

Agenda

Audit and governance committee

Date: **Tuesday 28 January 2020**

Time: **10.30 am**

Place: **Council Chamber, Shire Hall, St. Peter's Square,
Hereford, HR1 2HX**

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

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If you would like help to understand this document, or would like it in another format, please call Caroline Marshall, democratic services officer 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

Chairperson **Councillor Nigel Shaw**
Vice-Chairperson **Councillor Christy Bolderson**

Councillor Dave Boulter
Councillor Peter Jinman
Councillor Bob Matthews
Councillor Diana Toynbee
Councillor Yolande Watson

Agenda

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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 declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.	
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6.	QUESTIONS FROM COUNCILLORS To receive any questions from councillors. Deadline for receipt of questions is 5.00 pm on 22 January 2020 (3 clear working days from date of meeting). Accepted questions and answers will be published as a supplement prior to the meeting.	
7.	EXTERNAL AUDIT PROGRESS REPORT To review the external auditors progress report and sector update. External audit have issued an unqualified certificate on the council's annual housing benefit subsidy claim of £41m. External audit have also certified the council's annual teachers' pensions return in accordance with procedures agreed with teachers' pensions.	17 - 36
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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

Please note that the council will be making an official audio recording of this public meeting. These recordings form part of the public record of the meeting and are made available for members of the public via the council's website.

To ensure that recording quality is maintained, could members and any attending members of the public speak as clearly as possible and keep background noise to a minimum while recording is in operation.

Please also note that other attendees are permitted to film, photograph and record our public meetings provided that it does not disrupt the business of the meeting.

If you do not wish to be filmed or photographed, please identify yourself so that anyone who intends to record the meeting can be made aware.

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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 Nigel Shaw (Chairman)	Conservative
Councillor Christy Bolderson (Vice Chairman)	Conservative
Councillor Dave Boulter	It's Our County
Councillor Peter Jinman	Herefordshire Independents
Councillor Bob Matthews	True Independents
Councillor Diana Toynbee	Green
Councillor Yolande Watson	Herefordshire Independents

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 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 Tuesday 19 November 2019 at 10.00 am

Present: Councillor Nigel Shaw (chairperson)
Councillor Christy Bolderson (vice-chairperson)

Councillors: Dave Boulter, Peter Jinman, Bob Matthews, Diana Toynbee and Yolande Watson

Officers: Chief Executive, Chief Finance Officer, Solicitor to the Council/Monitoring Officer, Head of Corporate Performance and Information Access and Records Manager

395. APOLOGIES FOR ABSENCE

There were no apologies for absence.

396. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

397. DECLARATIONS OF INTEREST

There were no declarations of interest.

398. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

399. QUESTIONS FROM COUNCILLORS

There were no questions from councillors.

400. MINUTES

Following a query from a member of the committee, the solicitor to the council confirmed that Matters Arising were not an agenda item on public meetings of the council as under the access to information rules, members of the public needed to know what items were due to be discussed by the committee.

RESOLVED:

That the minutes of the meeting held on 24 September 2019 be confirmed as a correct record and signed by the chairperson.

401. ANNUAL EXTERNAL AUDIT LETTER

Grant Thornton presented the report and explained that this was a summary of the audit completed over the previous year. There was no new information for consideration as it had previously been discussed in committee meetings.

In response to a query from a member of the committee, the chief finance officer agreed to confirm the current value of the land and assets owned by the council. It was noted that assets would be valued on different valuations.

Grant Thornton confirmed that they do take into account the aggregate effect of items and if the aggregated value does become material, this is reported to the committee. A list of uncorrected items is also reported to the committee.

Grant Thornton and the chief finance officer confirmed that they had liaised over the Hoople pension liability being shown in the council's statement of accounts. It was noted that there were other councils who had done a similar exercise so that there was a pathway to follow.

Grant Thornton offered to provide training to the committee on the Redmond Review which the committee agreed would be helpful.

RESOLVED

That the report be noted.

402. REVIEW OF GOVERNANCE MODELS

The solicitor to the council presented the report and highlighted:

- This follows a motion from council held on 12 October 2019.
- The design principles were agreed by council
- The CfPS guidance sets out the number of steps to take.
- There will be a recommendation to Council in October 2020 and following that recommendations for any changes to the Constitution would be drafted in readiness for the May 2021 Council.

During the discussion of the item, the following was highlighted:

- A progress report to the audit and governance committee meeting in March 2020 would be helpful.
- The review of the effectiveness of partnerships would be useful.
- The experiences of other councils in changing governance models would be considered by the working group.
- The solicitor to the council (monitoring officer) had delegated authority to make legal, grammatical and technical changes to the Constitution. A log of these changes was now available on the website.

