

Agenda

Audit and governance committee

Date: **Wednesday 21 March 2018**

Time: **2.00 pm**

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:

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If you would like help to understand this document, or would like it in another format, please call Caroline Marshall on 01432 260249 or e-mail caroline.marshall3@herefordshire.gov.uk in advance of the meeting.

Agenda for the meeting of the Audit and governance committee

Membership

Chairman **Councillor PD Newman OBE**
Vice-Chairman **Councillor ACR Chappell**

Councillor CR Butler
Councillor EPJ Harvey
Councillor RJ Phillips
Councillor AJW Powers
Councillor J Stone

Agenda

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THE PUBLIC RIGHTS TO INFORMATION AND ATTENDANCE AT MEETINGS		
1. APOLOGIES FOR ABSENCE	To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY)	To receive details any details of members nominated to attend the meeting in place of a member of the committee.	
3. DECLARATIONS OF INTEREST	To receive any declarations of interest by Members in respect of items on the agenda.	
4. MINUTES	To approve and sign the minutes of the meeting held on 24 January 2018.	9 - 16
5. QUESTIONS FROM MEMBERS OF THE PUBLIC	To receive questions from members of the public. <i>Deadline for receipt of questions is 5.00 pm on 16 March 2018 (2 clear working days from date of meeting).</i> <i>Accepted questions will be published as a supplement prior to the meeting.</i> <i>Please submit questions to:</i> councillorservices@herefordshire.gov.uk	
6. QUESTIONS FROM COUNCILLORS	To receive any questions from councillors. <i>Deadline for receipt of questions is 5.00 pm on 16 March 2018 (2 clear working days from date of meeting).</i> <i>Accepted questions will be published as a supplement prior to the meeting.</i> <i>Please submit questions to:</i> councillorservices@herefordshire.gov.uk	
7. CAPITAL PROJECT MANAGEMENT AND CONTROL INTERNAL AUDIT PROGRESS UPDATE	To update the committee on progress in implementing the recommendations raised in the Internal Auditor's audit findings report regarding project management of the joint customer services hub (Blueschool House) capital project presented in September 2017.	17 - 24
8. UPDATE FROM EXTERNAL AUDITOR	To provide the committee with a progress update of the work being undertaken by the external auditor, Grant Thornton.	25 - 74

9. INTERNAL AUDIT CHARTER	75 - 88
To approve the internal audit charter for the period 1 April 2018 to 31 March 2019.	
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To ensure the council complies with recommended best practice as set out in the public sector internal audit standards (PSIAS).	
11. PROGRESS REPORT ON 2017/18 INTERNAL AUDIT PLAN	103 - 134
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.	
12. CORPORATE RISK REGISTER	135 - 146
To consider the status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework.	
13. CONSTITUTION REVIEW WORKING UPDATE PROGRESS UPDATE	147 - 150
To update the committee on the progress of the constitution review working group. To provide assurance on the progress being made is sufficient to meet the timescales and objectives set.	
14. FUTURE WORK PROGRAMME FOR 2018/19	151 - 158
To provide an update on the Committee's work programme for 2018/19.	
15. MEETING DATES FOR 2018/19	
All meetings start at 2.00 pm	
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30 July 2018	
19 September 2018	
28 November 2018	
23 January 2019	
19 March 2019	

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.

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Recording of this meeting

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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.

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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.

The chairman or an attendee at the meeting must take the signing in sheet so it can be checked when everyone is at the assembly point.

Guide to Audit and Governance Committee

The Audit and Governance Committee is a non executive committee of the council. The committee consists of 7 non executive councillors and may include an independent person who is not a councillor.

Councillor PD Newman OBE (Chairman)	Conservative
Councillor ACR Chappell (Vice Chairman)	Herefordshire Independents
Councillor CR Butler	Conservative
Councillor EJP Harvey	It's Our County
Councillor RJ Phillips	Conservative
Councillor J Stone	Conservative
Councillor AJW Powers	It's Our County

The purpose of the audit and governance committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The committee do this by:

- (a) ensuring the effective and fully compliant governance of the council and in particular to ensure that all aspects of the financial affairs of the council are properly and efficiently conducted;
- (b) reviewing and approve the council's annual governance statement, annual statements of account, the contract procedure rules and financial procedure rules;
- (c) scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework;
- (d) monitor the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review; and.
- (e) reviewing the constitution and recommending any necessary amendments to Council as appropriate.
- (f) reviewing the corporate risk register

Who attends audit and governance committee meetings?

Coloured nameplates are used which indicate their role at the committee:

Pale pink	Members of the committee, including the chairman and vice chairman.
Orange	Officers of the council – attend to present reports and give technical advice to the committee
Green	External advisors - attend to present reports and give technical advice to the committee
White	Other councillors may also attend as observers but are not only entitled to speak at the discretion of the chairman.

Minutes of the meeting of audit and governance committee held at Council Chamber, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Wednesday 24 January 2018 at 2.00 pm

Present: Councillor PD Newman OBE (Chairman)
Councillor ACR Chappell (Vice-Chairman)

Councillors: CR Butler, EPJ Harvey, RJ Phillips, AJW Powers and J Stone

In attendance: Councillors PA Andrews, WLS Bowen and J Hardwick

Officers: Annie Brookes, Andrew Lovegrove, Alistair Neill and Claire Ward

257. APOLOGIES FOR ABSENCE

There were no apologies for absence.

258. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

259. DECLARATIONS OF INTEREST

Councillor RJ Phillips declared a non-pecuniary interest in agenda item number 7 as a member of West Midlands Employers.

260. MINUTES

Following a request for clarification from a member of the committee, it was agreed at minute number 254 the constitution review working group be asked to consider whether the withholding of upheld complaints following the informal resolution by the monitoring officer was still appropriate.

RESOLVED:

That the minutes of the meeting held on 29 November 2017 be confirmed as a correct record and signed by the chairman.

261. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

262. QUESTIONS FROM COUNCILLORS (Pages 7 - 8)

A copy of the Member questions and written answers is attached to the minutes at Appendix 1.

263. CAPITAL PROJECT MANAGEMENT AND CONTROL INTERNAL AUDIT PROGRESS UPDATE

The chief finance officer presented the report. The following points were highlighted:

- This was an update on the 13 recommendations made by SWAP following their audit of the issues around the Blue School House project.
- A range of other actions were being considered by the internal control improvement board.
- From 1 April, the systems will be in place for project management which would ensure that the approval points for capital projects were understood and documented.
- A system of validation / confirmation was being put in place when a senior manager had announced they were leaving the council. Another member of the senior team would be identified and would need to approve projects as well. This system would also cover any interim arrangements at a senior level.

Following queries from members of the committee, it was confirmed:

- In respect of anecdotal evidence that professional advice may be deleted from draft reports assurance was provided that the process is now more robust than previously. The on-line report management system and sign off process ensures there are double checks in place and reviewers had sight of the final version of the report. It was recognised that it would take time to embed the process but the underlying controls are in place.
- The principles of decision making were included within the member induction processes. The issue has been that it has not been covered consistently at member and officer level.
- Feasibility work is carried out but again the issue is consistency. The system being put in place will ensure that there will be a need for clarity about the gross costs and it will have to stay within the feasibility study budget. As part of the new process, all work on a project will stop after the feasibility study until a decision is taken about whether the project will proceed and this will be dependent on funding being identified.
- Capital programme monitoring does take place but not consistently. Projects managers do monitor spend but there are varying ways to do this. This will be built into Business World so all reports will be consistent and the same. Councillors Powers and Harvey were thanked for their comments on the new system.
- The new project management system could flag when contracts were due for renewal and would work back from the renewal date to ensure that the appropriate stages and decisions were built into the project.
- That projects identified within the capital programme will need their own governance arrangements.
- There had already been plans in place to implement a new report management system as the previous system was not sufficiently robust. SWAP had identified that relevant information was not being made available to officers or members at the appropriate time.
- The new project management system would be in place by 31 March 2018 but there would be a need to change the culture of the organisation in order to ensure that the system was understood and embedded and this would take longer to embed.
- That an audit of the delivery of the management response to the original Blue School House recommendations was included in the 2018/19 SWAP audit plan.

A member of the committee noted that it would be helpful if the documentation was in one place for easy reference by officers.

A member of the committee commented that it would be difficult for a layman to be satisfied that projects were being monitored satisfactory and it may be useful to understand the practical application. It was noted that councillors are vital to the decision making process.

The chief finance officer confirmed that he became aware of the Blue School House issue in April 2017 and had an initial meeting with SWAP on 20 April. The monitoring officer, chief executive and cabinet member were made aware of the problem in the last week of April 2017.

It was noted that a further report would be presented to the committee on 21 March 2018 which would include an update on the progress to date, together with an update on the corporate peer challenge which was taking place at the beginning of February 2018.

Following queries from members of the committee, the chief executive confirmed appropriate action against officers who remained in the employment of the council was being taken or considered. For those officers who had subsequently left the employment of the council, further action was being considered which included referrals to appropriate professional bodies/organisations. It was agreed that a clear statement on this issue would form part of the progress report for the March meeting.

The solicitor to the council confirmed that the external independent HR investigation had been conducted by West Midlands Employers. Councillor RJ Phillips declared an interest as he was a member of the organisation.

Following a query from a member of the committee, the chief executive confirmed that the Local Government Association corporate peer challenge would be looking at five different areas which included governance. A position statement had been provided to the peer challenge team which included Blue School House and meetings had been arranged for councillors and the team. The head of corporate governance confirmed that the peer challenge team had been sent a copy of Blue School House internal audit report for their information, but they had not been asked specifically to look at this issue as a corporate peer challenge was not an investigation of specific incidents rather a tool for improvement with a focus on leadership, governance, corporate capacity and financial sustainability.

RESOLVED

That the report be noted.

264. ANNUAL GOVERNANCE STATEMENT 2016/17

The head of corporate governance presented the annual governance statement progress report and highlighted the following:

- There is reference to Blue School House within the report to assure the committee that the issue was not being ignored. However, the issue had come to light after the approval of last year's annual governance statement.
- The time scale for next year's statement had been brought forward.
- That the independent person would be consulted on issues and risks in relation to the member code of conduct as part of the information gathering exercise for the next statement.

Following a query from a committee member, it was confirmed that the members' code of conduct would be considered by the constitution review working group.

It was noted that concern remained over the deferment of the decision at the last audit and governance committee meeting over the naming of town and parish councils involved in code of conduct complaints. It was felt by some members of the committee that this did not evidence the behaviour of leadership, transparency, and openness, especially as this information had been released under a Freedom of Information request.

RESOLVED

That the report be noted.

265. UPDATE ON CLOSURE PROCESS FOR 2017/18 FINAL ACCOUNTS

The chief finance officer presented the report. It was confirmed that the finance business support officer would act as the single point of contact for the audit.

Following a query from a member of the committee, it was confirmed that a firm of valuers had been appointed in relation to the disposal of property holdings in Rotherwas. The firm's expertise was in council valuations. It was confirmed that the council do use a variety of professional valuers for disposing of council property.

Following a concern raised by a committee member, it was confirmed direct contact had been made with all tenants in Rotherwas with regard to the disposal of the freehold interest. The advice which had been received by the council was that auctioning the properties was the best way to achieve best value for money. If there had been any breakdown of communication between the council and the tenants, then this would need to be addressed.

RESOLVED

That the report be noted.

266. EXTERNAL AUDIT PLAN FOR 2017/18

Grant Thornton presented the presented and highlighted the following:

- The scope was public sector audits was broader than private sector audits and also covered value for money.
- The risks to the audit were set out in pages 45 to 47 of the pack
- The early close of the audit (from September to July) would be a significant challenge for both the council and Grant Thornton.

Following a query from a member of the committee, it was confirmed that whilst the checking of the pension liability should be straightforward, the methodology used by actuary would still need to be checked. It was noted that the ability to drill down on the payroll accuracy may be more difficult.

Following a question from a member of the committee, Grant Thornton confirmed that with regard to the accumulation of non material items, they use the concept of tolerable error. This is used towards the end of the audit. If there was any issue which was over the materiality threshold, then it would be referred to the committee for consideration and then Grant Thornton would make a decision as to whether or not to give an unqualified audit opinion. It

was agreed that Grant Thornton would provide a training session to the committee on materiality.

The chief finance officer and Grant Thornton confirmed that there were ongoing conversations about how to treat the Hoople pension liability in relation to the Local Government Pension Scheme. It was noted that this had the potential to be a material issue and if it does not appear on the council's balance sheet, then it will not appear as a risk. This issue will be kept under review by Grant Thornton.

It was confirmed that Grant Thornton are the external auditor for Hoople. The chief finance officer agreed to provide a briefing note on the work SWAP conduct in auditing the processes which Hoople carry out on behalf of the council, together with the system Hoople have in place for internal audit control.

Following a query from a member of the committee, Grant Thornton confirmed that they do ask for assurance that the organisation is acting legally.

267. HOUSING BENEFIT GRANT CERTIFICATION 2016/17

The housing benefit grant certification report was presented.

Grant Thornton were thanked for their work.

RESOLVED:

That the report be noted

268. WORK PROGRAMME UPDATE

The work programme was discussed and agreed.

It was agreed that the chief finance officer would prepare a briefing paper and a training session would be arranged in connection with income received by the council; details of the handling of that income in relation to statutory limitations and what happens when there is a surplus of income versus costs.

RESOLVED:

That the report be noted

The meeting ended at 4.42 pm

Chairman

Appendix 1

**Questions from members of the public
to Audit and Governance Committee**

24 January 2018

Councillor Bob Matthews

Please confirm that when the outcome of the Blueschool House investigation is reported to you if you are not FULLY satisfied with the outcome that you will not hesitate to recommend the matter be referred to an appropriate body of your choice for a wider and more in-depth investigation to take place. The public and media have shown interest in this most serious issue and are monitoring the situation closely

Response

The Council received the SWAP investigation report on the matter and the related actions of officers in working within the established system of controls on 14 August 2017. This report was published and discussed at the Audit and Governance Committee of 20 September 2017 and led to the decision by the Chief Executive to initiate an external investigation which was carried out in the period Sept – Dec 2017, which sought to directly investigate the actions of officers.

