency audits, and national recommendations. The resultant action plan will plan for a revised process and additional staff guidance, new toolkits and support tools for practitioners, and</p>	<p>Percentage of concerns progressing to enquiry reduced</p> <p>Extra capacity results in an increase in the percentage of concerns into enquiry made within 2 working days.</p> <p>Percentage of enquiries completed within 28 days of decision to progress</p> <p>NOTE – targets are monitored by management for</p>

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>additional training for our workforce and for external partners. The revised process is being developed which will be changed in our system in July 2016 (post Mosaic implementation), some statutory changes have already been reflected in the case file recording system.</p>	<p>quality assurance purposes</p> <p>Percentage of service user outcomes achieved</p> <p>Percentage of cases where the adult feels safer as a result of the enquiry</p>
		<p>c) Safeguarding adults peer challenge is completed and action plan implemented for areas of improvement</p>	<p>MS</p>	<p>October 15</p>	<p>AWB safeguarding peer challenge took place in September 2015; formal feedback should be received during September.</p> <p>Formal feedback has been received and an implementation plan has been signed off by cabinet.</p> <p>An integral part of this implementation plan is the review of MSP (see action b above), and is due for completion by April 2016.</p> <p>See update to action b above.</p>	<p>Assurance that the changes to safeguarding adults board governance have delivered change, and that action plans are sufficient in focus and pace to give confidence to the wider system, service users and carers.</p> <p>Understanding how</p>

	Area for Improvement	Actions	Owner (see key at end)	Time- scale	Progress Update	Improvement outcome
						<p>much positive impact MSP is having on both practise and the confidence of our workforce in safeguarding vulnerable people</p> <p>Assurance on how effective changes to performance management are and how we could improve service user and carer feedback into the process</p> <p>Understanding how we could further strengthen multi partnership engagement and involvement in the safeguarding adult's</p>

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

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					closely integrated with legal services.	
		b) A programme of contract management training is in place to improve contract management skills. Attendees are developing a community of practice to support development of skills and consistency.	NS	Sept 2014 – Ongoing	<p>A self-service assessment tool to rate contract risk, supported with contract management guidance in development and due to be piloted in Oct 2015.</p> <p>A total of 282 staff days of training has been delivered.</p> <p>The draft assessment tool was shared with the commercial board members in Jan 16. The agreed tool will form part of the contract management framework and new commissioning & commercial strategy to be agreed in Spring/Summer 2016.</p>	Contract managers across the organisation able to demonstrate required skills.
		c) Improving contract management performance will also be included as part of the Commissioning and Commercial Strategy due to the refreshed by end of 2015.	NS	Dec 2015 – Ongoing	<p>A review of commissioning is taking place across the organisation.</p> <p>A commissioning and commercial strategy has been drafted and will be reviewed in the light of the corporate plan and medium term financial strategy due to be considered by Council in February, to ensure it is fully consistent with the priorities for the future, prior to adoption in</p>	Clear commitment to effective contract management reiterated as part of new commissioning and commercial strategy

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					Spring/Summer 2016.	
3.	As public sector resources reduce there is a need to ensure that the council's vision and objectives are clearly understood by the wider public sector	a) Fully engage with WVT, the CCG, Police, Fire and Rescue, and other agencies – with the aim of jointly leading public sector reform in Herefordshire to maximise use of resources.	AN	Ongoing	<p>July Summit meeting organized to establish overall strategic changes; September Summit organised to establish definition of possible change plans. Central part of devolution deal proposal.</p> <p>July and September Health and Social Care summit meetings and weekly chief officer meetings have led to development of a draft proposal, now in progress – for a stronger system-wide approach to aligned health and care within Herefordshire. The aim is to reach a formal proposal in Jan-March 2016. This remains part of our devolution deal proposal.</p>	Council vision and objectives are clearly understood by partners.
Principle 2: Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness						
4.	There is an identified lack of clarity amongst members (and officers) re roles/and processes	a) Constitution (including codes & protocols) to be reviewed in conjunction with cross-party	CW	May 2016	<p>Governance improvement working group work plan and timetable agreed by audit and governance committee in July; first meeting held in September.</p> <p>SWOT and design principles agreed by audit</p>	Improved understanding and awareness of roles and processes as evidenced by member feedback

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
		constitution working group.			and governance committee on 24 November. The working group have diarised meetings to now review the constitution. The working group has continued to meet and determined the areas of focus for review. Work is now planned to engage with the wider member body to inform the redrafting of the constitution and it is anticipated this work will be presented to audit and governance committee and Council in September.	and compliance with governance processes.
5.	Individual directorates/ services have undergone recent elements of peer challenge. We will consider further peer challenge to inform future strategic direction/business planning.	a) Consider options of corporate peer review or ECC review.	AN	December 2015 – Ongoing	AWB peer review has now reported, with generally positive findings of direction and improvements. ECC peer review to be conducted during 2016/17 and corporate peer review in 2017/18. LGA review of Communications Highways arrangements	Business planning informed by peer reviews.
6.	Staff reductions have placed a new level of work pressure on staff and on particular departments.	a) Ensure clarity of vision and purpose for the organisation.	AN	March 2015 – Ongoing	In Mar 2016 a new employee-wide approach to performance development, individual objective setting, values and competencies was introduced – Personal Performance	Employee opinion survey: "The council has a clear sense of direction" Improve