There was one urgent item in the current Constitution which needed review. This was how public and member questions were dealt with at scrutiny committees. The solicitor to the council had consulted with the scrutiny chairs and their preferred option for dealing with questions was option 2 in paragraph 12 of the report. The committee confirmed that they would like to receive a report on the proposed amendments to the scrutiny questions for the January 2020 committee meeting. Any changes would then be recommended to Council for adoption at the February or March 2020 meeting.

It was confirmed that the planning rules and guidance was one area that also needed to be reviewed but this would be covered as part of any recommendations to Council in October 2020.

RESOLVED

That

- (a) the timetable and arrangements for the review of the council's models of governance, as set out at appendix 2, are approved;**
- (b) the scope of the review incorporates the effectiveness of our partnerships governance arrangements in meeting the guiding principles and the impacts of any recommendations on partners;**
- (c) the planned biennial review of the constitution is not progressed pending the outcome of the review of models of governance; and**
- (d) the committee receive a report in January 2020 setting out the proposed amendments to the process for public and member questions at scrutiny set out in paragraph 12, option 2, of the report and, as necessary, recommends that changes to Council; and**
- (e) the committee receive a progress report from the review of governance models working group in March 2020.**

403. NMITE PROGRESS REPORT

The chief finance officer presented the report.

It was noted that the Department of Education (DfE) would be deciding milestones before March 2020. Before any funding was released to NMiTE, the DfE needed to confirm that the funding could be released.

The chief finance officer reported that the DfE appeared to have a timetable in place for deciding further funding for NMiTE and that this may be in place for January 2020. It was noted that the forthcoming General Election may impact on the DfE timetable.

In response to queries from the committee, the following points were noted:

- The council's monitoring costs were taken from the grant funding.
- If the DfE required the grant funding to be repaid, the council's costs would have to be paid back.
- The arrangements for the payment of the grant had been approved by the Treasury. As part of the planning for the project, the possible scenario that the project may fail had been accepted by the Government. As the failure scenario had been built into the project, the Government may not seek to recover the funding.
- NMiTE also have other income streams and were not entirely reliant on the DfE funding. This could mean that the council's monitoring costs may not need to be paid back to the DfE.
- There had been considerable officer time at the commencement of the project but there was now little or no council resources being used in the day to day running of NMiTE.
- The chief finance officer was an observer at the finance committee.
- The Leader of Council was currently an observer at the NMiTE main board. This was not an outside body appointment but was part of the partnership

arrangements. The Leader was not representing the accountable body at the board.

- As part of the Leader's report to full Council, there would be commentary on NMiTE.
- General Scrutiny Committee had the function for looking at NMiTE outside of the accountable body function. It was understood that NMiTE was in the process of being added to the work programme for General Scrutiny Committee.
- The solicitor of the council agreed to provide links to the partnership register and the outside bodies.
- The Marches Local Enterprise Partnership (LEP) had agreed to grant NMiTE additional grant funding.

RESOLVED

That the committee receive a further report on NMiTE at its meeting to be held in January

404. ANNUAL REVIEW OF THE COUNCIL'S INFORMATION ACCESS AND INFORMATION GOVERNANCE REQUIREMENTS

The information access and records manager presented the report and highlighted the following:

- The report should show that there were processes in place to deal with complaints and requests for information.
- Herefordshire compares well with other council in respect of meeting deadlines and uphold rates.
- When things go wrong, the council is mindful of the impact on individuals and communities.
- There is learning from complaints in order to improve services in the future.

During the discussion of the item, the following points were noted:

- The number of complaints was down.
- There was an analysis of how well the complaints were dealt with. Complaints were quality assured as the issues raised were about things that mattered to people and the council recognises the importance of providing a full investigation and response.
- Complaints are initially investigated by the department as that is where the knowledge would sit. If people were not satisfied, then they could complain to the Social Care and Local Government Ombudsman (LGSCO). With children's social care complaints, there were two other stages which were independent.
- The chief executive was satisfied that there were processes in place and confirmed that management board did look at the learning from complaints.
- There was annual mandatory staff training in information governance.
- The children's social care complaints were primarily due to service failure. It was confirmed that there was follow up with the complaints as it was a significant work place risk. It was noted that there were challenges in children's social care which meant that there were more agency staff in post. Whilst these agency staff were important to the council, they did have different experiences and occasionally issues were only identified after they had left. This highlighted the need to have a fully staffed children's social care team. A risk had been recently added to the corporate risk register in relation to staffing in children's social care.
- If the team saw that there were still complaints in one area after training or process changes, this was escalated to senior managers.