Considering whether to refer the findings of this report to appropriate bodies is currently being undertaken.



Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Capital project management and control internal audit progress update
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To update the committee on progress in implementing the recommendations raised in the Internal Auditor's audit findings report regarding project management of the joint customer services hub (Blueschool House) capital project presented in September 2017.

Recommendation(s)

That:

- (a) **The committee reviews progress of the plans to implement the recommendations raised by SWAP in their audit findings report regarding project management of the joint customer services hub (Blueschool House) capital project.**

Alternative options

12. There are no alternative options; this report ensures the committee is fully briefed on progress on the recommendations raised by the internal auditors.

Key considerations

13. As reported to the January meeting of the committee all of the processes included in the thirteen recommendations in the SWAP report into Blueschool House will be implemented by the end of March 2018. As discussed at the January committee meeting it is recognised that in parallel to the process changes a culture change program is required to embed a different set of behaviours to ensure that similar events that led to the SWAP investigation do not reoccur.
14. It is recognised that culture change takes time to fully embed into an organisation and it will be a number of years before it is fully embedded. The SWAP internal audit program will be revised so that culture will be examined as part of their audit work when they examine relevant sections of the organisation as part of their work programme.
15. The culture change programme is comprised of four key themes, these are detailed below. A senior manager has been assigned to lead each section, and the work will be overseen by the internal control improvement board.
 - a) Financial controls.
 - b) Contract monitoring.
 - c) HR issues including management training.
 - d) Policies, ensuring that staff are aware of them and how management obtain assurances that they are being followed.
16. The council's finance procedure rules are currently being revised, relevant internal stakeholders are currently being consulted, including the constitution review working group, with the revised procedure rules being presented to the May meeting of the Audit and Governance Committee.
17. It is important that we build into our plans the need for management and staff engagement in regard to improvements within the council, in which we also embed learning arising from the internal and external investigations into Blueschool House. This is already underway. Having discussed the best approach within the senior management team, we are rolling out training and development of key management and staff on the improvements now being introduced to our project and capital planning processes. The aim here is to embed excellent and robust systems and knowledge/ know-how among key management and staff.
18. We are also seeking culture change within the council, to keep improving in every area of service. We already have strong improvement planning in place within our directorate and good approaches to examining how we review performance – such as the Performance Challenge Meetings which were very positively commented upon by the Corporate Peer Challenge team. Our focus is on embedding continuous improvement as part of our aims to strengthen the culture. Therefore we have introduced a refreshed approach to continuous performance improvement – known as the Continuous Performance Improvement Programme (CPIP). This is becoming established across the council at every level, led by the chief executive, and is seen as a very important approach to short-medium and long-term improvements in all service areas.
19. The majority of the expenditure on the refurbishment of the joint customer services hub was incurred in 2017/18. The council's external auditors are due to commence their audit work shortly on the financial year 2017/18 and will report later in the municipal year on the conclusions of their audit work to the committee.

Recommendation	Response	Source of assurance
The council should ensure there is a clear audit trail to show how budget figures have been derived and what the budget is based on.	The revised Finance Procedure Rules will be presented to the May meeting of the committee,	The revised rules will be presented to the committee in May 2018. SWAP follow up audit in 2018/19
Key decision reports and supporting business cases should contain all relevant information for an informed decision to be made including on what basis the budget was determined and what the budget includes	Revised guidance is being issued to report authors in respect of items to be covered in the resources section of the report including senior responsible officers responsible for the production of business cases. The culture change program will ensure that the changes are embedded,	Guidance issued by 31 Mar 2018 SWAP follow up audit in 2018/19
The gross cost of a capital project should be costed prior to a proposal being submitted to the Capital Strategy Group.	The revised Finance Procedure Rules will be presented to the May meeting of the committee, The new project management program clarifies the process for costing potential new capital projects. The culture change program will ensure that the changes are embedded,	The revised rules will be presented to the committee in May 2018. SWAP follow up audit in 2018/19
When an external consultant is appointed to provide costing for a project this costing should be reviewed prior to the agreement of funding for a project.	The senior responsible officer for a project is accountable for costings provided for the project. The capital accountant will review costings before they are submitted to the Capital Strategy Group, The culture change program will ensure that the changes are embedded,	SWAP follow up audit in 2018/19
Officers must ensure that the Contracts Procedure Rules are followed for all	The new project management system includes gateways that evidence assurances from the senior responsible officer that Contracts Procedure Rules have	SWAP follow up audit in 2018/19

procurements	<p>been followed.</p> <p>The culture change program will ensure that the changes are embedded,</p>	
The rationale for decision to use two separate companies for the design and build stage or to use one company for both should be clearly documented at the outset of the project.	<p>The new project management system includes gateways that evidence decisions that are made by the senior responsible officer for the project. Therefore if the situation arises in the future that two separate companies are required the rational will be documented.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
Actions from project/programme boards should be completed by the relevant officer and the board should ensure that there is adequate governance oversight that actions are completed prior to any further decision being made on a project.	<p>The new project management system includes gateways that keep track of recommendations and ensure that evidence is provided by the senior responsible officer for the project before the project is allowed to progress to the next stage.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
The decision of contractor selection to invite to tender must be clearly documented and consultation with key officers must be followed in line with Contracts Procedure Rules.	<p>Agreed. Senior responsible officers and decision makers have been reminded of this requirement. The new project management system records the decisions around contractor selection.</p> <p>Procurement officers review all decision reports to ensure the process followed has complied with contract procedure rules.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
Officers must ensure	The senior responsible officer will be	SWAP follow up

Further information on the subject of this report is available from
Andrew Lovegrove, chief finance officer, email: Andrew.Lovegrove@herefordshire.gov.uk

that value for money can be demonstrated as part of a tender submission and for additional works during the project.	<p>required to confirm that Value for Money can be demonstrated to the capital strategy working group,</p> <p>This will be captured in the project management system.</p> <p>The culture change program will ensure that the changes are embedded,</p>	audit in 2018/19
If a tender submission is significantly different to the costing provided at the design stage or outside the budget agreed as part of the key decision, the tender should be subject to scrutiny and challenge prior to proceeding with the project and the relevant officer should take the decision back to cabinet.	<p>The new project management system includes gateways that require the senior responsible officer to demonstrate compliance with contract procedure rules,</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
Compensation events should only be authorised by an officer with the relevant delegated authority.	Authorisation is covered by the scheme of delegation.	SWAP follow up audit in 2018/19
There should be robust budget monitoring and clear documentation of changes to a project if it progresses so there is a clear audit trail to support financial commitment	<p>The revised Finance Procedure Rules will be presented to the May meeting of the committee,</p> <p>The new capital monitoring process, including reports to cabinet, is designed to bring greater transparency to monitoring of gross capital expenditure and funding,.</p> <p>The culture change program will ensure that the changes are embedded,</p>	<p>SWAP follow up audit in 2018/19</p> <p>Revised capital monitoring reports to The Cabinet.</p>
Project boards must be presented with	The new project management system includes gateways that require the senior	SWAP follow up

Further information on the subject of this report is available from Andrew Lovegrove, chief finance officer, email: Andrew.Lovegrove@herefordshire.gov.uk

<p>full and accurate information to ensure informed decisions can be made and actions recommended must be completed with a clear audit trail to show the action has been completed.</p>	<p>responsible officer to demonstrate compliance with contract procedure rules,</p> <p>The system also provides a clear audit trail.</p> <p>The culture change program will ensure that the changes are embedded,</p>	<p>audit in 2018/19</p>
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Community impact

20. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed supports the council’s corporate plan objective to manage finances effectively and to demonstrate one of the council’s values, namely to be open, transparent and accountable.

Equality duty

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

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

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

Resource implications

23. There are no resource implications arising directly as a result of the recommendations in the SWAP report. However the recommendations reflect best practice for governance and project management of major projects. Adopting these measures and ensuring best practice is adhered to at all times will ensure that the council achieves best value for its projects.

Legal implications

24. There are no legal implications arising from this report and recommendation which is to review progress.

Risk management

25. The report does not result in new additional risks.

Consultees

26. None

Appendices

None

Background papers

None identified.



Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Update from external auditor
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To provide the committee with a progress update of the work being undertaken by the external auditor, Grant Thornton. The progress update also includes a sector update for the committee. In addition this report provides the committee with an assessment from the external auditor informing the audit risk for 2017/18 which includes management responses. The committee is invited to consider whether that assessment is consistent with the understanding of the committee.

Recommendation(s)

That:

- (a) the progress report and sector update attached at appendix 1 be reviewed and the committee determine any recommendations it wishes to make to ensure the value of the audit work is maximised; and
- (b) the external auditors report “informing the risk assessment” at appendix 2 be reviewed and the committee determines whether assessment of risk and the management response to that assessment is consistent with the understanding of the committee

Alternative options

1. There are no alternative recommendations. The report provides a factual update on progress against the agreed external audit annual plan, together with briefings on a range of matters of local government interest and an assessment of the audit risk.

Key considerations

2. The external auditor's report at appendix 1 provides a progress report on actions to complete the 2017/18 annual audit plan. It includes a briefing on changes that will need to be reflected in the statement of accounts and wider sector issues for consideration by the committee.
3. The council continues to work with external audit on improving arrangements supporting effective working between us, a clear timetable in relation to this has been established.
4. A number of work streams are in progress with the next interim audit visit in March expecting to conclude some of the work, so far no items have been identified that require highlighting to the committee.
5. The audit risk assessment is not materially different to previous years, the management responses have been discussed at management board.

Community impact

6. One of the principles in the council's code of corporate governance is to implement good practices in transparency, reporting, and audit to deliver effective accountability. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

Equality duty

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

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

delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

9. The update has no direct resource implications however the consideration of sector wide issues may lead to further work streams being identified.
10. As approved by the committee in May the 2017/18 annual audit fee totals £124k.

Legal implications

11. There are no legal implication arising from this report.

Risk management

12. The potential risks of being unaware of the update include not producing compliant statement of accounts; this is being mitigated by ensuring the corporate finance team maintain up to date financial knowledge and awareness and maintain open dialogue with the council's external auditors with whom there will be an established, defined and detailed operational work plan.

Consultees

13. None

Appendices

Appendix 1 – external audit progress report March 2018

Appendix 2 – informing the audit risk assessment

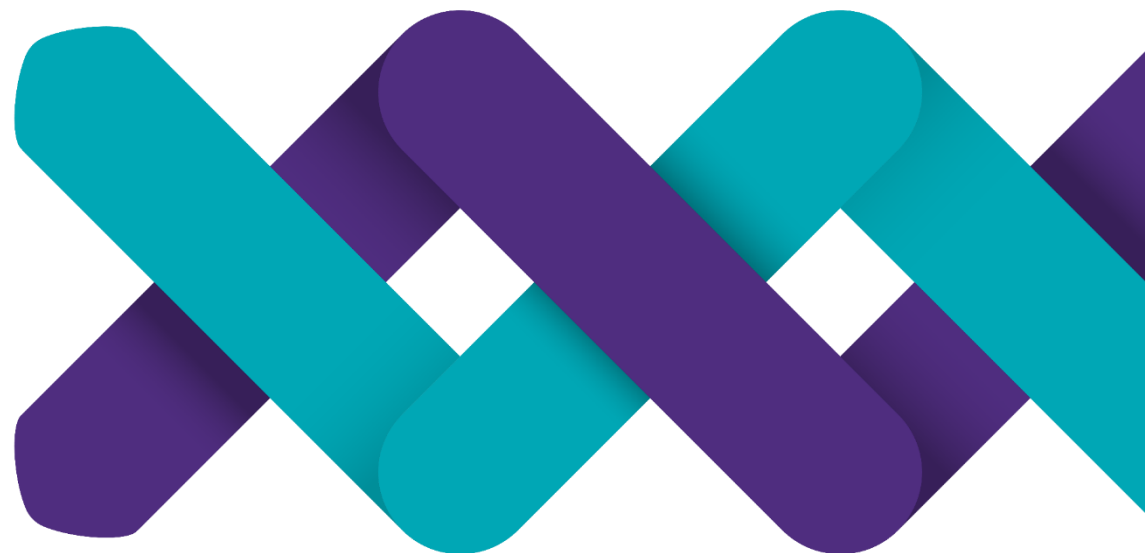
Background papers

None

Audit Progress Report and Sector Update

Herefordshire Council
Year ending 31 March 2018

15 February 2018



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Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



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Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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



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Progress at 15 February 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We have agreed a timetable for our interim work and the areas that we will cover. Our main interim visit will take place during March and we can provide a verbal update to the committee if required. We will report to you the findings from our interim work in our May update.

So far we have:

- Updated review of the Council's control environment
- Updated our understanding of financial systems

There are no matters to highlight from that work.

Our March fieldwork visit includes:

- Early work on emerging accounting issues. Within the body of this report we highlight some of the specific areas to be covered.
- Early substantive testing

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We made our initial risk assessment to determine our approach in December 2017 and reported this to you in our Audit Plan.

We are planning to report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

Teachers pension

The deadline for the audit of the Teachers' pension was 30 November 2017. There has been some delay in our completion of this work, however we are hopeful that we will be issuing the certificate soon..

Housing Benefits

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with the Chief Financial Officer in January. We also met with your Chief Executive in November to discuss the Council's strategic priorities and plans.

Six weekly meetings are scheduled with the Deputy S151 and the Corporate Finance Manager, as the lead officers for the accounts, where progress and technical matters are discussed and actions agreed.