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
	Whilst there are signs that morale related to working for Herefordshire Council has improved, we still need to work hard on giving staff a clearer sense of our direction of travel.			ng	development Plan (PPdP). Staff briefing sessions were held during Feb 2016 to communicate direction of travel in line with refreshed corporate plan, core strategy, economic masterplan, devolution deal, etc	response rate to above 50% (base line 33% agree July 2015) 28% agree November 2015
		b) Ensure effective staff and member engagement in change and clear, resourced succession planning processes are developed	PR	December 2015	Improved establishment information aligned to budget – either through recruitment or managing change processes. Succession planning – identify key roles (e.g. chief officers / heads of service / critical) – and determine through a process a plan for that post should it become vacant template used in other organisation that we could look to adapt to save reinventing the wheel). For children’s social workers – the Newly Qualified Social Worker programme is already in place that will make the shift from agency to permanent in the medium term. Staff consultation processes are in place to	Employee opinion survey: "I am kept informed of the changes". (base line 56% agree July 2015) 58% agree November 2015 Improve response rate to above 65% Resource plan for each directorate in place. Succession planning

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>manage service changes and impact on staff.</p> <p>Staff engagement sessions were held during Feb 2016 with chief executive and directors. This will be to share and discuss the council's sense of direction and also to set out an individual personal performance development programme (PPdP) that focuses on clear objective setting and personal development.</p> <p><i>The succession planning process will link with the PPdP process.</i></p> <p>Changes to senior management within ECC took effect in 2015/16 and are intended to ensure the directorate can respond to the changing demands and priorities anticipated in forthcoming years.</p> <p>Newly implemented recruitment process.</p>	<p>process in place for all chief officer and critical posts.</p> <p>The newly implemented recruitment process is intended to improve the process for managers and the experience for potential candidates.</p> <p>The new system will also allow the council to save money and provide a new up to date system fit for the digital age.</p>
Principle 3: Require high standards of conduct						
7.	Fraud – A lack of focus across the authority and	a) Higher profile given to fraud awareness through leadership	PR	October	Days allocated in the internal audit plan, this includes work on national fraud initiative (NFI) to help services with the review of the matches	Greater awareness of fraud and proactive use of NFI

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

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

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
	staff.	required improvement activity with new format in place from quarter 1. Reports will also incorporate risk and strategic HR information.			Cabinet – 23 Jul 15, 3 Dec 15, 11 Feb 16 Work in progress, ongoing improvements are being made to content and format of reports. 45 audits undertaken during the past two financial years.	improvement
8	10. Lack of robustness of challenge re business cases/benefits – consistency of business cases; follow up re benefits realisation	a) Finance team to instigate more robust challenge on business case and benefits and follow-up re. benefits realisation	PR	October 2015	New business templates in place, finance team challenging cases and monitoring savings plans which are published in cabinet reports. e.g. savings plan (21 Jan 2016, Cabinet) The business case is being used across the council and is appended to reports relating to key decisions, Finance staff provide challenge at a strategic level and benefits are now being appraised at the end of projects e.g. business case for the acquisition of Elgar House (11 Feb 2016, Cabinet)	Achievement of business case proposed outcomes
	11. Insufficient linkages between strategic planning processes, project	a) Review performance management arrangements to	PR	December	New project management templates are in place, project review structures are agreed with highlighted reporting considered at senior	Capital strategy group in place and issues dealt with in a

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
	management, and individual decisions e.g. as evidenced by the Colwall school building decision, and compliance with health and safety procedures	ensure compliance issues are addressed		2015	<p>manager level .The building strategy takes into consideration of the health, safety, wellbeing and safeguarding requirements of current legislation to ensure buildings are fit for purpose and meet current legislator requirements</p> <p>The health and safety advisor is now part of the schools property liaison group meetings and key work planned takes into consideration of the health and safety requirements and this also helps shape priorities of spend</p>	programmed way.
		b) Corporate health and safety board strengthened	PR	September 2015	<p>Cabinet approved refreshed policy (including revised governance arrangements) in September 2015.</p> <p>Policy on Sharepoint Health and Safety site accessible to all staff. Communicated changes via the Safety Committee, through Directorate representatives, via safety training of all staff, through Directorate Safety Groups and communication briefings sent to all staff. Minutes and actions from Corporate Health and Safety meetings are reviewed at Board level on a quarterly basis and where required significant issues are escalated . Copies of the minutes are</p>	Health and Safety issues identified in a timely fashion and properly risk assessed and mitigated.

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					<p>on the Sharepoint site and available to all employees. Corporate Risks are adjusted according to findings. Serious issues are then brought to the notice of Council Leadership. Monthly health and safety reports are sent to ECC DMT on significant issues with an up-to-date action plan. So that issues can be escalated where appropriate. The number of reported incidents have fallen over the last 3 years and there is a greater awareness for the need to report incidents and review what happened using trend analysis Using National Statistics for – LA and Government Offices Annually (2014/2015) injuries from slips/trips and falls are 8% lower than the nation average and injuries from lifting and handling is 4.5 % lower</p> <p>H&S issues are now routinely considered as part of schools estate management meetings which has health and safety representation</p> <p>Landlords consent requirements resent on the 1st October to remind schools of what they need to do to prior to making any significant changes to structures which could impact on staff, pupils</p>	