- Where there was LGSCO involvement in a complaint, the LGSCO will check and require evidence to see if matters had improved or been remedied.
- Recommendations or lessons learned were logged and the information access team did check with the services to see what had changed.
- Freedom of information requests were time consuming though a necessary component for council transparency. The main obstacles to publishing more information on the website was work capacity as it was not just making the information available. For example, the information needed to be indexed, checked for accuracy and to ensure that no personal data was inadvertently published.
- Under the General Data Protection Regulations, individuals had the right to ask by a subject access request (SAR) to see information held about them. These requests could be time consuming if an individual had a lot of contact with the council. This emphasised the need to have information easily accessible within the council so time is not wasted gathering information in response to requests.

The committee thanked the information access and records manager for the report.

RESOLVED

That the report be noted.

405. CORPORATE RISK REGISTER

The head of corporate performance presented the report.

As part of the discussion on item, the following was highlighted:

- It was the six monthly update.
- The performance, risk, opportunities and management (PROM) framework set out where the responsibilities for risk lay. The PROM also provided guidance on how to rate and score risk.
- Management Board were responsible for the corporate risk register
- The register was reviewed by Cabinet on a quarterly basis.
- The PROM was currently being reviewed and was due to be presented to the February 2020 Cabinet for approval.
- Cabinet were due to discuss the corporate risk register at its meeting to be held on 27 November 2019.
- When risks were removed from the corporate risk register, it was a reflection of the changes which had occurred either with the inherent risk or actions taken to mitigate the risk. If appropriate, the risk will continue to remain in the directorate risk register.
- Concern was raised at the number of looked after children (LAC) and the reasons for this. The chief executive explained that work was being undertaken in this regard and that when Ofsted had last inspected children's services, no child was found to be at risk of significant harm.
- That the registers were at 30 September 2019.

Following a query from a member of the committee, it was confirmed that there was guidance within the PROM on the escalation or de-escalation of risks between the risk registers. The registers were agenda items at directorate leadership team (DLT) meetings and the emerging and existing risks were discussed. The corporate risk register was then discussed and reviewed at management board meetings. There was a clear transition between the directorate and corporate risk registers. It was noted that for the committee to see both registers was a lot information.

A member of the committee requested that consideration be given to more visual representation of the risk registers.

It was suggested that it would be beneficial if the committee received training on the corporate risk register and the PROM framework. It was agreed that this training take place in January / February 2020.

It was noted that at full Council there had been a number of discussions, e.g. climate emergency and the impact of phosphorus levels on planning applications and the 5-year land supply which were not reflected in the risk register. It was further noted that the decision to pause and review the South Wye transport package and Hereford transport package which had recently been made was also not on the corporate risk register.

A member of the committee queried how risks were identified and the scoring because using the community hospital risk as an example, the minor injuries units in Leominster and Ross on Wye had been closed. These closures had public health and community implications and the decision had been made by the Clinical Commissioning Group (CCG) and there appeared to have been no consultation. It was confirmed that risks were identified by directorates and were not just financial risks and, for example, environmental, public health and health and safety were also considered and there were different criteria for assessing those risks. The chief executive explained that the views of the council presented to health organisations in different meetings and that this may be an area which would be of interest to the health and wellbeing board. It was noted that as a partnership board, the board did not input into the corporate risk register.

It was noted that the risks were assessed by officers who had the most knowledge about an area but who were not necessarily aware of the concerns of the wider public.

In response to a query from a member of the committee, Grant Thornton confirmed that they do look at going concern risks as part of the value for money opinion and do speak the chief finance officer about financial risks and challenges. As part of this, they would look at the risk associated with grant funding, any clawback clauses, the council's general and earmarked reserves, etc.

It was suggested that a discussion between the chairperson of audit and governance and the three scrutiny chairpersons takes place about the risks on the corporate risk registers.

The head of corporate performance agreed to provide a written response on whether any council staff were members of the Association of Local Authority Risk Managers.

RESOLVED

That

- (a) The report be noted; and**
- (b) Training on the corporate risk register and performance, risk, opportunity management framework be provided in January / February 2020.**

406. TRACKING OF AUDIT RECOMMENDATIONS

The head of corporate performance presented the report.

As part of the discussion on the item, the following was highlighted.