We ran a technical update session in Birmingham in January, and this was attended by members of your finance team.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status at 15 February 2018
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
Informing the risk assessment This is a key document that demonstrates the communication between auditors, management and 'Those Charged with Governance on risk.	March 2018	In progress – with officers for management completion.
Interim Audit Findings – within Progress Report We will report to you the findings from our interim audit value for money work within our Progress Report in May. Progress to date and areas we propose to cover are contained in the February report.	January and March 2018 fieldwork – reported in May	Not yet due
Audit Findings Report The Audit Findings Report is planned to be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2019	Not yet due

Results of Interim Audit Work as at 15 February 2018

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We will also review internal audit's work on the Council's key financial systems at our interim visit in March.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work completed to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>Our review of entity level controls will be supplemented by the 'Informing the risk assessment' management review in May.</p>

	Work performed	Conclusions and recommendations
Review of information technology controls	<p>Our information systems specialists have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>This work is still in progress and our findings will be reported to the May Audit Committee.</p>	Work not yet complete
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, as outlined in the audit plan. This has included:</p> <ul style="list-style-type: none"> - Property, Plant and Equipment – valuation (significant risk) - Employee remuneration (reasonable possible risk (RPR)) - Operating expenses. (RPR) <p>We have included Pensions as a significant risk in our audit plan and our review of controls in this area will be undertaken at interim and final.</p>	Our work to date has not identified any weaknesses which impact on our audit approach.

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>At our March interim we will undertake detailed testing on journal transactions recorded for the first 9 months of the year. Our IT team is supporting this work to provide us with assurance that the population we are testing is complete. The remaining months will be tested at final.</p>	Our interim findings will be reported in our May update
Shared service arrangements	The Council is reliant on Hoople to provide much of the transactional processing work. Hoople has provided access to the full financial systems and therefore we have not sought any third party assurance in relation to these financial systems.	No matters to report

Planned Interim Audit Work

	Work to be performed at March interim	Conclusions and recommendations
<p>Early substantive testing (transactional)</p>	<p>Early substantive testing: We have provided a detailed list of what we plan to cover at interim. Our final accounts working paper requirements listing will be provided at interim and discussed with officers:</p> <ol style="list-style-type: none"> 1) Payroll: we have requested and received the information to support our payroll substantive analytical review for the first 10 months. This will be updated at interim and 'topped up' at year end. 2) Operating expenses: we requested samples for our operating expenses testing in January and these are being collated by officers to enable us to complete testing for the first 9 months in March. This work will be 'topped up' at year end so that year-end audit. Testing of creditors, accruals and cut off procedures, will be completed at the year end. 3) Non grants income testing: The population to enable us to request a sample for review has been provided and a timetable agreed for testing. 4) PPE additions and disposals: we have selected and shared with officers a sample which we will review at interim 5) Housing benefits: We will meet with the benefits team to agree a timetable, will complete module 2 and test a sample of payments. Modules 4 and 5 are not yet available. 	<p>In progress</p>
<p>Early substantive testing - other</p>	<p>Group accounts- the Council has arrangements with partners including Hoople, West Mercia Energy and the local housing associations. The Council has not prepared group accounts on the basis that these relationships are not material. We periodically review management's assertion against the latest accounting requirements on this. This work is ongoing.</p> <p>PFI waste: the Council relies on Worcestershire County Council for accounts disclosures, including the valuation of the asset. Following up the matters raised in the 16/17 accounts we have had early discussions with officers around what evidence the Council will need to have to support the accounts disclosures and managements' challenge of the information provided by third parties.</p> <p>Minimum Revenue Provision: the Council has reviewed the basis of MRP in the 2017/18 financial year. As referred to later in this report, national guidance has been issued around what is acceptable. We have agreed that we will review the MRP calculation at interim.</p> <p>Pooled budgets: we have agreed to review with officers the basis of pooled budget disclosures in the 17/18 accounts, and the underlying agreements.</p> <p>Collection fund: we have agreed with officers areas that we can test and agree at interim, and the information we require.</p> <p>Accounting policies and proposed critical judgments: we will review drafts of these notes within the skeleton accounts.</p> <p>Hereford University: the Council is to act as the accountable body for grant funding for this project and it is expected that there will be C£4m of grant received in 2017/18. Officers have indicated that it will treat this as an 'agency arrangement' for accounting purposes and have sought our view. Acting as an 'agent' will effectively mean that the related income and expenditure will not form part of the Council's primary statement, only any year-end cash. We have asked that the Council sets out the basis of its assertion, in particular an assessment of exposure to risk, to demonstrate that the Council is acting as an agent rather than principal. We expect to review this at interim.</p>	<p>In progress</p>

	Work to be performed at March interim	Conclusions and recommendations
	<p>Property Plant and Equipment: at interim we will:</p> <ul style="list-style-type: none"> Review the qualifications and the instructions to the valuers - we understand that there are 4 valuers involved in the 2017/18 accounts.(main land and buildings, agricultural properties, agricultural held for sale, waste transfer plant) Review the basis of assets not valued in year as this was an issue in 2016/17. Review the basis for any proposed reclassifications and understand the process that the Council is adopting to ensure existing classifications remain current and assets are appropriately valued. Our understanding is that the valuations will not be available at interim and thus our testing will be undertaken at final. 	In progress
	<p>Pensions: at interim we will:</p> <p>Update our understanding of the controls around pensions including review of the information provided to the actuary</p> <p>Pension guarantees: officers are obtaining information to assess the appropriate treatment of any pension guarantees. It is intended that this work will be complete so we can review at interim.</p> <p>Hoople pensions: our working assumption is that there will be no changes to the treatment within the 2017/18 accounts. Officers have indicated that discussions are ongoing and inclusion of Hoople pensions is a desired objective. This is a relatively complex area and no timetable has been provided to enable us to plan to review any proposals yet.</p>	In progress

	Work to be performed at March interim	Conclusions and recommendations
Value for money	<p>Review of capital programme:</p> <p><i>Review of the actions that the Council is taking to respond to concerns raised around the governance of the capital programme</i></p> <p>We have met with the Deputy S151 and interim capital accountant to discuss current arrangements. We have requested documents to support our review which include:</p> <ul style="list-style-type: none"> • Terms of reference for and minutes from the improvement board • Terms of reference member working group • Copy of proposed template for contract monitoring <p>Financial sustainability</p> <p><i>Discuss with officers the key assumptions in the medium term financial plan and consider supporting evidence</i></p> <p>We will meet with the D151 to discuss the key assumptions within the Medium Term Financial Plan, review publically available and other information supporting the assumptions in the plan.</p>	<p>We plan to undertake this work in March</p>

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

40 Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

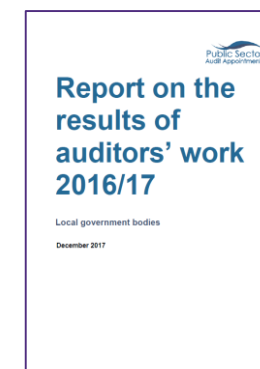
41 The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

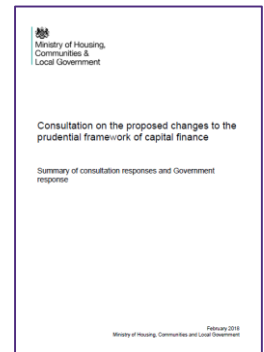
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



Changes to capital finance framework

Challenge question:

Has your Chief Financial Officer briefed members on the impact of the changes to the prudential framework of capital finance?

CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

.The Code is available in hard copy and online.

CIPFA Publication

Challenge question:

Has your Chief Financial Officer briefed members on the impact of the changes to the prudential code?



The adult social care workforce in England

This National Audit Office report considers the Department of Health & Social Care's role in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

The Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing, according to the report. While many people working in care find it rewarding, there is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. In 2016-17, around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17), equivalent to £14,625 annually. This, along with tough working conditions and a poor image, prevents workers from joining and remaining in the sector.

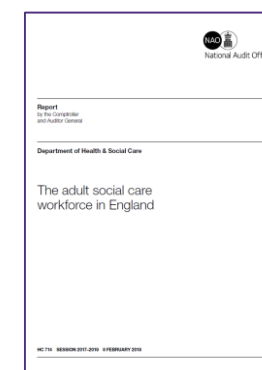
There are around 1.34 million jobs in the adult social care sector in England, across more than 20,300 organisations. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. However, demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. To meet these challenges, the Department estimates that the workforce will need to grow by 2.6% every year until 2035.

The social care market is operating in challenging circumstances. Care providers, already under financial pressures, are struggling to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is expected to reduce further over the next two years due to continued government funding cuts and increased financial pressures on local authorities. Uncertainty over funding is limiting local authorities' ability to plan future spending on care.

The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. The vast majority of local authorities are paying fees to homecare providers that are below the recommended minimum price for care, putting providers in financial difficulties. Furthermore, local authorities are not paying the full cost for care home placements. If this continues, there is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.

The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. Furthermore, the NAO has not found any evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care, to help with the challenge. Without a national strategy to align to, few local areas have detailed plans for sustaining the care workforce.

The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.



Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

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The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton

Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

50 <https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>



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Informing the audit risk assessment

Year ending 31 March 2018

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Herefordshire Council

March 2018

Jon Roberts
Partner

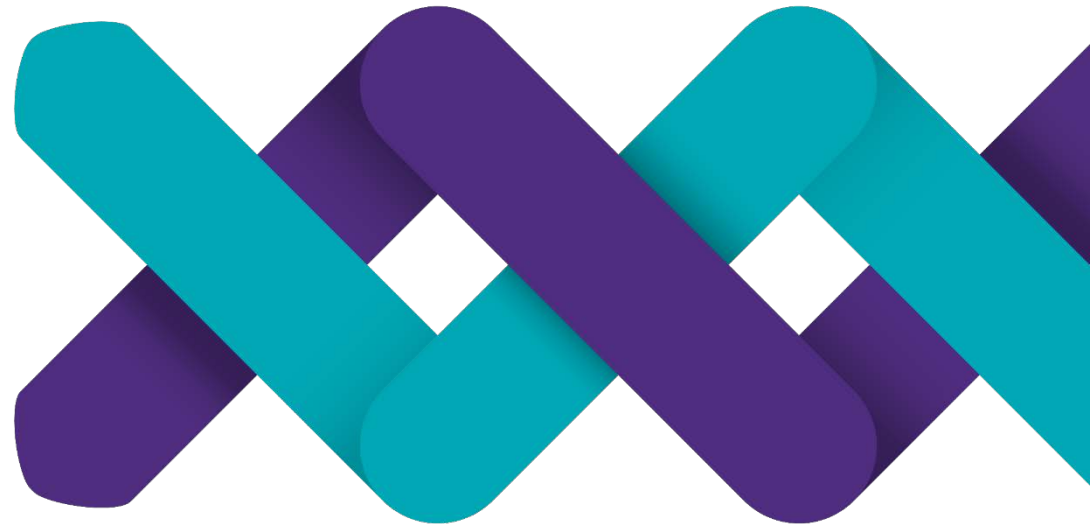
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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit & Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit & Governance Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit & Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Governance Committee and supports the Audit & Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the Audit & Governance Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit & Governance Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.

Fraud

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Governance Committee and management. Management, with the oversight of the Audit & Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit & Governance Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The risk of material misstatement of the accounts due to undetected fraud is considered to be low. Although there is an ongoing risk of fraud being committed against the council, clear and effective arrangements are in place to both prevent and detect fraud.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>There have been no high risk areas of fraud identified in the current financial year. Fraud is always considered as part of each internal audit. For the audits completed in 2017-18 fraud has not been identified.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>An isolated incident has occurred which has led to the establishment of a member working group with the action plan to identify and address any potential weaknesses.</p>
<p>Do you suspect fraud may be occurring, either within the council or within specific departments?</p> <ul style="list-style-type: none"> - Have you identified any specific fraud risks? - Do you have any concerns there are areas that are at risk of fraud? - Are there particular locations within the Council where fraud is more likely to occur? 	<p>In order to mitigate fraud occurring the Council has a number of processes in place. The internal audit plan incorporates consideration of potential fraud risks and how these are to be mitigated, for example through the reviews of the Council's key systems and the work it completes on the Councils Anti-Fraud processes to ensure that they are fit for purpose. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register. There are some areas that are inherently at risk such as:</p> <ul style="list-style-type: none"> • Council tax; and • Housing benefit <p>However, there is a dedicated benefits team within the Corporate Finance division which investigates any potential fraud issues. There is also close working with housing inspectors to ensure that any indication of fraud in respect of HB Claimants is considered.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes, however following a small number of individuals not following controls an internal control working group has been established</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts? - How are the risks relating to these posts identified, assessed and managed?</p>	<p>There are not any significantly high- risk posts identified. The governance structures and procedures are strong and there is a requirement for declarations of interest at all council and committee meetings.</p>

Fraud risk assessment

Question	Management response
<p>How does the Audit & Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit & Governance Committee?</p>	<p>Internal Audit provided the Audit and Governance Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>Through induction and mandatory training</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Council has an Anti-Fraud Strategy and a Whistleblowing procedure in place which explains the procedures to follow when staff need to raise any fraud concerns These policies and procedures are available to all staff via the Council's intranet.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>We are not aware of any related party in 2017-18 which would give rise to a risk of fraud.</p> <p>Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>Are you aware of any instances of actual, suspected, or alleged fraud either within the Council as a whole or within specific departments since 1 April 2017?</p>	<p>No, an incident involving not following protocol has been investigated and reported to the committee however this has not been recorded as a fraudulent activity</p>
<p>Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017? If so how does the Audit & Governance Committee respond to these?</p>	<p>No, none</p>

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Laws and regulations

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the noncompliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The role of the Monitoring Officer includes being responsible for reporting the actual or potential breach of a legal requirement to the Council meeting or Cabinet. Each decision report includes a legal section that the legal team review and provide comment on.</p> <p>The section 151 officer is responsible for preparing the accounting statement in accordance with relevant legal and regulatory requirements.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>The monitoring officer is responsible for reviewing compliance with laws and regulations</p>
<p>How is the Audit & Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer (or representative) attends Audit and Governance Committee Meetings and advises members on any areas of concern. The monitoring officer annual report has been replaced with an opinion that feeds into the annual governance statement</p>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulations since 1 April 2017, or earlier with an on-going impact on the 2017/18 financial statements?</p>	<p>No non-compliance or suspected non-compliance has been identified in 2017/18 that effects either the current year or prior years.</p> <p>There has been no notification from any regulatory bodies of non-compliance with regulations.</p>

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Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The council identifies this through its internal legal service, audit service and risk register, supported by the Solicitor to the Council and the section 151 officer.</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There is an ongoing dispute with Amey Wye Valley around amounts due to and from them at the close of the contract for services, so far this has proved favourably to the Council. There are other potential claims in relation to possible Human Rights breaches.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?</p>	<p>No, none</p>

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Going concern

Matters in relation to laws and regulations

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

- 🔗 We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Below are key questions on the going concern assumption which we would like the Audit & Governance Committee to consider.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes, the council has a MTFS to 2020/21 in place
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	Yes, the budget setting report highlights possible risks and mitigating action
2 Are arrangements in place to report the going concern assessment to the Audit & Governance Committee?	Yes this forms part of the annual approval of the statement of accounts
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Yes they are consistent and updated annually

Going concern considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	They are and all decision reports include a financial impact section to reflect these considerations
Have there been any significant issues raised with the Audit & Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No, none
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No, none
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes, sufficient suitably qualified staff are in post, recruitment is underway for some staff vacancies.