	Area for Improvement	Actions	Owner (see key at end)	Time-scale	Progress Update	Improvement outcome
					and visitors health, safety or welfare	
Principle 5 – Be transparent and open: responsive to Herefordshire’s needs and accountable to its people						
92	12. Although there is a significant amount of information made available publically, including in relation to decision taking, it is not always easy to find on the website or easily understood once found leading to a perception that information is being withheld and/or decisions are taking place ‘behind closed doors’.	a) Update website to improve transparency and make it more user-friendly.	NS	February 2016 – ongoing	Implementation plan in place. Improvements to functionality of the website have taken place (council tax, reporting function, resilience), with further investment in digital communications in 2016, with new website commissioned and due to be in place for the end of the calendar year	Updated user friendly website in place and operational, user satisfaction improved
		b) Review decision-making governance processes to ensure there is a proportionate approach to transparency re decision-making so that information is available about decisions taken, that schemes of	CW	May 2016	Included within the remit of the review of the constitution (see 4a above) See update to 4a above	Clear governance processes which enable effective engagement and timely decision-making.

Annual Governance Statement Action Plan 2015/16

	Area for Improvement	Actions	Owner (see key at end)	Time- scale	Progress Update	Improvement outcome
		delegation are clear, but that the process of documenting decisions is not overly bureaucratic.				

Owner:

RB = Richard Ball, assistant director place based commissioning

JD = Jo Davidson, director children’s wellbeing

AN = Alistair Neill, chief executive

MS = Martin Samuels, director adults and wellbeing

PR = Peter Robinson, director of resources

NS = Natalia Silver, assistant director communities

CW – Claire Ward, monitoring officer



Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Complaints procedure for standards matters
Report by:	Monitoring officer

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To recommend the adoption of a new complaints procedure.

Recommendation(s)

THAT:

- (a) **Subject to views parish councils, the revised procedure for standards matters in appendix 1 and 2 be adopted.**

Alternative options

- 1 Not to recommend the adoption of this new procedure.

Reasons for recommendations

- 2 The Localism Act 2011 requires that the council must have in place arrangements under which allegations that a member has failed to comply with the code of conduct, can be investigated and decisions on the allegations made.

Key considerations

- 3 The council last adopted a complaints procedure in July 2012 when the councillors' code of conduct was adopted.

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

- 4 As part of the annual monitoring officers report to this committee in November 2015 the existing complaints procedure was identified as further work for the committees work programme. In addition it was resolved that the committee would oversee the review via a working group with: Councillors EPJ Harvey, PD Newman and BA Durkin. Mr John Sharman as the councils existing independent person was also invited to assist.
- 5 The working group has met with the monitoring officer on three occasions, considered a number of case studies, produced a SWOT analysis and other local authority models. The monitoring officer has now redrafted a procedure and flow chart found in appendix 1 and 2.
- 6 The proposed process does not alter the current working arrangements but simply clarifies the procedure and is more explicit about how matters will be handled. The significant features remain in relation to assessments and filtering by the monitoring officer, the requirement to tell the subject member about a complaint made against them and the involvement of a panel chaired by the independent person where matters cannot be resolved by the monitoring officer.
- 7 As the process will apply to parish council's that have adopted this council's code of conduct it is thought prudent to seek any views from such councils before adoption.

Community impact

- 8 The public expectation is that the council has adequate, objective and transparent measures in place to deal with standards complaints.

Equality duty

- 9 There are no equality duty implications in this report.

Financial implications

- 10 There are no financial implications from this report.

Legal implications

- 11 The process will ensure that the council is able to meet the requirements to have arrangements under which allegations that a member has failed to comply with the code of conduct of the Localism Act 2011.

Risk management

- 12 There is a reputational risk to the council if it is unable to manage effectively its standards complaints process. There is also a risk to councillors if complaints are mishandled.

Consultees

- 13 Parish councils and the independent person.

Appendices

- a) procedure

b) flowchart

Background papers

- None identified.

ARRANGEMENTS FOR DEALING WITH COMPLAINTS ABOUT THE CODE OF CONDUCT FOR MEMBERS – REVISED [date]

Introduction

This procedure applies when a complaint is received that a member, town/parish member or co-opted member, has or may have failed to comply with the adopted code of conduct for members.

A complaint is confidential and remains so until the complaint is resolved.

Making a complaint

The person making the complaint will be referred to as “the complainant” and the person against whom the complaint is made will be referred to as the “subject member”.

A complaint must be made using the standard complaint form (available on the council’s website via the following link)

<https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/standards-and-ethics>

The complaint must be submitted in writing by post or email to:-

Information Access Team, Herefordshire Council, Plough Lane, PO Box 4, Hereford HR4 0XH

accesstoinformation@herefordshire.gov.uk

Pre Qualification

The information access team will normally acknowledge on receipt of the complaint within five working days and advise if the complaint will be passed for initial assessment by the monitoring officer or rejected.

The information access team may reject a claim if;

- It is against one or more named Members or co-opted Members of the Council or a Town/Parish Council outside the Council’s area;
- The Subject Member was not in office at the time of the alleged misconduct/or at the time of the complaint;
- The complaint is made anonymously.

Initial Assessment

The monitoring officer will review the complaint and decide whether it should be rejected, merits further consideration, or another course of action.

The monitoring officer may seek the views of the independent person to aid consideration and may also request further information.

This decision will normally be taken within 15 working days of receipt of a complaint.