- There were 16 recommendations outstanding in January. All of which have subsequently been completed.
- 90% (124) recommendations due between October 2018 to September 2019 had been marked as complete.
- There were target dates for the completion of recommendations in the past (e.g. 31 March 2019). This was a typographical error and the correct date should be 31 March 2020.
- It would be useful for the committee to understand the totality of the recommendations outstanding and a traffic light system of understanding whether the recommendations will be completed on time. This would give the committee an opportunity to look at the red items before the target date had passed and would assist the committee in being more pro-active rather than reactive.

RESOLVED

That

- (a) the committee receive details of the recommendations made by internal and external auditors.**
- (b) That a report on tracking of internal and external audit recommendations be presented to the committee at the March 2020 meeting.**

407. UPDATES TO ANTI-FRAUD, BRIBERY, CORRUPTION AND ANTI-MONEY LAUNDERING POLICIES

The chief finance officer presented the report.

It was noted that the national fraud initiative consisted of the council working with a number of other agencies which included West Mercia Police, Department of Work and Pensions, HMRC as there could be overlaps with those agencies. This was the most effective approach rather than each agency taking individual action.

As part of the national fraud initiative, there was daily activity and data sets of fraudulent activity was shared among the agencies. The chief finance officer gave an example of an attempt to defraud the council by trying to change bank account details. Internal audit were notified and the details were then shared.

As part of the counter-fraud work, data analysis was undertaken which can track where fraud may take place. It was noted that there would additional resource from SWAP in connection with the counter-fraud work.

A member of the committee commented that the council's policy was fairly theoretical and high level when compared to the neighbouring authorities. It was confirmed that currently there was only reporting to management board.

The committee agreed that in future there would be an annual report presented which gave an overview of the strategy. The report should outline the key risks within the council and how these were addressed or managed.

RESOLVED

That

- (a) the updated anti-fraud, bribery and corruption policy at appendix 1)**
- (a) be approved; and**

(b) that an annual report on the anti-fraud, bribery and corruption policy be included on the work programme for the committee.

408. PROPOSED DATES FOR 2020/21

RESOLVED

- (a) That the meeting dates and times for 2020/21 be approved; and**
- (b) That the committee meetings to be held on 28 January 2020, 17 March and 5 May commence at 10.30 am**

409. WORK PROGRAMME UPDATE

The work programme was approved subject to the following reports being added:

- NMiTE report – January 2020.
- Proposals for the changes to Scrutiny questions – January 2020
- Update from review of governance models working groups – March 2020

RESOLVED

That subject to the amendment noted, the updated work programme be agreed.

The meeting ended at 12:46 pm

Chairperson



Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	External audit progress report
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To review the external auditors progress report and sector update. External audit have issued an unqualified certificate on the council's annual housing benefit subsidy claim of £41m. External audit have also certified the council's annual teachers' pensions return in accordance with procedures agreed with teachers' pensions.

Recommendation(s)

That:

- (a) the external audit progress report and sector update attached at appendix 1 be reviewed and the committee consider any recommendations it wishes to make to the external auditor in relation to the report.**

Alternative options

1. There are no alternative options, the external audit progress report is required under the audit code of practice and forms part of the annual audit plan.

Key considerations

2. The external audit progress report attached at appendix 1 provides an update on progress in delivering external audit responsibilities and a summary of emerging national issues and developments. External audit deliverables are progressing in line with plans.
3. External audit have certified the council's annual housing benefit subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November 2019. No errors were noted in 2017/18 and therefore no cumulative audit knowledge and experience testing was required in 2018/19. No errors were noted in our testing for the year ended 31 March 2019 therefore an unqualified certificate on the housing benefit subsidy claim of £41m has been issued.
4. External audit also certified the council's annual teachers' pensions return in accordance with procedures agreed with teachers' pensions. The certification work for the 2018/19 claim was completed on 12 November 2019, in advance of the 30 November deadline.
5. The external audit sector update provides an up to date summary of emerging national issues and developments.
6. In July an independent review of local government audit was announced where the government is to examine local authority financial reporting and auditing. The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough. It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still fit for purpose. In addition the review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough. The outcome of this review is expected to be published in March 2020.
7. The National Audit Office – Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. The new code of audit practice from 2020/21 onwards has been adopted with the most significant changes being in relation to the value for money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the new code requires auditors to issue a commentary on local circumstances.

Community impact

8. 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

9. 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.
10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual progress report, we do not believe that it will have an impact on our equality duty.

Resource implications

11. During 2017, Public Sector Audit Appointments awarded contracts for audit for a five year period beginning on 1 April 2018. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council has set out its expectation of improved financial reporting from organisations and the need for auditors to undertake additional and more robust testing. External audit are currently reviewing the impact of these changes on both the cost and timing of audits.