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Related parties

Matters in relation to Related Parties

Local Authorities are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related party considerations have been set out below and management has provided its response.

Related parties

Question	Management response
<p>What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of Interests for Members • Annual return from senior managers/officers • Review of in-year income and expenditure transactions with known identified related parties from prior year or known history including year end debtors and creditors. • The councils contract's register.
<p>Who have the Council identified as related parties?</p>	<p>The Council has a number of related parties in which there is a material impact to the financial statements via virtue of- whether the Council might have the potential either to be controlled or influenced by the party or the potential to exert control or influence over the party.</p> <p>The Council discloses its related parties under the following headings:</p> <ul style="list-style-type: none"> • Central Government • Members • Officers • Other public bodies (Including Worcestershire County Council, Wye Valley Trust, 2Gether and the Clinical Commissioning Group) • Significant long-term contracts (Including Balfour Beatty and FOSCA UK) • Other organisations (including Hoople, Herefordshire Housing Ltd and West Mercia Energy)

Accounting estimates

Matters in relation to Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. This objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identified the transactions, events and conditions that may give rise to the need to an accounting estimate.

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Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council are using as part of their accounts preparation: these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Accounting estimates

Question	Management response
Are management aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No significant in house estimates will be included in the accounts, external professional judgements will be used in relation to asset valuation and pension liabilities which are significant.
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
How is the Audit & Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	Through regular updates

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Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Activity is accounted for in the financial year that it takes place, not when money is paid or received	Procedures for identifying accruals are included in the closedown instructions	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used	No
Bad debt provision	The provision will be based on aged and likelihood of settlement	Qualified accountants will use data to calculate the estimate	No	The provision is based on historic patterns, it is difficult to identify an alternative preferred method	No
Overhead allocation	The finance team apportion central support costs to all front line services on a per FTE basis	All support service cost centres are allocated on the basis of FTE within the service.	No	Apportionment bases are reviewed each year to ensure they are equitable	No

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Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI	PFI and similar schemes contracts are agreements to receive services, where the responsibility for making available or improving the asset to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, it carries the assets used under the contracts on its balance sheet as part of the property, plant and equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment	The models for the PFI contracts are used to produce the accounts. Assets are valued in line with other PPE assets.	Use of model for calculating PFI payment elements	Valuations are made in line with RICS guidance- reliance on experts	No
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their external treasury consultants	Take advice from professionals	Yes	Take advice from treasury management professionals	No
Depreciation & Amortisation	Over the asset life	Professional advice on asset life	Yes	Calculated to correctly allocate over the independently assessed life time	No

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Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	External experts	Through procurement instructions	Yes	The use of RICS qualified experienced experts support the assumptions used	No, there has been a change in experts used
Estimated remaining useful lives of PPE	External experts	Through procurement instructions	Yes	The use of RICS qualified experienced experts support the assumptions used	No, there has been a change in experts used
Impairments	The property team will notify finance of all incidents that may result in an impairment	Regular meetings	No, unless an impairment is identified	The use of RICS qualified experienced experts support the assumptions used	No, there has been a change in experts used

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Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Council legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the council becomes aware of the obligation, taking into account relevant risks and uncertainties	Charged in the year that the council becomes aware of the obligation	The most significant provision is provided for independently assessed business rate appeals	Estimated settlements are reviewed at the end of each financial year. The insurance provision is periodically reviewed by the council's insurance broker	No
Defined benefit pension amounts and disclosures	Non-teaching staff are members of the Local Government Pensions Scheme, administered by Worcestershire County Council	Rely on the calculations made by the actuary	The actuary of the pensions scheme	Reliance on the expertise of the actuaries of the pension scheme	No
Non adjusting events - events after the Balance Sheet date	A full review of transactions and information available will be completed	System review and, decisions made after the year end and key meeting data	No	Events after the balance sheet date will become apparent to the finance team through the chief finance officer	No

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Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Internal audit charter
Report by:	Internal audit – South West Audit Partnership

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the internal audit charter for the period 1 April 2018 to 31 March 2019.

To ensure compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Recommendation(s)

That:

- (a) the internal audit charter be approved.**

Alternative options

1. The alternative option is to not approve the internal audit charter. As this is a requirement of the arrangements between Herefordshire Council and the South West Audit Partnership (SWAP) it would put us in breach of our agreement.

Key considerations

2. The internal audit charter is set out in appendix A.
3. The charter sets out the nature, role, responsibility, status and authority of internal auditing within Herefordshire Council, and to outline the scope of internal audit work.
4. An addition to the charter is the role of the SWAP Assistant Director on page 4.

Community impact

5. The council's corporate values and code of corporate governance include commitments to being open, transparent and accountable about its performance. The Internal Audit charter sets out the reporting arrangements to the Audit and Governance Committee demonstrating the council's openness and transparency in providing reports that are published in the public domain.

Equality duty

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

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

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

Resource implications

8. The current annual net budget for SWAP to carry out internal audit services is £201,150. This budget includes £30,600 of income meaning the gross budget is £231,750. SWAP have to employ their own staff and purchase their own IT equipment within this budget.

Legal implications

9. The Council is under a duty to make adequate arrangements for its internal audit functions and has chosen to appoint an external partner to assist with the discharge of this function.

10. The charter forms part of the legal agreement which the Council has entered into with SWAP. Both parties have committed to refreshing the charter on an annual basis to establish a clear expectation of the annual priorities and processes by which the audit service will be provided.
11. There are no other legal implications arising from this report.

Risk management

12. Without an approved charter there is a risk that SWAP will not have:
 - the support of management and the council
 - direct access and freedom to support to senior management including the chief executive and the audit and governance committee
 - access to any records, personnel or physical property of the council for audit work

Consultees

13. The chief finance officer (section 151 officer) was consulted in the drafting of this report.

Appendices

Appendix A – Internal audit charter

Background papers

None identified.

Herefordshire Council

Internal Audit Charter

21 March 2018

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Reviewed February 2018

Internal Audit ■ **Risk** ■ **Special Investigations** ■ **Consultancy**

Contents

The contacts at SWAP in connection with this report are:

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Internal Audit Charter:

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Internal Audit Charter

The internal audit charter is a formal document that defines internal audit's purpose, authority, responsibility and position within the organisation.



Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Herefordshire Council, and to outline the scope of internal audit work.



Approval

This Charter was approved by the Audit and Governance Committee on 21 March 2017 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit and Governance Committee* on 21 March 2018.

*The standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit and Governance Committee in this instance represents the Board.

Internal Audit Charter

The charter sets out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.



Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Chief Finance Officer in consultation with the Chief Executive of SWAP.



Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The charter should set out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.



Responsibilities of Management and of Internal Audit

Management~

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit and Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

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

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Herefordshire Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

~In this instance Management refers to the Management Board.

Internal Audit Charter

The charter should set out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.



Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.



Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Chief Finance Officer as Section 151 Officer, and reports to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for Herefordshire Council for all matters relating to the Audit and Governance Committee, including the provision of periodic reports. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the partner or client.

The charter should set out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.



Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Herefordshire Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether insert your Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;

The charter should set out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives. **SWAP Performance - Summary of Audit Recommendations by Priority**



Scope and authority of Internal Audit work

- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing the operations of the council in support of the Council’s anti-fraud and corruption policy;
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined, and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work

The charter should set out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives. Added Value



Planning and Reporting

SWAP will submit to the Audit and Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit and Governance Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit and Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Chief Finance Officer (Section 151 Officer) and to other relevant line management.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the Council's Chief Executive Officer or the External Audit Manager.



Meeting:	Audit and governance committee
Meeting date:	21 March 2018
Title of report:	Internal audit plan 2018-19
Report by:	Chief finance officer/ Chief internal auditor

Classification

Open

Decision type

This is not an executive decision

Wards affected

All wards

Purpose and summary

The committee is responsible for considering a summary of internal audit activity (actual and proposed) and the level of assurance should be satisfied with the level of assurance it can give over the council's corporate governance arrangements.

To ensure the council complies with recommended best practice as set out in the PSIAS.

Recommendation(s)

That:

- (a) the proposed internal audit plan 2018-19 at appendix b be considered and the committee determine any recommendations it wishes to make regarding the level and range of activity proposed in order that the work carried out may give a satisfactory level of assurance over the council's corporate governance arrangements.**

Alternative options

1. The alternative option of not considering the plan would mean we are not meeting the requirements of the public sector internal audit standards (PSIAS).
2. The content of the plan may be amended; however, in doing so regard should be had to the overall prioritisation of resources, level of risk and/or evidence of control weakness.

Key considerations

3. The internal audit plan report 2018-19 is set out in appendix A.
4. The internal audit plan 2018-19 is set out in appendix B.
5. The plan sets out the work required for internal audit to give an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements.

Community impact

6. In accordance with the council's code of corporate governance the council is committed to implementing good practices in transparency, reporting and audit to deliver effective accountability. The council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External and internal audit contribute to effective accountability. The internal audit annual plan provides clarity about where the internal audit resource will focus its attention through the coming year and how this activity will support assurance and improvement to enable the council to achieve its corporate priorities.

Equality duty

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

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

Resource implications

9. There is also a risk that there may be insufficient resources available to deliver the planned programme of audit work. To mitigate this, the plan has been based on an assessment of the resources available from the South West Audit Partnership (SWAP). Regular meetings will be held between the SWAP assistant director and the chief finance officer which allows regular monitoring of resource availability.

Legal implications

10. In accordance with section 5 of the Accounts and Audit (England) Regulations 2015, the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.

Risk management

11. There is the risk that the annual internal audit plan does not take into account the key issues and risks facing the council and does not provide adequate coverage of the council's key systems for the head of internal audit to form an opinion on the council's control environment. The process by which the plan has been compiled mitigates this risk.

Consultees

12. The views of the directors, chief finance officer and other key officers have informed development of the proposed internal audit plan.

Appendices

Appendix A – Internal audit plan report 2018-19

Appendix B – Internal audit plan 2018-19

Background papers

None identified.



Herefordshire Council

Internal Audit Plan 2018/19

Contents

The contacts at SWAP in connection with this report are:

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Role of Internal Audit Background Page 1

The Annual Plan Page 2

The Annual Plan – Continued Page 3

Our audit activity is split between:

- **Key Control Audit**
- **Fraud/Governance Audit**
- **IT Audit**
- **Operational Audit**
- **Follow Up Audit**
- **Urgent Work/Special Projects**

Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards. The work of the Partnership is also guided by the 'Internal Audit Charter' which was last reviewed and approved by the Audit and Governance Committee on 21 March 2017 and is presented to the Audit and Governance Committee today for approval for 2018-19.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split across the review categories listed to the left.

Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Audit and Governance Committee will undertake this function. The plan is presented in Appendix B to this report and represents the internal audit activity planned for the 2018/19 financial year.

It should be noted that plan days are only indicative for planning our resources. Where efficiencies can be identified these will be implemented. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is produced with a view to providing assurance to both Officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Chief Finance Officer (Section 151 Officer).

The Annual Plan

The Annual Plan

To ensure that to the best of our ability we have covered the necessary risks, the annual internal audit plan has been developed with the co-operation and approval of the Chief Finance Officer following meetings between Internal Audit and officers for each Directorate. The plan has been reviewed by the Management Board. The plan is currently showing a contingency of 73 days – A contingency has been allocated for unplanned work which may arise during the year.

The audit plan is notionally broken down across various audit categories; the following summarises each:

Key Control Audit – focus primarily on key risks relating to the Council’s major financial and IT systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Council’s External Auditors and included any requirements they have in providing them with necessary assurance, in line with the Auditing Standards, against which they are required to audit.

Fraud/Governance Audit – SWAP operate a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to Partners should the need arise. Governance reviews focus primarily on the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

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The Annual Plan - Continued

The Annual Plan - Continued

ICT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks. As referred to above ICT system Key Control work is also undertaken in accordance with the External Auditors requirements.

Operational Audits - are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

Grant Certification - certification by an appropriately qualified and independent auditor to provide assurance that the Statement of Grant Expenditure and/or Grant Claim, in all material respects, fairly presents the eligible expenditure for the period in accordance with the definitions and conditions of the grant offer letter.

Urgent Work/Special Projects – SWAP also undertake urgent work, special investigations and projects on a responsive basis at the request of the Director of Resources (Section 151 Officer). Projects can be in an Advisory capacity without an assurance opinion or a grant certification.

The schedule provided at Appendix B details the Annual Internal Audit Plan for 2018/19.