A complaint will be rejected by the monitoring officer if:

- The complaint, if proven, would not be a breach of the code of conduct under which the subject member was operating at the time of the alleged misconduct.
- Where the complaint appears to be malicious, vexatious, politically motivated or tit-for-tat;
- Where the subject member has apologised for making an error and the matter would not warrant a more serious sanction.
- Whether the complaint is about something that happened so long ago that those involved are unlikely to remember it clearly enough to provide credible evidence, or where the lapse of time means there would be little benefit or point in taking action now;

If the complaint is rejected the complainant will be advised of the decision. The subject member will not be advised that a complaint has been made or of the rejection.

If the complaint is not rejected, the Monitoring Officer will then go on to apply the following criteria in deciding whether a complaint should be dealt with by another course of action, by monitoring officer resolution or by formal investigation:

- Whether the allegation discloses a potential breach of the Code of Conduct, but the complaint is not serious enough to merit any recommendation other than an apology and:-
 - (i) The resources needed to investigate and determine the complaint are wholly disproportionate to the allegations;
 - (ii) Whether, in all the circumstances, there is no overriding public interest in carrying out an investigation;
- whether the complaint suggests that there is a wider problem throughout the authority;
- whether training or conciliation would be the appropriate response;
- whether a substantially similar allegation has previously been made by the complainant;

The decision as to how to proceed will be made by the monitoring officer and shall be final. There shall be no right of appeal.

Monitoring Officer Resolution

Where ever possible, the monitoring officer will resolve complaints.

The subject member will be asked, within 25 working days of receipt, to make written representations to the monitoring officer which must be taken into account when deciding how the complaint will be dealt with.

If the monitoring officer considers, after consultation with the Independent person, that the matter should reasonably be resolved without the need for a formal investigation, a fair resolution shall be suggested.

Such resolution may include:

- advising the subject member about matters of conduct
- arranging training for the subject member
- advising the subject member that an apology might be appropriate
- suggesting a mediation meeting between the subject member and the complainant

The monitoring officer will report (within 10 working days from receipt of information from the subject member) the outcome of the complaint to the complainant, subject member, and (if appropriate) the clerk to the town/parish council for information, but will take no further action.

The decision as to how to proceed will be made by the monitoring officer and shall be final. There shall be no right of appeal.

The resolution of the complaint by the monitoring officer will be published in the statistics of complaint to the council's audit and governance committee annually.

Formal investigation

Where, in the opinion of the monitoring officer, following consultation with the independent person, monitoring officer resolution is not appropriate, the monitoring officer will make arrangements (within 10 working days upon receipt of information from the subject member) for the complaint to be formally investigated. The monitoring officer may appoint an investigating officer to investigate the complaint, gather further evidence and prepare a report.

The monitoring officer will review the investigating officer's report and will then either:

- report (within 10 working days) that there has been no breach of the code to the complainant, subject member and the Clerk to the Town/Parish Council (if appropriate) for information and take no further action;
- refer the report to a standards panel in accordance with the constitution 3.6.3.5; <https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-constitution>
- or after consulting the independent person, seek local resolution.

The resolution of the complaint by formal investigation will be published in the statistics of complaint to the council's audit and governance committee annually.

NOTES

Confidentiality

If a complainant has asked for their identity to be withheld, this request will be considered by the monitoring officer at the Initial Assessment stage.

As a matter of fairness and natural justice, the subject member should usually be told who has complained about them and receive details of the complaint. However, in exceptional circumstances, the monitoring officer may withhold the complainant's identity if on request from the complainant, they are satisfied that the complainant has evidence and reasonable grounds for believing that they or any witness relevant to the complaint may be at risk of actual harm, or their employment may be jeopardised if their identity is disclosed.

If the monitoring officer decides to anonymise the complaints details from the subject member this will be kept under review.

If the monitoring officer decides to refuse a request by a complainant for confidentiality, he will offer the Complainant the option to withdraw the complaint, rather than proceed with his or her identity being disclosed.

Additional Information

The monitoring officer may require additional information at any stage of the process to come to a decision and may request information from the complainant, subject member and where the complaint relates to Town/Parish Councillor, the Clerk of the Town/Parish Council. Such requests will remind those involved of the requirement to keep the matter confidential.

Another course of action

This is not defined but may include mediation, training, other alternative arrangements or where another process or procedure more appropriately applies a referral to that process.

Investigation officer

The investigating officer may be a council officer, an officer of another council, or an external investigator.

Independent Person

Where possible an independent person may be available to support the subject member through the process where the independent members has not otherwise been involved in the matter.

Standards panel

The parties will be informed of the hearing date and the arrangements in preparation for the meeting. The only witnesses permitted are people referred to in the evidence, and not, for example, character witnesses.

The meeting is held in private.

The recommendations will be presented, either:

- To the council's Audit and Governance Committee in the case of a complaint against a member of Herefordshire Council or:
- To the relevant town/parish council, in the case of a complaint against a town/parish council member.

The Audit and Governance committee or the town or parish council will decide what action to take on the recommendations in the report. This decision shall be final with no right of appeal.

What actions might be taken on the recommendations in the panels reports?