Legal implications

12. External audit is a legal requirement; this report provides an update on the approach being taken in line with legislative requirements.
13. Under the Local Audit and Accountability Act 2014 section 20(2) auditors make the completion of an audit by entering on the statement of accounts a certificate that the audit has been completed in accordance with the Act.

Risk management

14. The work completed has not identified any significant risks.

Consultees

15. None

Appendices

Appendix 1 External audit progress report and sector update

Background papers

None identified

Audit Progress Report and Sector Update

Herefordshire Council
Year ending 31 March 2020

28 January 2020



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Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you 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)

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

www.grantthornton.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.

Progress at December 2019

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Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 31 July 2019. We completed our work on your Whole of Government Accounts (WGA) submission on 31 July. We have yet to issue our certificate on the audit.

We have commenced our planning for the 2019/20 audit in December 2019 and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 31 July 2020.

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 31 July 2020.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 9 for more details.

Progress at December 2019 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November 2019. No errors were noted in 2017/18 and therefore no Cumulative Audit Knowledge and Experience (CAKE) testing was required in 2018/19. No errors were noted in our testing for the year ended 31 March 2019. We therefore issued an unqualified certificate on the Housing Benefit Subsidy claim.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2018/19 claim was completed on 12 November 2019, in advance of the 30 November deadline.

Our work on the Education and Skills Funding Agency return is currently on-going.

Meetings

We met with Finance Officers in November as part of our quarterly liaison meetings and continue to communicate with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Audit and Governance Committee.	July 2019	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Setting out our indicative audit fee for 2019/20.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019/20 financial statements.	January 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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 local government sector 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 and Governance 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 by clicking on the logos below:

Public Sector

Local
government

MHCLG – Independent review of local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

∞ “There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) financial savings from local audit reforms have been realised
- 5) the numbers and capacity of audit providers are appropriate to current and future needs of the sector
- 6) auditors are properly responding to questions or objections by local taxpayers
- 7) council accounts report financial performance in a way that is transparent and open to local press scrutiny

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. ‘Relevant authorities’ are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

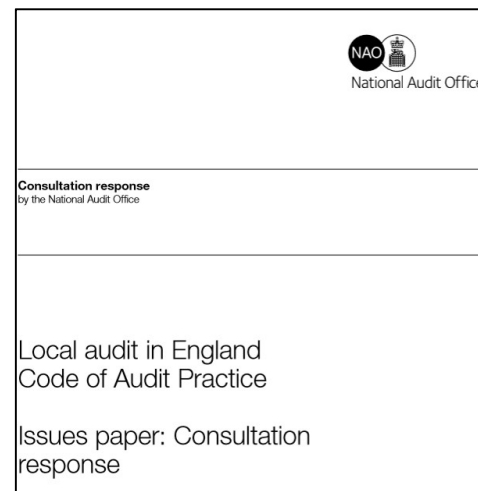
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies’ 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



Financial Reporting Council – Summary of key developments for 2019/20 annual reports

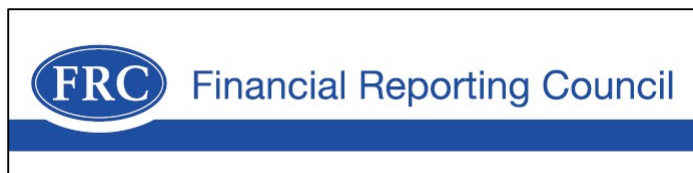
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit and Governance Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

Financial Reporting



Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.granthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



Public Accounts Committee – Local Government Governance and Accountability

The Public Accounts Committee has found that the Government has not done enough to ensure that, at a time when local authority budgets are under extreme pressure, governance systems are improved.

The Ministry of Housing, Communities & Local Government (the Department) is responsible for: ensuring that this framework contains the right checks and balances, and changing the system if necessary. The Secretary of State also has powers to intervene in cases of perceived governance failure. The framework includes: officers with statutory powers and responsibilities; internal checks and balances such as Audit and Governance Committees and internal audit; and external checks and balances such as external audit and sector-led improvement overseen by the Local Government Association. These arrangements represent a significant reduction in the level of central oversight in recent years following the government's decision to abolish the Audit Commission and the Standards Board for England as part of a broader reform of local audit, inspection and reporting.