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Herefordshire Council Annual Audit Plan 2018-19	
Audit Type and Area	Number of days
Key Financial Control Audits	
Main Accounting	10
Account Payable	15
Accounts Receivable	15
Council Tax	15
NNDR	15
Housing and Council Tax Benefits	15
Payroll	15
Capital Accounting	8
TOTAL	108
Operational Audits	
Fraud and Governance	
University Loan	15
EU General Data Protection Regulation	15
Declaration of personal and business interests	15
Corporate Peer Challenge	10
Internal Control Improvement Board	20
P- Cards	12
TOTAL	87
Children, young people and families	
Troubled Families	15
School Financial Value Standard	24
Use of regional framework for foster care	15
Prevention of Fraud (Schools)	30
Safer recruitment	15
Children's centres	20
TOTAL	119
Adults and Wellbeing	
Integrated Short Term Support and Care Pathway - Carers Assessment	20
Integrated Short Term Support and Care Pathway - DToC plan – process of hospital discharges.	20
Quality Assurance Framework	20
Local population forecast using for future planning such as house building requirement	20
Homepoint - Review of new provider	18

Herefordshire Council Annual Audit Plan 2018-19	
Audit Type and Area	Number of days
Adults and Wellbeing contd.	
Client Finances System - Interfaces between systems	20
Workforce Project – support to Domiciliary Care Agencies recruitment	15
TOTAL	133
Economy, Communities & Corporate	
Joint Use Agreement - Ledbury Rugby Club	5
Redundant Building Grant Funding	8
Highways Projects - Capital Spend	20
Local Transport Block Funding -Grant	8
Effectiveness of programme Boards for major system changes/projects	15
Health and Safety	15
Compliance with contract and financial procedure rules – revenue	15
Mandatory Training	12
Building Control	15
Special Educational Needs Transport	15
Property Maintenance - Schools	18
Internal Communications	15
Blue Badges	15
Records Management	12
Development Regeneration Partnership	15
Hoople -Review of services	20
Contract Management – Corporate – review contract for each Directorate	20
TOTAL	243
ICT Audits	
Patch Management	10
Third Party Agreements (including Cloud)	12
IT Access Controls –Mosaic and other systems used by AWB and CWB –	15
TOTAL	37
Follow Up Audits (Partial Assurance)	
Serious and Organised Crime Audit checklist	3
Data Sharing Protocols with partners and third parties	4
Market Intelligence	4
Emergency Planning - Public Health	4
Data Quality	4
Follow Up contingency – for audits not at final.	16

TOTAL	35
Contingency	
Contingency for additional audit work, emerging risk, projects, special reviews, investigations, advisory.	48
TOTAL	48
Management	
Corporate/ General Advice	15
Committee Reporting and attendance	25
Planning /Client Liaison	45
External Audit liaison	5
TOTAL	90
PLAN TOTAL	900



Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Progress report on 2017/18 internal audit plan
Report by:	Chief finance officer / internal audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

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

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

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

Recommendation(s)

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**

Further information on the subject of this report is available from
Jacqui Gooding, email: Jacqui.Gooding@southwestaudit.co.uk

identified.

Alternative options

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

Key considerations

2. The internal audit progress report is attached at appendix A. In the period covered by the report, fifteen priority 4 recommendations were made of which six related to schools. A summary of the significant findings (apart from schools) are provided within the appendix.
3. The annual plan summary and a glossary of terms is also provided within the appendix.

Community impact

4. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

Equality duty

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

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

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

Resource implications

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

Legal implications

Further information on the subject of this report is available from
Jacqui Gooding, email: Jacqui.Gooding@southwestaudit.co.uk

8. None.

Risk management

9. 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.
10. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.

Consultees

11. None.

Appendices

Appendix A – SWAP plan progress report 2017-18

Background papers

12. None identified.

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2017/18 Quarter 3

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Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



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 the CIPFA Local Government Application Note. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 21 March 2017.

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
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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



Internal Audit Work Programme

The schedule provided at Appendix C contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 14 and 15 of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings (Priority 4 and 5) that have resulted in them receiving a ‘Partial Assurance Opinion’ have been summarised in Appendix D.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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



Internal Audit Work Programme

This is the quarter 3 update for 2017-18. Twenty-two audits have been completed since my last update and there are eight audits at Draft report waiting for management responses. Six audits were assessed as Partial assurance and fifteen significant findings were identified across the six audits.

The following audits have been completed since the last update:

Audit	Assurance
Procurement of Wide Area Network Contract	Advisory
Market Intelligence	Partial
School 1 Prevention of Fraud	Partial
School 2 Prevention of Fraud	Partial
School 3 Prevention of Fraud	Partial
Serious and Organised Crime Checklist	Partial
Emergency Planning – Public Health	Partial
Electronic Signatures	Reasonable
Schools Financial Value Standard	Follow Up
Accounts Payable	Follow Up
Accounts Receivable	Follow Up
Main Accounting	Follow Up
Council Tax	Follow Up
NNDR Business Rates Avoidance	Reasonable
Payroll – Review of IR35	Reasonable
Payroll	Follow Up
Property Services – Accounts payable	Follow Up
Hardware and Software Asset Management	Follow Up
Catering Contract	Follow Up
Recruitment Contracts	Follow Up
Housing and Council Tax Benefits	Follow Up
ICT Client Management	Reasonable

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Internal Audit Plan Progress 2017/2018

Outturn to Date:

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



Internal Audit Work Programme

Market Intelligence – Partial

The objective of the audit was to provide assurance that the market intelligence data that is being used to steer the new domiciliary care framework and other services within Adults and Wellbeing Directorate is of sufficient quality to obtain adequate care provision. The Council is currently in the process of going out to tender for the new domiciliary care contract, to commence on 1st April 2018. The proposed 'Care at Home' contract will be an open framework, thus allowing new providers to tender after 1st April 2018 and be added to the framework if they meet the criteria. It is recognised that a significant amount of work has been undertaken to improve the level of intelligence available to senior management covering current service performance. However, work on the dashboards for Residential and Nursing Care and Domiciliary Care is still in progress, and as such, all of the information required by senior management in relation to monitoring and forecasting is not currently available to them.

In terms of forecasting, while this area has been addressed for domiciliary care in the form of the recently compiled report to inform the tendering process for the new Care at Home contract, work is still required for residential and nursing care. While the need for this has been identified within the Commissioning Team, and a draft report produced, there is still a significant amount of work to be carried out in this area, which will require support from senior management to ensure that staffing resources are made available for this. In addition, the data for both reports, which were still in draft at the time of the audit, will also require a process of vigorous challenge before assurance can be taken that the conclusions within the reports are based on accurate and reliable data.

The means to review, verify and manage data, together with assigning both resources and target dates to all verification and market research activities are needed before ongoing reliance can be placed on the forecasting data. There were six priority 4 findings that are summarised in Appendix D and ten priority 3 findings.

Schools – Prevention of Fraud – Partial

The Prevention of Fraud audit reviews processes to ensure that schools have adequate controls in place to safeguard against fraudulent or improper use of public money and assets. The review covered the following areas:

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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

Internal Audit Work Programme

- financial management checks, reconciling accounts at the end of each month and keeping an audit trail of documents;
- separation of duties -no one member of staff should be responsible for both validating and processing a transaction, for example certifying that goods have been received and making the payment for them
- strictly limited access to systems for authorising and making payments
- spot checks on systems and transactions - this will help identify new risks and measure the effectiveness of existing controls. It also indicates to staff that fraud prevention is a high priority
- investigation and logging of every incident of irregularity, including instances of attempted fraud

Three schools were audited and there were six priority 4 findings and twenty priority 3 findings. A themed report is produced to summarise weaknesses identified and areas of good practice and this is shared with schools through Spotlight for Children.

The priority 4 findings were identified in the following areas:

- purchasing of goods and services, use of purchase orders,
- processes for purchases above a pre-determined amount,
- insurance arrangements for cash and cheques.

As well as the priority 4 findings overall improvements were needed in the following areas across the three schools:

- maintaining clear documented audit trails, including detailed minutes
- governors' fraud and finance training
- declaration of interests; and
- asset register.

Serious and Organised Crime – Partial

A Home Office report following pilots on the threat Serious and Organised Crime poses to publicly procured services in Local Authorities (LAs) and how to respond to that threat made a number of recommendations. The recommendations included using the Serious and Organised Crime Checklist and conducting a Serious and Organised crime audit.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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

Internal Audit Work Programme

The audit objective was to ensure that the Council has arrangements in place to protect itself and its customers from Serious and Organised Crime whilst recognising the need for proportionality in its response. The audit reviewed the following key areas:

- Governance and Strategy,
- Operational Controls,
- Insider Threat

Awareness of Serious and Organised Crime was found not to be consistent across the Council and some staff were not aware of useful documentation and guidance that is available. Further to this there is no single point of contact for Serious and Organised Crime. The audit identified one priority 4 finding summarised in Appendix D and six priority 3 findings.

It is recognised that there are several different areas where work is currently ongoing to improve controls that link to the risk of Serious and Organised Crime including:

- Development of a multi-agency partnership register; the Head of Corporate Governance hopes to have a first draft of the register by mid-September,
- Improved controls in relation to data sharing across the Council;
- Improvements to HR processes including; a review and update to employee's code of conduct, declaration of interests to become an electronic form that all employees will need to complete even if a nil return, a review of the requirement for all staff to complete a DBS check (see partner comparison at appendix A), pre- employment checks for internal transfers, declarations of secondary employment to be for all staff as opposed to the current requirement of grade HC7 and above.
- Training for staff with purchasing responsibilities by Procurement Team because of new Contract Procedure Rules.

Emergency Planning – Public Health

The audit assessed the Council's internal resilience in respect of emergency planning required as a category 1 responder under the Civil Contingencies Act 2004 and other relevant legislation.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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



Internal Audit Work Programme

The audit covered the following areas:

- Emergency and resilience plans,
- Business continuity management,
- Critical services and officer deployment,
- Emergency business plan exercises in conjunction with the Local Resilience Forum(LRF), and the Tactical Co-ordinating Group (TCG),
- Effectiveness of Herefordshire Council's links and operations with the LRF and the TCG.

The audit identified the following well controlled areas:

- The Emergency and Resilience plans that had been reviewed by the Emergency and Resilience officers are fully compliant with the Civil Contingency Act 2004 and relevant legislation.
- Regular engagement with the Tactical Co-ordinating Group and the Local Resilience Forum and other relevant category 1 responders.
- At least two emergency exercises take place annually with appropriate category 1 responders.

There were two priority 4 findings and six priority 3 findings. The most significant finding was the Emergency Accommodation plan in respect of Housing Solutions has not been reviewed in its entirety since 2014. The contact directory has not been checked which is a fundamental part of the plan, therefore this is likely to be out of date. There is a risk demand for accommodation could exceed availability making it difficult to place people locally resulting in non-compliance with the Housing Act and reputational damage to the Council. The second finding identified was that of the thirty emergency plans in place ten were overdue a review and there is a risk they may not be regulatory compliant. Furthermore, there is a need to implement an effective control to check that email alerts to review emergency plans are not overlooked.

Other findings include the need for:

- Preparation of guidance notes,
- Comprehensive approval process with records maintained,
- Internal gold and silver responders receive a full debrief of emergency exercises to educate and increase awareness.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

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

Internal Audit Work Programme

Follow Up Audits

Follow Up audits are completed where the auditor could only provide partial assurance. The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level of risk. Evidence is obtained to demonstrate implementation and progress made in relation to all priority 4 and 5 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. The following table demonstrates progress against agreed actions at the time of the ten follow up audits.

Priority of recommendation	Complete	Overdue	Not yet due	Superseded
3	36	24	0	0
4	9	4	0	0

Internal Audit Plan Progress 2017/2018

Added Value

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



Added Value

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

The followings audits have provided a cross comparison survey for the SWAP Partners.

Emergency Planning - Public Health – the survey requested information on training of staff and members, on call staff (paid or unpaid), communication and links to local Health Resilience Partnership.

Schools – Prevention of Fraud – A themed report produced to summarise weaknesses identified and areas of good practice which this is shared with schools through Spotlight for Children.



Special Reviews

Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Chief Finance Officer (Section 151 Officer).

There has been one request for additional work since my last update. This is a special investigation at a School.

Internal Audit Plan Progress 2017/2018

SWAP Performance - Summary of Audit Opinions

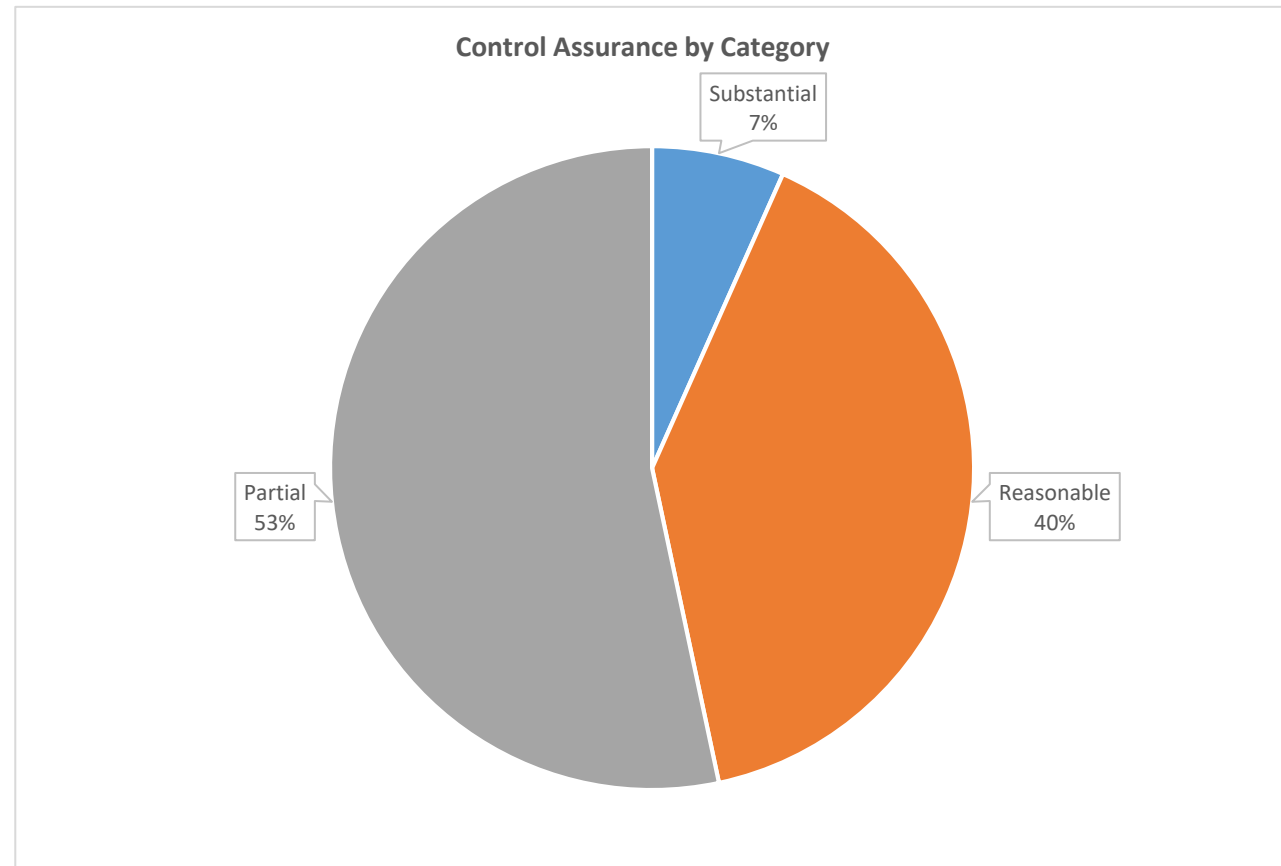
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None