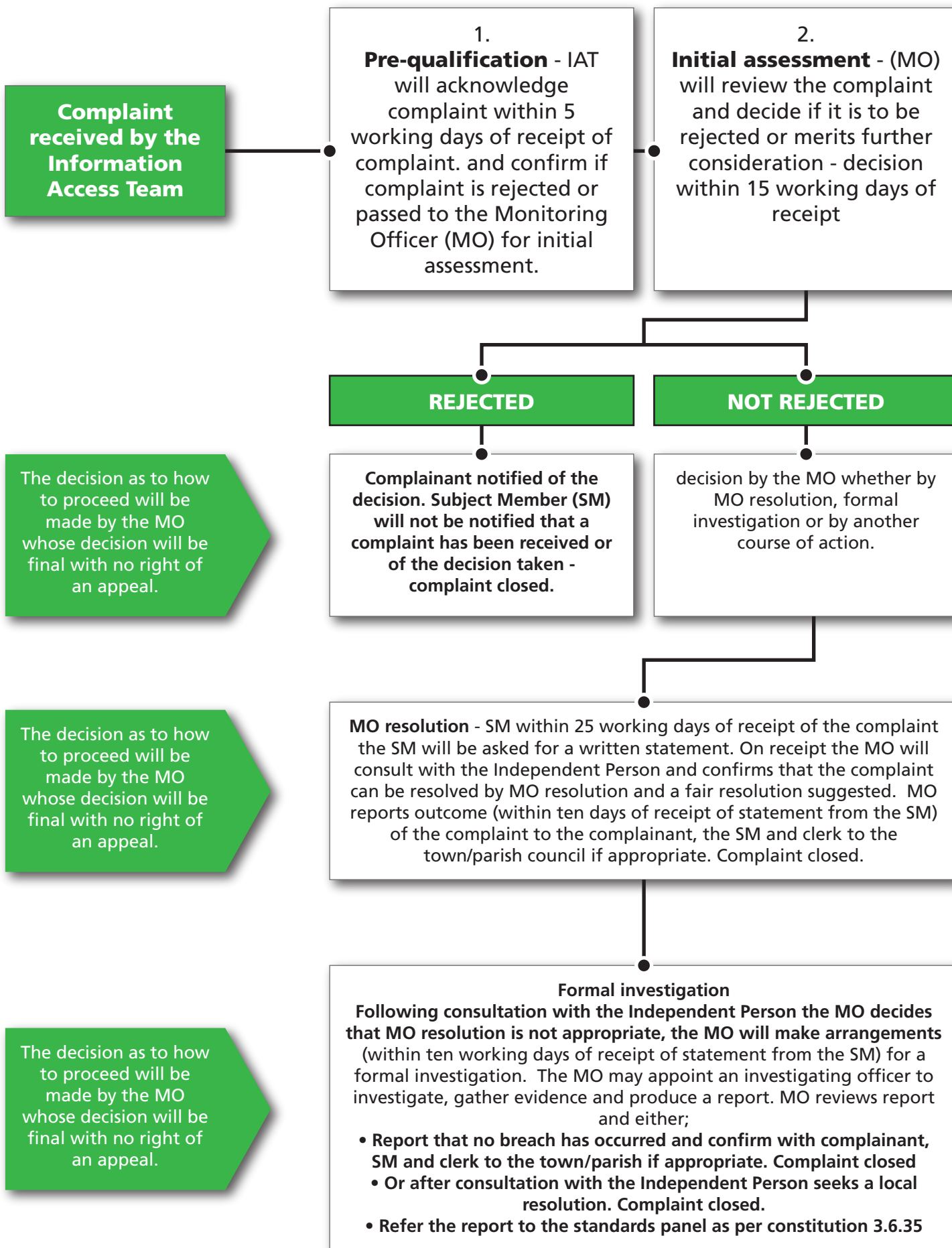
This list is not exhaustive

- Publish its findings in respect of the member's conduct;
- Report its findings to council (or to the town/parish council) for information;
- Recommend to council that the member be censured;
- Recommend to the member's group leader (or in the case of un-grouped members, recommend to council) that he/she be removed from any or all committees or sub-committees of the council;
- Recommend to the leader of the council that the member be removed from the cabinet, or removed from their portfolio responsibilities;
- Recommend that the subject member be replace as executive leader;
- Instruct the monitoring officer to (or recommend that the town/parish council) arrange training for the member;
- Recommend to council (or recommend to the town/parish council) that the member should not be appointed and/or be removed from all outside body appointments to which they have been appointed or nominated by the council (or by the town/parish council);
- Withdraw (or recommend to the town/parish council that it withdraws) facilities provided to the member by the council, such as a computer, website and /or email and Internet access;
- Exclude (or recommend that the town/parish council exclude) the member from the council's offices or other premises, with the exception of meeting rooms as necessary for attending council, committee and sub-committee meetings.
- Require an apology in suitable terms to the standards panel.

This procedure comes into force on [date]. It will apply to all new complaints received after this date and all complaints which were being handled under the former procedure but were not completed this implementation date.

Complaints process

Outline process for dealing with complaint of a breach of the code of conduct





Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Working group: risk register
Report by:	Working group (Chairman: Councillor F Norman)

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To consider the findings of the committee working group and to recommend the report to the executive for consideration.

Recommendation(s)

THAT:

- (a) **the committee considers the report of the working group: risk register, and determine whether it wishes to agree the findings for submission to the executive.**

Alternative options

- 1 The committee can agree, not agree or can vary the recommendations.

Reasons for recommendations

- 2 The committee commissioned the working group to review the approach to risk management and in particular the operation and development of the corporate risk register. The report of the working group and original draft, enclosed as appendices 1 and 2, are submitted for consideration and approval by the committee.