The Public Accounts Committee report summary notes “Local authorities have a good overall track record with governance arrangements generally robust across the sector, and there is evidence that local authority governance compares favourably to that of the health sector. However, this is not universal and in some authorities governance is under strain, as funding reduces and responsibilities and exposure to commercial pressures change. We are worried to hear about Audit and Governance Committees that do not provide sufficient assurance, ineffective internal audit, weak arrangements for the management of risk in local authorities' commercial investments, and inadequate oversight and scrutiny. This is not acceptable in the more risky, complex and fast-moving environment in which local authorities now operate.

The Department has been reactive and ill-informed in its approach to oversight of the local governance system. However, the Department has now recognised that the network of bodies with responsibility for the local governance framework is fragmented and lacking the leadership needed to drive change. Encouragingly, the Department has now committed to enhancing its oversight role and producing a proactive work programme to deliver this change. We urge the Department to ensure that this activity leads to concrete actions and outcomes on a timely basis. When a local authority fails this has a significant impact on local people and the Department has a responsibility to work with local government to ensure that problems are caught early and that it can pinpoint at-risk councils. Since the abolition of the Audit Commission and other changes culminating in the Local Audit and Accountability Act 2014 there is no central assessment of value for the money, which means the Department's work is fundamental.”

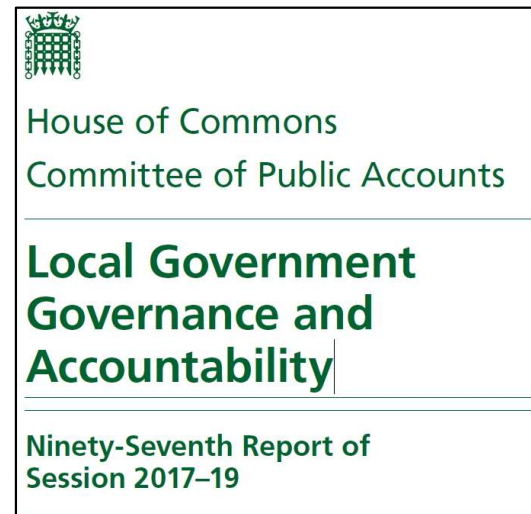
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The report makes five conclusions, with associated recommendations:

- 1) The Department is not yet providing effective leadership of the local governance system.
- 2) The Department does not know why some local authorities are raising concerns that external audit is not meeting their needs.
- 3) The Department lacks reliable information on key governance risks, or relies on weak sources of information, meaning it has no way of pinpointing the at-risk councils.
- 4) The Department's monitoring is not focused on long-term risks to council finances and therefore to services.
- 5) There is a complete lack of transparency over both the Department's informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The Government response is available on the website below:

<https://www.parliament.uk/documents/commons-committees/public-accounts/Gov-response-to-Public-Accounts-on-the-93-98-reports.pdf>





Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	2019/20 external audit plan
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To review and agree the external auditor's audit plan for 2019/20.

The external audit of Herefordshire Council's statement of accounts for 2019/20 is required to be completed before the 31 July 2020, achieving this regulatory deadline is reflected in the audit plan attached at Appendix 1.

Recommendation(s)

That:

- (a) subject to any recommendations the committee wish to make to the external auditor, the proposed external audit plan 2019/20 at appendix 1 be approved; and**
- (b) the committee determine any recommendations it wishes to make to maximise the value of the combined internal and external audit process.**

Alternative options

1. There are no alternative options to approving an external audit plan. The audit plan must meet statutory requirements, however it is open to the committee to identify any additional areas of risk they wish the external auditors to consider and to recommend additional actions to maximise the value of the combined internal and external audit process.

Key considerations

2. The constitution provides that the audit and governance committee will:
 - Review and agree the external auditor's annual plan and receive regular update reports on progress.
 - To comment on the scope and depth of external audit work and to ensure it gives value for money.
 - Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.
3. Attached as appendix 1 is the external audit plan for the audit of the 2019/20 statement of accounts. The 2019/20 external audit aims to complete by the statutory deadline of 31 July 2020. Interim audit visits will take place in February and March with a final visit in June and July.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements.
5. Significant risks identified, requiring special audit consideration and procedures to address the likelihood of a material financial statement error, remain the same as in prior years and are presumed risks for all Grant Thornton clients, being:-
 - The valuation of land and buildings
 - The valuation of the net pension fund liability
 - The management override of controls
6. External audit will respond to these significant risks by:-
 - evaluate the design effectiveness of management controls over journals
 - analyse the journals listing and determine the criteria for selecting high risk unusual journals
 - test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
 - gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
 - evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions
 - evaluate management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work
 - evaluate the competence, capabilities and objectivity of the valuation expert
 - write to the valuer to confirm the basis on which the valuation was carried out

- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding
 - test revaluations made during the year to see if they had been input correctly into the council's asset register
 - evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
 - update our understanding of the processes and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls
 - evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
 - assess the competence, capabilities and objectivity of the actuary who carried out the council's pension fund valuation
 - assess the accuracy and completeness of the information provided by the council to the actuary to estimate the liability
 - test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
 - undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
7. Significant findings on the areas above, as well as any other significant matters arising from the audit, will be communicated in the external audit findings report.
8. External audit planning materiality is proposed at £6.7m (£10m in 2018/19), which equates to 1.8% of prior year gross expenditure for the year. Uncorrected omissions or misstatements other than those which are 'clearly trivial' (proposed at £0.3m, £0.5m in 2018/19) remain requiring to be reported to those charged with governance.
9. The external audit plan confirms the approach to assessing if the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the value for money conclusion. The external audit risk assessment regarding arrangements to secure value for money have identified the following significant risks:
- Financial sustainability and with particular reference to looked after children.
 - Management of the capital programme.
 - Governance arrangements and how the council has responded to political change.
10. To reach a value for money conclusion external audit will consider:-
- arrangements for managing and reporting financial resources
 - whether the financial position leads to material uncertainty about going concern
 - review related disclosures in the financial statements
 - how the council has responded to new policies being implemented
 - consider the governance arrangements of new areas of decision making
 - the on-going development of NMiTE, from the council's accountable body role and the governance arrangements of any capital projects the council develops in support of the provider of higher education.
11. The committee is asked to consider whether there are any comments it would like to make with reference to the external audit plan. Progress against the plan will be reported at future audit and governance committee meetings.

Community impact

12. 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

13. 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.
14. 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 regarding a proposed plan of action for future audit work, we do not believe that it will have an impact on our equality duty.

Resource implications

15. The proposed external audit fee remains at £96k for 2019/20, additional fees have been raised in prior years due to additional external audit being undertaken. External audit assume that the council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit.
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements.
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

16. Auditors must demonstrate increased scepticism, challenge and to undertake additional and more robust testing through additional audit work. External audit are currently considering the likely additional fee requirement as a result of this for 2019/20. This is due to the need to meet the expectations of the Financial Reporting Council with regard to audit quality and local government financial reporting. The proposed work and fee for 2019/20 at the planning stage, set out in the appendix, is supported by audit working paper requirements and the internal year-end timetable which identifies key tasks, nominated internal contact and deadline dates.

Legal implications

17. The Accounts and Audit Regulations 2015 requires the council to produce and publish an annual Statement of Accounts in accordance with the regulations and “proper practice”, Section 21 of the Local Government Act 2003 defines “proper practice” for this purpose to be the CIPFA Code of Practice on Local Authority Accounting (The Code) for the relevant year. The Code specifies the principles, practices, format and content required in the preparation of the Statement of Accounts.

Risk management

18. The risk is that the plan does not achieve the conclusion of the audit work within the statutory deadlines. The attached plan details how interim work, planning and resourcing will mitigate this risk.

Consultees

19. None

Appendices

- Appendix 1 2019/20 external audit plan

Background papers

- None identified

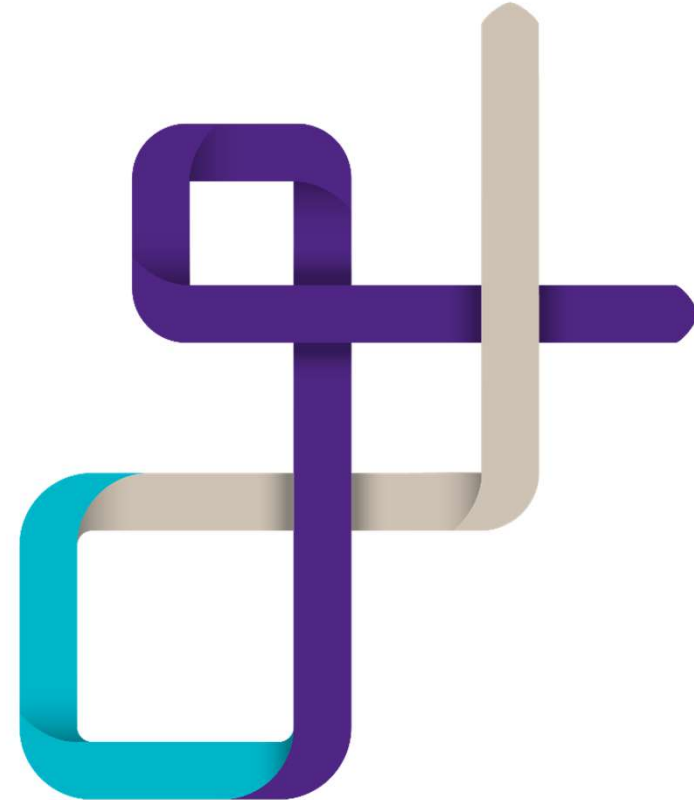


External Audit Plan

Year ending 31 March 2020

Herefordshire Council

28 January 2020



Contents



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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Herefordshire Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Herefordshire Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Accounts