Summary of Control Assurance

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



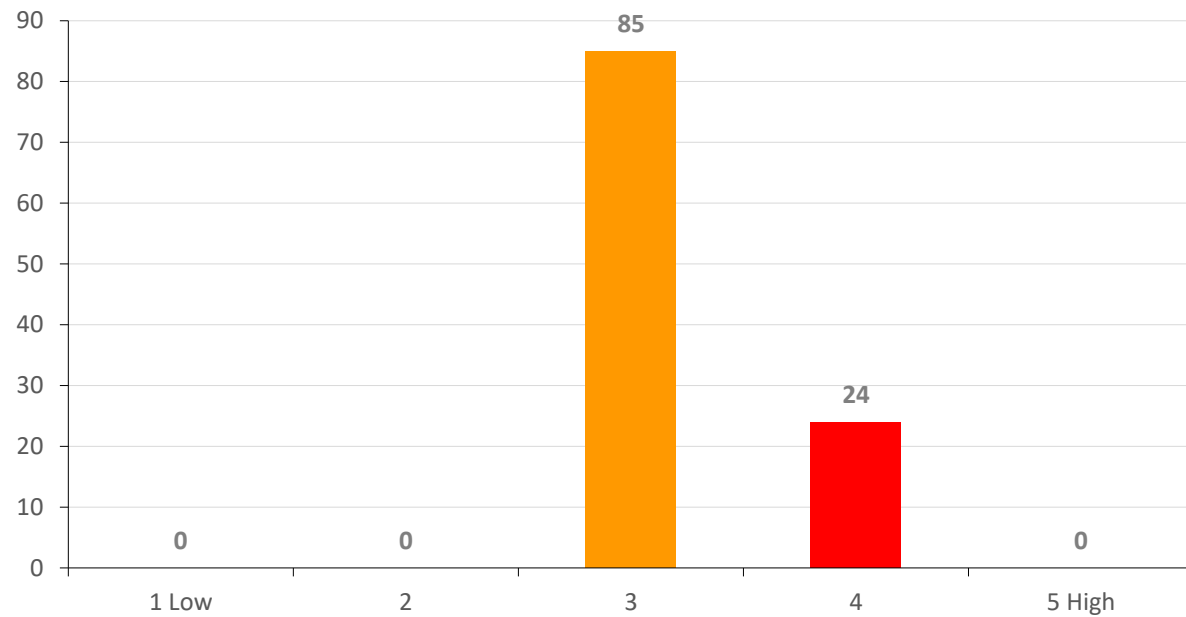
Internal Audit Plan Progress 2017/2018

Summary of Audit Recommendations by Priority



Summary of Recommendations

Audit Recommendations by Priority



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Internal Audit Plan Progress 2017/2018

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

The Director of Quality is required to provide an opinion to support the Annual Governance Statement.



Approved Changes to the Audit Plan

As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Chief Finance Officer (Section 151 Officer) and reported to this Committee.

No additional reviews have been requested since my last update.



Conclusion

Good progress has been made on delivery of the plan with all audits not completed in progress. Overall delivery of the plan is satisfactory and is on target for completion by the end of the year.

Thirty-eight audits have been completed and eight audits are at Draft report waiting for management responses. Of the thirty-eight audits completed one has been assessed as substantial, six as reasonable and eight as partial assurance; twelve are follow up audits, two Grant Certification, three are Advisory reviews and three Special Reviews.

Overall, based on the work completed to date this financial year, we can report that we have identified some key risks that are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. This has resulted in twenty-four significant findings. Where these findings have been identified Management generally respond positively to Internal Audit recommendations for improvements and corrective action is often taken quickly, wherever this is possible or practical.

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

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

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.

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



Audit Framework Definitions

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

Definitions of Risk

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

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = M				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Small Holdings Phase 1	1	Draft Report	Escalated for responses						
Governance, Fraud & Corruption	Small Holdings Phase 2	1	In Progress							
Governance, Fraud & Corruption	Project assurance - (Q1 to Q4) Procurement of a Wide Area Network contract	1	Completed	Advisory	–	–	–	–	–	–
Governance, Fraud & Corruption	Project assurance - (Q1 to Q4) - Mosaic Board Governance	1	In Progress	Ongoing during 2017-18						
ICT	Firewall Security management	1	Completed	Reasonable	4	0	0	4	0	0
Operational	Annual Care Assessment Process – Adults Wellbeing	1	Draft Report							
Operational	Areas - Business Support Function – Adults Wellbeing	1	Completed	Advisory	3	0	0	3	0	0
Operational	Market Intelligence	1	Completed	Partial	16	0	0	10	6	0
Operational	Safeguarding – Adults Wellbeing	1	Draft Report	Escalated for responses						
Operational	Data Sharing Protocols	1	Completed	Partial	8	0	0	5	3	0
Operational	Land in public ownership	1	Completed	Advisory	2	0	0	2	0	0
Schools	Schools - prevention of fraud	1	Completed	Themed Report	–	–	–	–	–	–
Schools	School 1 – prevention of fraud	1	Completed	Partial	10	0	0	7	3	0
Schools	School 2 - prevention of fraud	1	Completed	Partial	6	0	0	5	1	0
Schools	School 3 – prevention of fraud	1	Completed	Partial	10	0	0	8	2	0

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = M				
						Recommendation				
						1	2	3	4	5
Special Investigation	Blueschool Refurbishment	1	Completed	Special Investigation	13	-	-	-	-	-
Special Review	Data Sharing Breach	1	Completed	Special Review	2	0	0	1	1	0
ICT	Protection from Malicious Code	2	Completed	Follow Up	-	-	-	-	-	-
Governance, Fraud & Corruption	Serious and Organised Crime Audit Checklist	2	Completed	Partial	7	0	0	6	1	0
Grant Certification	Local Transport Block Funding	2	Completed	Grant Certification	1	0	0	1	0	0
ICT	Domain Management	2	Completed	Reasonable	3	0	0	3	0	0
Operational	Integrated Short Term Support and Care Pathway - review of each pathway and advisory	2	Moved to quarter 4	In Progress						
Operational	Integration – Clinical Commissioning Group (Adults and Children's)	2	Moved to quarter 4	In Progress						
Schools	Children, young people and families - Part time timetables	2	Draft Report							
Operational	On-line choice based letting scheme - Homepoint (Home Hunt)	2	Completed	Partial	12	0	0	7	5	0
Operational	New Communications Strategy	2	Dropped							
Operational	Emergency Planning - Public Health	2	Completed	Partial	8	0	0	6	2	0
Operational	Public Health Contracts	2	Draft Report							
Operational	Electronic Signatures	2	Completed	Reasonable	4	0	0	4	0	0
Grant Certification	Bus Subsidy Grant	2	Completed	Grant Certification	0	0	0	0	0	0
Follow up	SVFS – Schools Follow Up	3	Completed	Follow Up	-	-	-	-	-	-

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = M				
						Recommendation				
						1	2	3	4	5
Follow up	Brokerage Follow up	3	Completed	Follow Up	–	–	–	–	–	–
Follow up	Client Finances Follow up	3	Completed	Follow Up	–	–	–	–	–	–
Follow up	Car parking Income and Enforcement Follow up	3	Completed	Follow Up	–	–	–	–	–	–
Grant Certification	Troubled Families	3	In Progress							
ICT	PSN Submission	3	Completed	Substantial	0	0	0	0	0	0
Operational	EziTracker – Adults Wellbeing	3	Draft Report							
Key Control	Accounts Payable	3	Completed	Follow Up	–	–	–	–	–	–
Key Control	Accounts Receivable	3	Completed	Follow Up	–	–	–	–	–	–
Key Control	Capital Accounting	3	In progress							
Key Control	Main Accounting	3	Completed	Follow Up	–	–	–	–	–	–
Key Control	Council Tax	3	Completed	Follow Up	–	–	–	–	–	–
Key Control	NNDR - Business Rates Avoidance	3	Completed	Reasonable	5	0	0	5	0	0
Key Control	Payroll - Review of IR35	3	Completed	Reasonable	1	0	0	1	0	0
Operational	Short breaks – Children’s Wellbeing	3	Discussion Document							
Operational	Disabled Facilities Grants	3	In Progress							
Governance, Fraud & Corruption	EU General Data Protection Regulation readiness	3	Draft Report							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = M				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Healthy Organisation	3	In Progress							
Follow Up	Property Services - Accounts Payable Follow Up	4	Completed	Follow Up	–	–	–	–	–	–
Follow Up	Hardware & Software Asset Management	4	Completed	Follow Up	–	–	–	–	–	–
Follow Up	Catering Contract Follow up	4	Completed	Follow Up	–	–	–	–	–	–
Follow Up	Recruitment Contracts Follow up	4	Completed	Follow Up	–	–	–	–	–	–
Follow up	Housing and Council Tax Benefits	4	Completed	Follow up	–	–	–	–	–	–
Operational	Carers (Support for) inc WISH – Adults Wellbeing	4	Initial Meeting							
Operational	Maintenance of property including School Property Maintenance	4	In Progress							
Operational	Mandatory Training – days for School Special Investigation	4	Removed							
Special Investigation	School	4	Draft Report							
Operational	Fastershire BDUK	4	Removed							
ICT	ICT client management	4	Completed	Reasonable	7	0	0	7	0	0
Governance, Fraud & Corruption	Data Quality	4	Discussion Document							

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Market Intelligence	<p>Statistics for 2015 did not appear comparable to the statistics for years 2014 and 2016, however no reason for the difference was explained within the report.</p> <p>A rolling programme of review had not yet been set, to ensure that senior management has an up to date data set to aid the planning of future service provision.</p>	<p>There is a risk that if the draft report "Domiciliary Care: Understanding Future Need" is not sufficiently challenged and the reasons for statistical changes are not understood, incorrect assumptions may be made, and the service may not be able to adequately plan.</p> <p>If dates are not set for future review of data, senior management may not have accurate and reliable data to inform future planning.</p>	<p>The Commissioning Manager should ensure that all future reports will be challenged through both Directors Leadership Team and managing the care market meetings. The Commissioning Manager has also agreed that an annual review of domiciliary care will be scheduled into the annual work programme.</p>	<p>All future reports will be challenged through both DLT and managing the care market meetings. An annual review of domiciliary care will be scheduled into the annual work programme.</p>	<p>Commissioning Manager 31 March 2018</p>
Market Intelligence	<p>There have been two recent domiciliary care provider failures, with one provider attempting to transfer care packages to a provider outside of</p>	<p>There is a risk that the Council will not be notified promptly of any future provider failure, which could lead to non-delivery of care services or providers attempting to transfer care</p>	<p>The Commissioning Manager should send out clear communications for care providers to follow if they are no longer able to deliver their contracted care packages, so that alternative arrangements</p>	<p>Clear communications will be sent out to confirm the process for providers</p>	<p>Commissioning Manager 31 March 2018</p>

Summary of Partial Opinions

APPENDIX D

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
	the framework. The Terms and conditions of the new contract need to contain detailed guidance to providers that cover this.	packages to a non-authorised care provider.	can be made by the Council to ensure that a continuous care service is delivered. The terms and conditions should set out a clear process for providers to follow in this instance.		
Market Intelligence	Management has acknowledged that reliance cannot currently be placed on data recorded on the Understanding Herefordshire website, and at the time of the audit, the work needed to address this had not been scheduled. There is a requirement to quality check the data on the Understanding Herefordshire website prior to its transfer to the Council website.	There is a risk that inaccurate data could be accessed and relied upon by other Council teams in the production of Council reports.	The Intelligence Unit Team Leader should ensure that a timetable is put in place along with a workplan for the quality checking of the information contained within the facts and figures website: 'Understanding Herefordshire', and to communicate to all staff to allow them to request that data be checked and confirmed as correct by the Intelligence Unit before being used.	This will be coordinated by the Research Intelligence team.	Intelligence Unit Team Leader 1 March 2018

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Summary of Partial Opinions

APPENDIX D

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Market Intelligence	<p>Third party contributions data is incorrect on the Residential and Nursing Care dashboard.</p> <p>Although the new Residential and Nursing Care contract came into effect from 1st April 2017, there are still providers who have not transferred over, and are working to the terms of the old contract.</p>	<p>There is a risk that if errors are not investigated and understood, recovery of third party contributions may be delayed.</p> <p>There is also a risk that if providers have not switched to the new Residential and Nursing Care contract, inefficiencies may arise collating data from two different systems, and errors may occur in reporting.</p>	The Commissioning Manager should address the 3rd party contributions error on the Residential and Nursing Care dashboard.	A quick review will be done to ensure data is reflected annually.	Commissioning Manager 31 March 2018
Market Intelligence	While a piece of work is currently in progress to assess the future level of demand for Residential and Nursing Care services, this has yet to be completed.	Senior management do not currently have accurate and reliable data to inform future planning.	The Better Care Fund and Integration Manager has agreed to review and regularly refresh the forecasting information being compiled for Residential and Nursing care demand.	This is ongoing work; the information will be taken to the Managing the Care Market group for agreement on information required and will then form part of the Market Position Statement for residential and nursing care homes.	Better Care Fund and Integration Manager 31 May 2018