Further information on the subject of this report is available from
Steve Hodges, Directorate Services Team Leader on Tel (01432) 261923

Key considerations

- 3 The working group was set up following concerns raised by audit and governance committee members on 24 November 2015 regarding the council's corporate risk management and in particular the operation and development of the risk register.
- 4 The working group met on 2 occasions between February and March.
- 5 The appended report identifies 3 recommendations arising from the findings of the working group.

Community impact

- 6 If the committee agrees with the findings of the working group, the report will need to be considered by the Executive and, depending on their decision, community impact will need to be assessed.

Equality duty

- 7 If the committee agrees with the findings of the working group, the report will need to be considered by the Executive and, depending on their decision, equality and human rights issues will need to be assessed.

Financial implications

- 8 If the committee agrees with the findings of the working group, the report will need to be considered by the Executive and, depending on their decision, the financial implications will need to be assessed.

Legal implications

- 9 If the committee agrees with the findings of the working group, the report will need to be considered by the Executive and, depending on their decision, the legal implications of implementing any of the recommendations will need to be assessed.

Risk management

- 10 Whilst there are no specific risks in respect of the recommendations of this report, the risk relates to not having an up to date risk strategy, as part of the Performance, Risk and Opportunity Management Framework. The framework is being revised and is scheduled for Cabinet in June.

Consultees

- 11 None.

Appendices

- Appendix 1 Working group report: risk register
- Appendix 2 Original draft of working group report

Background papers

- None identified.

Further information on the subject of this report is available from
Steve Hodges, Directorate Services Team Leader on Tel (01432) 261923



Working Group Report

Risk Register

1 Executive Summary

- 1.1 This report by the working group (the 'group') summarises and focuses on those matters identified in the scoping statement for the review.

2. Composition of the group

- 2.1 Members of the group were councillors:
FM Norman, Vice-Chair of Audit and Governance Committee
ACR Chappell
PD Newman
- 2.2 Lead officer, Steve Hodges
- 2.3 Democratic services officer, Clive Lloyd

3 Context

Why did we set up the group?

- 3.1 Concerns were raised by audit and government committee members on 24 November 2015 regarding the effectiveness of the council's corporate risk management arrangements and in particular the operation and development of the corporate risk register. A resolution was made that improvements be made to the robustness of risk management and to make the corporate risk register a living document.
- 3.2 At the audit and government committee meeting of 26 January 2016 it was agreed that a working group be convened to consider the robustness of the corporate risk management process.

What were we looking at?

- 3.3 The audit and governance committee considered and adopted a scoping statement for the group. The scoping statement is attached as appendix a.

Who did we speak to?

- 3.4 The working group received a presentation from Herefordshire Council officers Steve Hodges and Kevin Lloyd. A copy of the presentation is attached as appendix b.

What did we read?

- 3.5 The group was provided with background information to undertake this review. This included risk management strategies at Shropshire, Gloucestershire and Devon, along with a summarised version of Herefordshire Council's performance, risk and opportunity management (PROM) framework.

4. **Key themes**

4.1 The following key themes were identified:

What are the risk management responsibilities of Audit and Governance Committee within Herefordshire Council?

The role of the committee in relation to risk as set out in the council's function scheme within the constitution is to:

- a) consider the effectiveness of the council's risk management arrangements, the control environment and associated counter fraud and corruptions arrangements
- b) seek assurance that action is taken on risk related issues identified by auditors and inspectors
- c) satisfy themselves that the council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it

These responsibilities are further expanded in the audit and governance code within the constitution as follows:

To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements by:

- a) reviewing and approving the annual governance statement framework once a year.
- b) approving the Council's counter fraud and corruption policies and reviewing them on a biennial basis.
- c) reviewing and approving the Council's whistle blowing policy on a biennial basis.
- d) being part of the consultation process when the Council's complaints policy is being reviewed.
- e) monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary and bringing to notice any inconsistency, short comings, gaps or duplications in these systems.

Seek assurance that action is taken on risk related issues identified by auditors and inspectors by:

- a) monitoring acceptance by management of audit recommendations and progress in implementing agreed action plans.
- b) reviewing audit recommendations not accepted by management and making an appropriate recommendation to Cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the Council's control environment.
- c) monitoring progress upon the further improvements identified in the annual governance statement.
- d) monitoring progress in respect of resolutions and recommendations made by the Committee

Satisfy themselves that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it by:

- a) reviewing and approving the annual governance statement framework annually.
- b) receiving and commenting upon the Head of Internal Audit's annual report on the Council's risk environment.

It remains the responsibility of the executive to approve the risk management policy for the council.

What is the approach taken by Shropshire, Gloucestershire and Devon on their equivalent Audit Committees?

4.2 Their approaches can be summarised as follows:

- Shropshire - Audit Committee – “their responsibility is to ensure that there is a robust and efficient risk management process in operation across the Council's operations.”
- Gloucestershire – Audit and Governance Committee – “Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment and receive an annual report on risk management activity.”
- Devon – “To ensure that the risk management function receives proper scrutiny the County Council's Audit Committee receives quarterly progress reports from the Corporate Risk Management Group to monitor the effective development and operation of risk management within the Council.”

What is the timescale for updating Herefordshire Council's 'Risk Management & Assurance – Policy and Guidance'?

4.3 It is intended that an updated version of Herefordshire Council's performance, risk and opportunity management (PROM) framework is scheduled for cabinet consideration in June. As this process of review has continued, we are aware that officers have themselves recognised the importance of some of the issues which have been identified by the group and are already reviewing operational council systems as a result.