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Summary of Partial Opinions

APPENDIX D

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Market Intelligence	There is no timetable in place yet to carry out the visits to residential and nursing care premises to ascertain providers' future business intentions, as a means to improving the accuracy of forecasting supply of residential and nursing care placements.	Up to date information for future planning and availability for residential and nursing care placements may not be available.	The Better Care Fund and Integration Manager should ensure that regular financial checks are carried out by the Council to identify any financial difficulties that providers are experiencing.	Timetable of meetings will be produced and agreed but will target nursing homes.	Better Care Fund and Integration Manager 30 April 2018
Serious and Organised Crime	The awareness of Serious and Organised Crime is not consistent across the Council, with some staff not aware of documentation and guidance. Further to this there is no single point of contact for Serious and Organised Crime	There is a risk that if staff do not have an awareness of Serious and Organised Crime and there is no single point of contact, incidents may remain undetected or unreported at the Council.	The Chief Finance Officer has agreed to raise awareness of Serious and Organised Crime across the Council through: <ul style="list-style-type: none"> • Training and education, • Providing links to relevant documentation, Establishing a single point of contact	Accepted, the recommendation will be implemented.	Head of Corporate Finance 31 August 2018

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Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Emergency Planning – Public Health	Of the thirty emergency plans required by the Council as a category 1 responder ten were found to have an overdue review date.	There is a risk that if plans are not reviewed at the required frequency they may not meet legislative requirements, operate best practice and contain inaccurate information, which may result in reputational and financial damage to the Council.	<p>The Equality, Resilience & Information Compliance Manager should ensure that he:</p> <ul style="list-style-type: none"> • Reviews the ten plans identified as being overdue and this action is updated in the emergency plan documentation. • Implements an effective control to check that email alerts to review emergency plans are not overlooked. 	<p>It is acknowledged that some of the plans have an overdue review date. As legislative changes are infrequent the risk that any changes aren't captured is low, when new or amended legislation that affects civil contingencies is released this is communicated via the weekly Civil Contingencies Secretariat bulletin.</p> <p>The Emergencies and Resilience Team (ERT) will review the overdue plans and set target dates for completion. Review schedules will be reviewed if it is felt that they cannot currently be met due to officer workloads. If a plan is unable to be reviewed due to external factors this will be noted in the register of plans</p> <p>The email notification built into the register of plans will be</p>	Equality, Resilience & Information Compliance Manager 31 January 2018

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Summary of Partial Opinions

APPENDIX D

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
				checked to ensure that notifications are being correctly sent. Future development of the system could see follow up notifications sent within designated timeframes.	
Emergency Planning – Public Health	<p>The Emergency Accommodation plan in respect of Housing Solutions is reviewed annually but this only extends to the strategy and omits assessment of the contact details.</p> <p>The officer was unable to provide assurance that the contact directory has been reviewed since 2014.</p>	Failure to have adequate safe emergency accommodation may result in residents and potentially vulnerable people being homeless, with the Council unable to meet the Housing Act requirements and consequently subject to legal and reputational damage.	<p>The Team Leader of Housing Solutions & Home Point should undertake the following:</p> <p>1) Reviews the whole of the emergency accommodation database including the strategy and contacts list for accuracy and completeness,</p> <p>2) In conjunction with the Emergency and Resilience Officer to review the Emergency Accommodation Plan (this is a separate document to the Housing Solutions Database as detailed above).</p>	<p>1) The Housing Solutions Resilience Officer has put in place a review process that will mirror the formal document review. The Housing Solutions Resilience Team are to write to every establishment in the database to confirm (or otherwise) their willingness and availability to remain on the Council’s list. It is planned that the letters will go out all together in the first week of the New Year with a follow up phone call to non-responders</p> <p>2) A meeting has been arranged in mid-January 2018 between the Emergency and Resilience Officer and the</p>	Team Leader of Housing Solutions & Home Point 16 March 2018

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Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
				Housing Solutions Resilience Officer to undertake the following: a) To formally carry out the annual review of the Strategy/Plan, b) And secondly, to discuss who will be responsible for the recording of the Review.	



Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Corporate risk register
Report by:	Directorate services team leader

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To consider the status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework. Since the risk register was last reported to committee, one new risk has been added and one removed.

Recommendation(s)

That:

- (a) the committee determine any recommendations it wishes to make to improve effective risk management.**

Alternative options

1. The committee could chose not to monitor the risk register; this would not be recommended as this would not provide assurance that risk was being managed effectively within the council.

Key considerations

2. The committee's role is to ensure that risks have been rated in accordance with the performance, risk and opportunity management (PROM) framework. The committee currently receives the corporate risk register quarterly.
3. The corporate risk register is compiled from risks identified at directorate level, which have been escalated as per the PROM, along with high-level generic risks, which require strategic management. Entries within the corporate risk register reflect those risks identified by management board and endorsed by cabinet, thereby strengthening their strategic perspective, management response and controls.
4. The inclusion of risks within any level of risk register does not necessarily mean there is a problem; it reflects the fact that officers are aware of potential risks and have devised strategies for the implementation of mitigating controls.
5. Each entry within the register is scored to provide an assessment of the level of risk. All risks are scored based on an assessment of their impact and likelihood, adopting the scoring criteria within the PROM. These assessments are made at two points: before any actions are in place (inherent risk); and after identified controls are in place (residual risk).
6. Whatever level of residual risk remains, it is essential that the controls identified are appropriate, working effectively and kept under review.
7. One risk has been removed from the corporate risk register since the register was last published as part of the end of September corporate budget and performance report and presented to the Committee in November. The risk, CR016 Safeguarding, has been removed from the corporate risk register as the process has been scrutinised by two peer reviews, and is frequently monitored by the Herefordshire Safeguarding Adults Board, as well as regular performance monitoring within the directorate. This level of scrutiny ensures close management oversight and reduces the level of risk.
8. One new risk has been added to the register at appendix A. This is:

CR040 – Good internal controls protect against fraud and error

Community impact

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

Equality duty

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

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

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

Resource implications

12. There are no financial implications associated with the recommendation.

Legal implications

13. There are no legal implications associated with the recommendation.

Risk management

14. There are no risks arising directly from the report. By reviewing the corporate risk register greater assurance is given that the council is managing its risks appropriately.

Consultees

15. None.

Appendices

Appendix A Corporate risk register

Background papers

None identified.

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.001	<p>Emergency events IF: Significant events happen (e.g. severe weather, major flooding, terrorism and/or influenza pandemic risks) THEN: there could be a significant cost implication to the Council and it may be necessitate staff redeployment to backfill and maintain critical services. Failing to respond effectively to major emergencies/incidents could result in a loss of public confidence through adverse publicity, loss of life to public or council employees, loss of service, economic damage or environmental impacts. Lack of trained staff (deployed or other) means we may not respond as quickly/effectively as we should.</p>	Apr 11	16	<p>Council and multi-agency plans reviewed as part of wider WM Local Resilience Forum objectives. Resilience Direct (cabinet officer system) to progress information sharing, planning and response mechanisms and data. Council Business Continuity Management System in place. Rest Centre training and provision for 200 people at Three Elms Unit. Gold and Silver officer training sessions and programme under development linked to LRF Task and Finish group. Programme to be completed by October 2017. Comms: BBLP are testing new emergency road closure software, which will update the website automatically within the road closure map. We expect this will now work to report of both planned and emergency road closures and team workflows have been implemented.</p>	12	◀▶	Equality, Resilience, Information and Records Manager.

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.002	<p>Health & Safety IF: Herefordshire Council doesn't comply with Health and Safety legislation THEN there is an increased risk of: employees injured through work activity; council prosecuted by HSE for breeches of legislation; increased insurance claims and insurance premiums; member of public, contractor or employee killed at work, possible corporate manslaughter, loss of reputation and financial costs to the council; sickness rates increase because of lack of compliance with good health, safety and wellbeing practice; increased employer/employee litigation through inconsistent approach to managing health and safety in the workplace; unable to defend H&S claims or disputes; and, fire damage and financial and reputational costs to the council through fire at a council owned building.</p>	May 11	16	<p>Strategy – Strategy/project plan in place to achieve full compliance with H&S legislation, prioritised by high risk activities; H&S policy current and reviewed each year. Cultural – Sharepoint H&S tool box available via front page of intranet; H&S and Fire Safety part of existing mandatory training; some improvement has been made in last period with wider engagement from employees with H&S systems (when things have gone wrong); employees consulted about H&S issues through 'house' meetings. Systems – Accident reporting/investigation and work based ill health in place; mandatory training; first aid/fire warden training in place; some systems updated (focused on high risk areas); employers liability insurance; Directorate H&S reps kept up to date with current risks and good practice control measures; Spot audits of schools new target complete 10 schools completed. New Property Services buildings statutory compliance system in place by end Oct 2017;difficult to set a timescale for schools statutory compliance as no resource has been allocated to this; statutory compliance with corporate buildings and some contracts still an issue.</p>	12	◀▶	Health and Safety Advisor
CR.003	<p>Medium Term Financial Strategy IF: we do not have a sustainable Medium Term Financial Plan THEN: we will not achieve a balanced budget, risk serious service failure</p>	Aug 12	20	<p>· MTFS to 19/20 approved by Council in Feb. All savings RAG rated and reviewed. Majority green for 17/18 * MTFS linked to Corporate Priorities * MTFS to 19/20 published, update going to Cabinet in January</p>	6	▲	Chief Finance Officer

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.007	Litigation IF: Litigation claims against Herefordshire Council are successful THEN: this may expose the Council to significant unbudgeted costs and reputational damage	Jun 13	20	Effective legal case management is in place to increase the council's likelihood of defending claims. Additionally, the s151 officer is made aware of pending financial claims against the council at the earliest opportunity. Current litigation and mediation in response to legal claims is ongoing and managed through Project Boards. Oct 17: Expert determination of the matter of job evaluation is underway. Amey have settled costs in regard to the matter of VOP. Jan 17: Adjudication to determine matter of surface dressing (quality of works) is underway.	8	◀▶	Director, ECC Assistant Director, Communities
CR.008	Information governance IF: Staff do not treat the information they access appropriately THEN: this may lead to the risk of referral to the Information Commissioner and/or legal challenge with resultant unbudgeted costs and reputational damage for the Council.	Feb 14	16	A series of mandatory online training modules have been introduced (including Data Protection, Environmental Information Regulations, Freedom of Information, Information Security). All employees must also complete a staff confidentiality agreement in order to acknowledge that they agree to abide by the council's information governance policies. The new mandatory training modules have been produced and will be ready for staff to complete from 1st February 2018. 89 audits have been completed in preparation for the GDP Regulations coming into force in May 2018. Work is on track to populate the action plan.	4	◀▶	Assistant Director, Communities
CR.011	ICT Platforms IF: The technology ICT systems/platforms are not appropriate or used to their full effect THEN: We fail to transform our services and cost the organisation more money	Apr 14	16	Programme Boards for major systems improvements, FWI, Adult Care. Measures are in place to ensure that access to systems/technology is in place and will be progressed through a number of initiatives.	6	◀▶	Chief Finance Officer

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.015	<p>Deprivation of Liberty The authority does not meet the statutory requirements for Deprivation of Liberty and individuals are unlawfully deprived of their liberty An increasing number of cases already subject to DoLS are being taken to the Court of protection, increasing the risk of Costs and Financial penalties for the Local Authority</p>	Oct-14	20	Additional investment into DOL's has been made, and weekly performance management of waiting list is in place. Regular reporting and review up to Director Level and to Safeguarding Adults Executive Group. Working with external Best Interest Assessors. DoLS team are checking all referrals for DoLS against list of open safeguarding referrals to ensure these cases are prioritised in terms of implementing DoLS. Other triage criteria are also followed to identify cases where there is a high risk to the individual and a high risk to the Council of litigation. Two full time BIA posts have been created and filled on a one year secondment basis. Further awareness training with staff and providers, additional legal support and constant review and prioritisation of cases waiting for assessment. Programme to train staff as BIAs in place. Independent BIA engagement plan ongoing two additional full time seconded posts created and filled. Multi agency MCA and DoLS policies completed.	12	◀▶	Assistant Director of Operations AWB
CR.017	<p>Demographic Pressures Continued demographic pressures require significant savings to be made or reductions in levels of dependency to manage rising levels of demand across council services. Increasing demand for SC services is creating pressure on the social care workforce.</p>	Oct-14	25	Operational performance data reviewed on a monthly basis with operational managers. As part of new pathway modelly, system expectations have been identified. Pathway work now being implemented with a view to more effectively managing potential service users at the front end so as to minimise the long term requirement for care	16	◀▶	Director Adults & Wellbeing