4.4 Prior to going to cabinet, the lead cabinet member will consult with the chair of the audit and governance committee on the draft PROM framework.

Recommendation 1: That Herefordshire's PROM framework be reviewed, revised and relaunched, taking into account best practice research.

Recommendation 2: That the new PROM framework identifies and includes a strong element of oversight by the audit and governance committee, to allow that committee to carry out its responsibilities under the constitution.

Recommendation 3: That the framework explains how scrutiny committees, or elected members can query the treatment of risks in the register and propose risks for consideration.

Appendix A

Audit and Governance working group - risk register – scoping document

Scope	Concerns raised by Audit & Government committee members on the 24 November 2015 regarding the council's corporate risk management and in particular the operation and development of the risk register. A resolution was made at the Audit and Governance meeting of the 24 November 2015 that improvements be made to the corporate risk register. At the Audit and Governance meeting of the 26 January It was agreed that a working group be convened to consider the operation of the corporate risk management process.
Links to the audit & governance code	Extracts from code: 5.10.5.2 To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements by:... e) monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary, bringing to notice any inconsistency, short comings, gaps or duplications in these systems and ensuring that a sound system of internal control is in place.
Summary of the review and terms of reference	Summary: To consider the effectiveness operation of the Council's corporate risk management arrangements.
	Terms of Reference: <ul style="list-style-type: none"> • To understand how risks are identified, reported and managed, if appropriate, to the risk register. • To recommend the frequency at which the risk register and progress of identified risks should be reviewed by the Audit and Governance Committee to assist it fulfil its role as set out in the audit and governance code in the Council's constitution as identified in 5.10.5.2 (e)
What will NOT be included	<ul style="list-style-type: none"> • The identification and proposal of additional risks or gaps to be added to the risk register • A review of existing risks contained on the risk register • Anything outside the Terms of Reference
Potential outcomes	<ul style="list-style-type: none"> • To report to the committee that an effective operation of the risk register is in place that demonstrates currency and ensures a robust risk management process is in place; • To make recommendations to the committee regarding potential improvements to the risk management policy and procedure.
Research Required	Best Practice in comparable shire authorities. Consult with officers on best practice.

Outline Timetable :	
Activity	Timescale
Confirm approach, terms of reference, meeting date	29 February 2016
Meeting of the working group	4 March 2016
A report be available to circulate to the audit and governance committee.	20 May 2016
To be placed as an item on the Audit and Governance 4 July agenda Audit.	

Group Members	
	Cllr Norman, Cllr Chappell, Cllr Newman
Lead Officer	Steve Hodges
Support Officers	Claire Ward, Clive Lloyd

Audit & Governance Committee

Working Group Report

Corporate Risk Register (Risk Management)

April 2016 v2

Committee Members:

Councillor FM Norman (Chair)

Councillor PN Newman

Councillor ACR Chappell

Support Officers:

Clive Lloyd

Steve Hodges

Kevin Lloyd

Background papers:

- Scoping document
- Herefordshire Council PROM (the council's current approach to performance, risk and opportunity management)
- Risk management strategies at Shropshire, Gloucestershire and Devon

Introduction

Concerns were raised by Audit & Governance committee members on 24th November 2015 regarding the council's corporate risk management and in particular the operation and development of the risk register. At the Audit & Governance meeting on 26th January 2016 it was agreed that a working group be convened to consider the operation of the corporate risk management process.

In carrying out a review of the elements and process of risk management at Herefordshire Council a best practice benchmarking was undertaken with comparable shire authorities (Shropshire, Gloucestershire and Devon) and consultations on the detailed operation of risk management and the risk register were carried out with Council Officers.

As a result of the review, serious governance concerns were identified with respect to current risk management processes at Herefordshire Council and in making specific recommendations for improvement this working group hopes that significant improvements can be delivered.

Please note that at the meeting of the Audit & Risk Committee on 23rd March it was agreed that the Working Group should examine individual risks, to gain a necessary understanding of the workings of the system, and that example risks are in scope. On that basis, an example of a risk for possible consideration has been included in this report.

As this process of review has continued, we are aware that Officers have themselves recognized the importance of some of the issues which have been identified in this study and are already reviewing operational Council systems as a result. This working group acknowledges and supports this endeavor.

Our sincere thanks go to the Council Officers who supported this working group in its review.

Key findings and recommendations

Findings

The benchmarking study showed very clearly that the reference shire counties we identified all had modern, detailed and comprehensive strategies. In comparison, Herefordshire is working to a document, just 4 pages long, which lacks many elements and explanations included in the reference documents.

This is not simply a matter of presentation. Specifically, all 3 reference strategies place a strong and central governance role on their equivalent Audit Committees:

Shropshire - Audit Committee – “their responsibility is to ensure that there is a robust and efficient risk management process in operation across the Council’s operations.”

Gloucestershire – Audit and Governance Committee – “Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment and receive an annual report on risk management activity.”

Devon – “To ensure that the risk management function receives proper scrutiny the County Council’s Audit Committee receives quarterly progress reports from the Corporate Risk Management Group to monitor the effective development and operation of risk management within the Council.”

In contrast, Herefordshire’s document makes no mention of the Audit and Governance Committee, which is therefore excluded from any governance/scrutiny role. Indeed, according to Herefordshire’s document – ref performance reports – “Cabinet determines whether any matters in the report should be referred to individual scrutiny committees for their consideration.” This determination appears to represent a clear example of the Cabinet “marking its own homework”.