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.020	Economic Resilience IF: The Herefordshire economic position does not improve THEN the county will continue to underperform economically and suffer from low wage levels, low educational attainment, low number of skilled jobs, and a general low market attractiveness.	Jun 15	16	Implementation of the Economic Development Strategy. Economic Masterplan developed. Delivery of the Fastershire project. Delivering and promoting the Local Development Framework. Implementing the delivery of the Enterprise Zone. Securing external funding. Delivery of European Union funded business support schemes; the creation of the Hereford University; construction of Hereford Western Relief Road; construction of the Shell Store Incubation Centre. Support delivery of the Economic Masterplan via Invest Herefordshire Partnership Board.	12	◀▶	Assistant Director, Growth
CR.021	Welfare Reform Impact of further welfare reform is currently not able to be quantified in terms of financial impact on Herefordshire residents with subsequent reduction in payment of council tax, other financial liabilities to the council and increasing pressure for local support to be met by the council	Jun-15	20	Welfare Rights service in place, IAS service will support individuals into community capacity that gives specialist advice on welfare issues	12	◀▶	Director Adults & Wellbeing
CR.022	Integration The scale and pace of integration work required internally to the council and across health and social care proves to be undeliverable and a new model for integrated and financially viable health and social care pathways does not emerge	Jun-15	25	Transformation Board and Joint Commissioning Board in place underpinned by refreshed Health and Well Being strategy. Final BCF plans/agreements being drawn up. Regular monitoring internally and via the Joint Commissioning Board.	16	◀▶	Director Adults & Wellbeing
CR.023	Council Redesign/Resources Reducing resources in the form of grant, uncertainty and the requirement to deliver transformation at speed combine to increase risk of failure to meet statutory and/or legal duties and powers	Jun-15	25	Transformation programme within each director, corporate plan, refreshed governance and constitution, quarterly performance management reporting and director performance management through appraisal system	12	◀▶	Chief Executive

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.024	System resilience and urgent care The role and responsibility of adult social care alongside system and process is not clearly set out in relation to system resilience and urgent care	Oct-15	16	Transformation Board and Joint Commisisoning Board in place underpinned by refreshed Health and Well Being strategy. Social care pathway for prevention of hospital admission and discharge is aligned with WVT. Joint post funded through SRG to manage interface is in place, number of schemes funded through BCF to support urgent care - however this post has now ceased. On call arrangements in place and AMPH/EDT rota is in place. Senior Management attend operational and strategic SRG. IUCS in place. Recently appointed a complex care pathway lead, to lead on EDT OOH provision.	16	◀▶	Assistant Director of Operations
CR.028	Accommodation Strategy IF: the Programme is not managed to time and budget THEN: there will be significant risks to service delivery and savings plans	Mar 16	12	Accommodation Board. Board and new process of using board to best effect require development. Jan 18: Next phase of the Accommodation strategy is behind schedule.	4	◀▶	Head of Corporate Asset Management
CR.036	Good decision-making IF: officers and members do not uphold the principles of good decision-making THEN: the Council may make poor decisions which either result in lost opportunities or increased costs	Apr-17	12	Decision reports are subject to a quality assurance process which includes review by risk, legal, finance, governance and the lead director. A programme of training and development has been developed to support implementation of the new constitution. This will include report writing and decision making as appropriate. Internal Audit report commissioned to review quality of information in reports (draft report due end of January 2018).	2	◀▶	Solicitor to the Council
CR.037	Cyber attack IF we do not protect against a potential cyber attack THEN we could be at risk of losing data in breach of principle 7 of the Data Protection Act which would lead to potential fines from the Information Commissioner Office and reputational damage	Apr-17	15	Information Security' eLearning training (upon user induction) 'Information Security Refresher' eLearning training (conducted annually) Spooof phishing campaign conducted to raise user awareness. Hoople T&T apply technical measures to detect users clicking on malicious links and/or attachments	12	◀▶	Assistant Director, Communities

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
CR.038	<p>Failure of council employees to adhere to standing orders and policy</p> <p>IF: officers fail to adhere to standing orders (e.g. contract and finance procedure rules) and policies</p> <p>THEN: the number of internal disciplinary and/or exposure to legal challenge will increase, along with the likelihood of financial and reputational risk, resulting in claims being made and won against the Council with costs and reputational harm incurred.</p>	Sep-17	16	<p>Contract and finance procedure rules have been rewritten and published in May 2017. Toolkits, guidance and training have been implemented. Schemes of delegation have been written as part of the new constitution. Governance training has been provided.</p> <p>Internal Control Improvement Board to oversee development and implementation of an improvement plan to ensure effective internal controls in respect of capital spend, project management and contract management are in place and complied with across the council.</p>	12	◀▶	Head of Law and Governance
CR.039	<p>Safeguarding work to support the service during police investigation.</p> <p>IF/AS: There is a lack of capacity in management</p> <p>THEN: There may be disruptions in casework, unsettled staff and service users.</p>	Oct-17	16	Interim senior management in place to provide additional capacity. Staff communicated with and support in place.	8	◀▶	CEX; director for children's wellbeing
NEW CR.040	<p>Good internal controls protect against fraud and error</p> <p>IF: good internal controls are not in place or followed</p> <p>THEN: funds could be spent inappropriately.</p>	Nov-17	16	<p>Financial procedure rules; contract procedure rules; aggression workflow; governance processes.</p> <p>Internal Control Improvement Board set up to review and suggest improvement to internal controls; member working group set up to oversee work of the Board.</p> <p>The outputs of the Board will feed into the review of the Annual Governance Statement.</p>	8	NEW	Head of corporate finance

Risk Reference	Risk Description	Opened	Risk score before controls	Existing Controls in Place	Risk score after controls	Change since last reported	Risk Owner (Name & Title)
The following risks have been removed or reduced to directorate/service risks							
CR.016	Safeguarding Individuals at risk of abuse are not protected	Oct-14	16	A Safeguarding Improvement Programme has implemented a new process to embed the principles of Making Safeguarding Personal. This has included changes to the current processes, an improved performance framework and a new audit tool. Progress will continue to be monitored going forward and be fed into DLT, AD Operations and monthly report to DASS and HSAB. Peer challenge including independent auditing has taken place, recommended system and practice actions are included in the MSP review. Processes for identifying learning from AWB case audits and audits undertaken through HSAB PAQA as well as SAR are now in place and monitored through single agency board (DLT) and HSAB.	12	◀▶	Assistant Director of Operations AWB



Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Constitution review working group update
Report by:	Solicitor to the council

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To update the committee on the progress of the constitution review working group. To provide assurance on the progress being made is sufficient to meet the timescales and objectives set.

Recommendation(s)

That:

- (a) **the committee review progress to date of the working group and recommend any further actions which may be needed**

Alternative options

1. There are no alternative options as the report provides a summary of the working group

Key considerations

1. The working group was established by this committee on 29 November 2017 to “To oversee a review of the constitution, ensure that opportunities for members to engage in the review process are appropriate and communicated effectively, and recommend any changes to the committee ensuring that any such recommendations align to the design

principles. The intention is to conduct a review to ensure the constitution remains fit for purpose and is operating as intended to meet the agreed design principles.”

2. Volunteers for the group were sought and Councillors Anderson, Bowen, James, Jinman, A Johnson, Norman, Seldon (replaced by Powers), Swinglehurst and Wilcox form the group with Councillors Chappell, Harvey and Newman from this committee.
3. Consultation with members using survey monkey took place between 5 December 2017 to 14 January 2018. Consultation with officers took place via email between the 4 January to 24 January 2018.
4. The working group have met on three occasions - 18 December 2017, 12 February 2018 and 12 March 2018.
5. The work to date has included a review of the whistleblowing policy and ongoing consideration of the issues raised via the consultation process. A further three meetings are scheduled to ensure that as much as possible all matters are considered and recommendations made for the 8 May committee meeting. This will enable recommendations of changes to the constitution to be made to full Council on 25 May 2018 in accordance with the design principles previously established.

Community impact

6. The recommendation supports the achievement of the council’s corporate plan priority of securing better services, quality of life and value for money. The constitution is a key part of the council’s governance arrangements and sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The format of the content of any amendments to the constitution should help make these arrangements clearer to understand and how the public can effectively engage with them.

Equality duty

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

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

Resource implications

9. There are no resource implications directly arising from this report as it is for information purposes only.

Legal implications

10. There are no legal implication directly arising from this report as it is for information purposes only.

Risk management

11. There are no risks directly arising from this report which is for information purposes only

Consultees

12. None

Appendices

None

Background papers

None



Meeting:	Audit and governance committee
Meeting date:	21 March 2018
Title of report:	Future work programme for 2018/19
Report by:	Democratic services officer

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To provide an update on the Committee's work programme for 2018/19.

Recommendation(s)

THAT:

Subject to any updates made by the committee, the work programme for 2018/19 for the audit and governance committee be agreed.

Alternative options

- 1 There are no alternative options as regards whether or not to have a work programme as the committee will require such a programme in order to set out its objectives for the coming year.

Reasons for recommendations

- 2 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.
- 3 The committee is asked to consider any further adjustments.

Further information on the subject of this report is available from
Caroline Marshall, democratic services officer on Tel (01432) 260249

Key Considerations

- 4 The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.

Community impact

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

Equality duty

- 6 This report does not impact on this area.

Financial implications

- 7 There are no financial implications.

Legal implications

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

Risk management

- 9 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

- 10 The chief finance officer and monitoring officer have contributed to the work programme

Appendices

Appendix A – audit and governance work programme 2018/19

Background papers

- None identified.

**Audit and Governance Work Programme
2018/19**

Function area	Report	Purpose
May 2018		
Governance (annual) Internal audit	Annual governance statement Progress report on 2017/18 internal audit plan	To consider the draft annual governance statement. 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.
Governance (quarterly)	Corporate risk register	To consider the quarterly status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework (Q3)
External audit	External audit progress update	Update on progress to date in order to comment on the scope and depth of external audit work and ensure that it gives value for money and includes interim audit findings.
Governance	Capital project management and control internal audit progress update	To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.
Governance (annual)	Annual review of the constitution	To approve recommendations to be made to full Council in connection with changes to the constitution
Governance (as and when there are working groups)	Working group update	To consider updates from working groups.
Governance (every meeting)	Work programme	To note the current work programme of the committee
July 2018		
Governance (quarterly)	Corporate risk register	To consider the status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework (Q4/end of year)
Accounts (Annual)	Statement of account	To approve the statement of account and includes the signing of the letter of representation

**Audit and Governance Work Programme
2018/19**

Function area	Report	Purpose
External audit	External auditor report	Presentation of the Audit Findings Report for consideration by the Committee before approval of the statutory accounts. The report will contain the external audit draft opinion on the accounts, draft value for money conclusion and a summary of the key findings for the 2016/17 financial year.
Waste contract (Annual)	Energy from waste (EFW) Loan Update	To provide assurance to the audit and governance committee on the status of the energy from waste (EFW) loan arrangement.
Internal audit (Annual)	SWAP annual report	To consider SWAP's annual report and opinion, and a summary of the internal audit activity and the level of assurance it can give over the council's corporate governance arrangements
Internal audit (bi-annual)	Internal tracking of audit recommendations	To monitor implementation of action plans agreed in response to recommendations made by internal audit
Governance	Capital project management and control internal audit progress update	To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.
Governance (every meeting)	Work programme	To note the current work programme of the committee
September 2018		
Governance (Quarterly)	Corporate risk register	To consider the quarterly status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework (Q1)
Governance (Annual)	Arrangements for conducting the annual review of the Constitution	To agree the arrangements for conducting the annual review of the constitution
Internal audit	Progress report on 2017/18 internal audit plan	To update members on the progress of internal audit work and to bring to their attention any

**Audit and Governance Work Programme
2018/19**

Function area	Report	Purpose
Governance (as and when there are working groups)	Working group update	key internal control issues arising from work recently completed. To provide an update and the work of the two working groups.
External audit (annual)	Annual audit letter	To review the annual audit letter
Governance (Annual)	Code of Conduct complaints Annual Report	To receive the code of conduct complaints annual report
Governance	Capital project management and control internal audit progress update	To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.
Governance (every meeting)	Work programme	To note the current work programme of the committee
November 2018		
Internal audit	Progress report on 2017/18 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.
Governance (annual)	Information governance review	To review the council's information governance requirements to include all complaints (inc. children's social care), information requests, breaches of Data Protection Act, corporate governance and Regulation of Investigatory Act.
Governance (as and when there are working groups)	Working group update	To provide an update
Governance (every meeting)	Work programme	To note the current work programme of the committee
January 2019		
Governance (Annual)	Annual governance statement progress	<ul style="list-style-type: none"> • Review of the effectiveness of the council's governance process and system of internal control. • Update on the progress of the annual governance statement
Governance (Annual)	Constitution Review	Conduct an overview of the council's constitution and

**Audit and Governance Work Programme
2018/19**

Function area	Report	Purpose
External audit	Annual Certification Letter	recommendation to council of any changes Report on the grant claims completed in 2017/18 plus an update on fees.
External audit (Annual)	External auditors annual plan	Review and agree the external auditors annual plan, including the annual audit fee and annual letter.
Governance (Annual)	Contract procedure rules, finance procedure rules and the anti-fraud and corruption strategy	Review of procedure rules/strategy and approve any amendments to the rules.
Internal audit (Bi-annual)	Internal tracking of audit recommendations	Monitor implementation of action plans agreed in response to recommendations made by internal audit
Governance (as and when there are working groups)	Working group update	To provide an update.
Governance (Quarterly)	Corporate risk register	To consider the quarterly status of the council's corporate risk register in order to monitor the effectiveness of the performance, risk and opportunity management framework (Q2).
Governance	Capital project management and control internal audit progress update	To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.
Governance (every meeting)	Work programme	To note the current work programme of the committee
March 2019		
External audit	External audit progress update	Update on progress to date in order to comment on the scope and depth of external audit work and ensure that it gives value for money and includes interim audit findings and the informing the risk assessment document.
Internal audit (Annual)	Internal audit plan for 2019/20	To consider the internal audit plan for 2019/20.
Internal audit	Progress report on 2018/19 internal audit plan	To update members on the progress of internal audit work

**Audit and Governance Work Programme
2018/19**

Function area	Report	Purpose
<p>Internal audit (annual)</p> <p>Governance (as and when there are working groups)</p> <p>Governance</p>	<p>Internal audit charter</p> <p>Working Group Update</p> <p>Capital project management and control internal audit progress update</p>	<p>and to bring to their attention any key internal control issues arising from work recently completed.</p> <p>To approve the internal audit charter</p> <p>To note progress of the working group</p> <p>To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.</p>
<p>Governance (Annual)</p>	<p>Future work programme for 2019/20</p>	<p>To note the work programme for 2019/20.</p>