Also, with reference to section 10 of Herefordshire Council’s Constitution, the Audit & Governance Code, section 5.10.5.2 specifies that Herefordshire’s Audit and Governance Committee should “consider the effectiveness of the Council’s risk management arrangements, the control environment and associated counter fraud and corruption arrangements.” Since Herefordshire Council’s PROM document

is silent with respect to the Audit & Governance Committee and the Cabinet determines referral (or not) for scrutiny, it appears to this working group that Herefordshire's Audit and Governance Committee is held to account on risk management by the Constitution (and public), the Committee is frustrated in performing a governance/scrutiny role by its current risk management processes.

In looking at the Risk Register in detail, the working group is mindful that a governance/scrutiny role is essentially non-operational. However, two overall points were apparent in illustrating the operation of the register.

Firstly, the register appears not to have been affected in any way by the adoption in October 2015 of a major new Local Plan Core Strategy, affecting the operational outlook up to 2031 – setting out an overall strategic planning framework for the County, replacing most Unitary Development Plan policies. Surely the risk register should have been significantly affected.

A specific example of the practical adoption of the new Core Strategy, budget and MTFs and a change of emphasis towards housing, industry and roads, might have been an increased risk to tourism (policy E4), which is a vital economic asset for the county - employing nearly 10% of the workforce - over 8,500 - with over 5 million visitors spending £470m pa. A recognition of the risk might have allowed the County to consider policies to mitigating any risk - policies to protect and enhance tourism as an asset in an era of significant change – promoting tourism as Visit Herefordshire loses funding - opposing Fracking in our nationally important landscapes - taking measures to control water quality, to oppose high impact industrial/intensive farming developments in our important landscapes, to generate a tourism strategy to replace the “tourism strategy for Herefordshire, 2010-2015, not expired. The NPPF is a general framework and does not recognize the unique importance of tourism income and asset quality in this county.

Secondly, it is apparent in talking with officers that there is currently no methodology for considering any input on the Corporate Risk Register, with reference to currently identified risks or ideas for new risks, from Scrutiny Committees, or Elected Members or members of the public. In the view of the working group, this is a lost opportunity and a source of considerable frustration. It could also explain the apparent “morbidity” of the register as an important (key) tool in the control of risk.

As a result of the findings above, the working group makes the following recommendations:

Recommendations

- 1) That Herefordshire's PROM document be reviewed, revised and relaunched as a new *strategy*, taking into account best practice research.
- 2) That the new strategy should identify and include a strong element of scrutiny/overview by the Audit and Governance Committee, to allow that Committee to carry out its responsibilities under the constitution.
- 3) That the strategy should include a methodology to allow Scrutiny Committees, or Elected Members or members of the public to query the treatment of risks in the register and to propose risks for consideration.



Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Working group update - governance improvement
Report by:	Solicitor to the council

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

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

Recommendation(s)

THAT:

- a) the revised timetable be noted; and
- b) the committee provide any guidance to the working group on preferred options for engagement

Alternative options

- 1 None

Reasons for recommendations

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

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

Key considerations

- 3 Since the last report in January the monitoring officer with assistance from the deputy monitoring officer has begun to redraft the constitution in accordance with the principles established. Members will recall that it was hoped that the work would be completed for approval by council in May.
- 4 Unfortunately that is not the case given the significant amount of further member engagement that is required to clarify details flowing from the principles agreed. Plans are in progress to arrange briefing sessions and attendance at group meetings before the recommendations come back to this committee.
- 5 Due to pre-arranged meeting dates of this committee and council, a timetable aims to achieve recommendations going to the September council meeting.

Community impact

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

Equality duty

- 7 The report does not impact on this area.

Financial implications

- 8 There are no financial implications.

Legal implications

- 9 There are no legal implications.

Risk management

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

Consultees

None at this stage.

Appendices

None

Background papers

None identified.

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



Meeting:	Audit and governance committee
Meeting date:	9 May 2016
Title of report:	Future work programme for audit and governance committee
Report by:	Democratic services officer

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To agree the future work programme for the audit and governance committee for 2016-17.

Recommendation(s)

THAT:

subject to any amendments made, the work programme for 2016-17 for the audit and governance committee, be agreed.

Alternative options

- 1 This is a draft programme to be discussed and finalised by the committee. There are no alternative options as regards whether or not to have a work programme as the committee will require such a programme in order to set out its objectives for the coming year.
- 2 However, following discussion, adjustments to timescales and content may be required.

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

Reasons for recommendations

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

Key considerations

- 4 The governance improvement review (encompassing revisions to the constitution) reporting to the committee is ongoing and updates are carried forward into the new work programme.
- 5 The committee responsible for approving the council's annual accounts in the autumn. This item has been identified for inclusion in the September 2016 agenda.
- 6 Both external and internal audit report their work to the committee at regular intervals throughout the year and this activity will be built into the work programme.
- 7 It was agreed by committee that reports from any current working groups be reflected in the future work programme.

Community impact

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

Equality duty

- 9 This report does not impact on this area.

Financial implications

- 10 There are no financial implications.

Legal implications

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

Risk management

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

Consultees

- 13 Internal and external auditors.

Appendices

Appendix A – Draft work programme 2016-17

Background papers

- None identified.

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

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

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