The Authority has chosen to prepare group financial statements that consolidate the financial information of Hoople Limited.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings
- Valuation of net pension fund liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £6.71m (PY £10.2m) for the group and £6.7m (PY £10m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year. The benchmark on which we have determined materiality has changed from the prior year as materiality was based on 1.4% of total assets, as part of a pilot exercise. We have decided to revert back to gross expenditure given the fact that nationally public interest in audit is increasing and gross expenditure provides a more relevant basis for materiality in this circumstance. Given the experience from our pilot, we do not consider this will have a substantial impact on the delivery of the audit. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.3m (PY £0.5m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial sustainability and with particular reference to looked after children.
- Management of the capital programme
- Governance arrangements and how the Authority has responded to political change

1. Introduction & headlines – continued

Audit logistics

Our interim visit will take place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan, our Audit Findings Report and our Annual Audit Letter. Our audit approach is detailed at Appendix A.

Our fee for the audit will be determined shortly, subject to the Authority meeting our requirements set out on page 15.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Herefordshire Council, there is a forecast overspend which is predominantly due to an increase in looked after children.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Governance arrangements and the new political structure of the Authority

- In the May 2019 elections, the political structure of the Authority changed. The Members have now settled into their new roles and budget decisions made based on new policies.
- The Authority is the Accountable Body for NMiTE (New Model in Technology and Engineering), which is the new University based within Hereford. During the year, progress has been made on establishing the University and the Authority has developed a number of its own projects in support of this agenda.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Finance Officer and is subject to PSAA agreement.

- We will consider how the Authority has responded to new policies being implemented and consider the governance arrangements of new areas of decision making as a result of these policies.
- We will consider the on-going development of NMiTE, from the Authority's Accountable Body role as well as the governance arrangements of any capital projects the Authority develops in support of the University.

3. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The risks identified in this Audit Plan, see pages 7 to 9, are applicable to the Authority only as Hoople Limited is not considered to be significant or material to the group.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Herefordshire Council	Yes		See pages 7 to 9 for details of risks identified	Full scope UK statutory audit performed by Grant Thornton UK LLP
Hoople Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Authority	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Herefordshire Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Herefordshire Council.</p>
Management over-ride of controls	Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p> <p>The Authority is a statutory member of the Hereford and Worcestershire Local Government Pension Scheme administered by Worcestershire County Council. Herefordshire Council remain responsible for the accuracy of disclosures within the accounts and this will include having a clear understanding of key assumptions within the estimate.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

5. Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	Authority	<p>Payroll expenditure represents a significant percentage of the Authority's operating expenses.</p> <p>As the payroll expenditure comes from a significant number of individual transactions throughout the year, including transactions involving new-starters, grade changes and leavers, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified occurrence of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • Evaluate the Authority's accounting policy for recognition of payroll expenditure for appropriateness; • Gain an understanding of the Authority's system for accounting for payroll expenditure and evaluate the design of the associated controls; • Obtain the year-end payroll reconciliation and ensure the amount in the accounts can be reconciled to ledger and through to payroll reports. We will investigate significant adjusting items; • Agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimate for reasonableness; and • Perform substantive analytical procedure for M1 to M9 (at interim) and M10 to M12 (at final) disaggregated by month.
Operating expenses	Authority	<p>Non-pay expenses on other goods and services also represents a significant percentage (55%) of the Authority's operating expenses. Management uses judgement to estimate accruals of non-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • Evaluate the Authority's accounting policy for recognition of non-pay expenditure for appropriateness; • Gain an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • Document the accruals process and the controls management have put in place. Challenge any key underlying assumptions, the appropriateness of the source of data used and the basis for calculations; • Obtain a listing from the cash book of non-pay payments made in April and test to ensure that they have been charged to the appropriate year; and • Obtain a listing of non-pay expenditure and agree a sample to supporting documentation (invoice or equivalent) to confirm accuracy (correct amount charged), occurrence (payment properly incurred), classification (coded correctly as expenditure in CIES or as capital) and cut-off (charged to right year).

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

6. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - 53 • Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

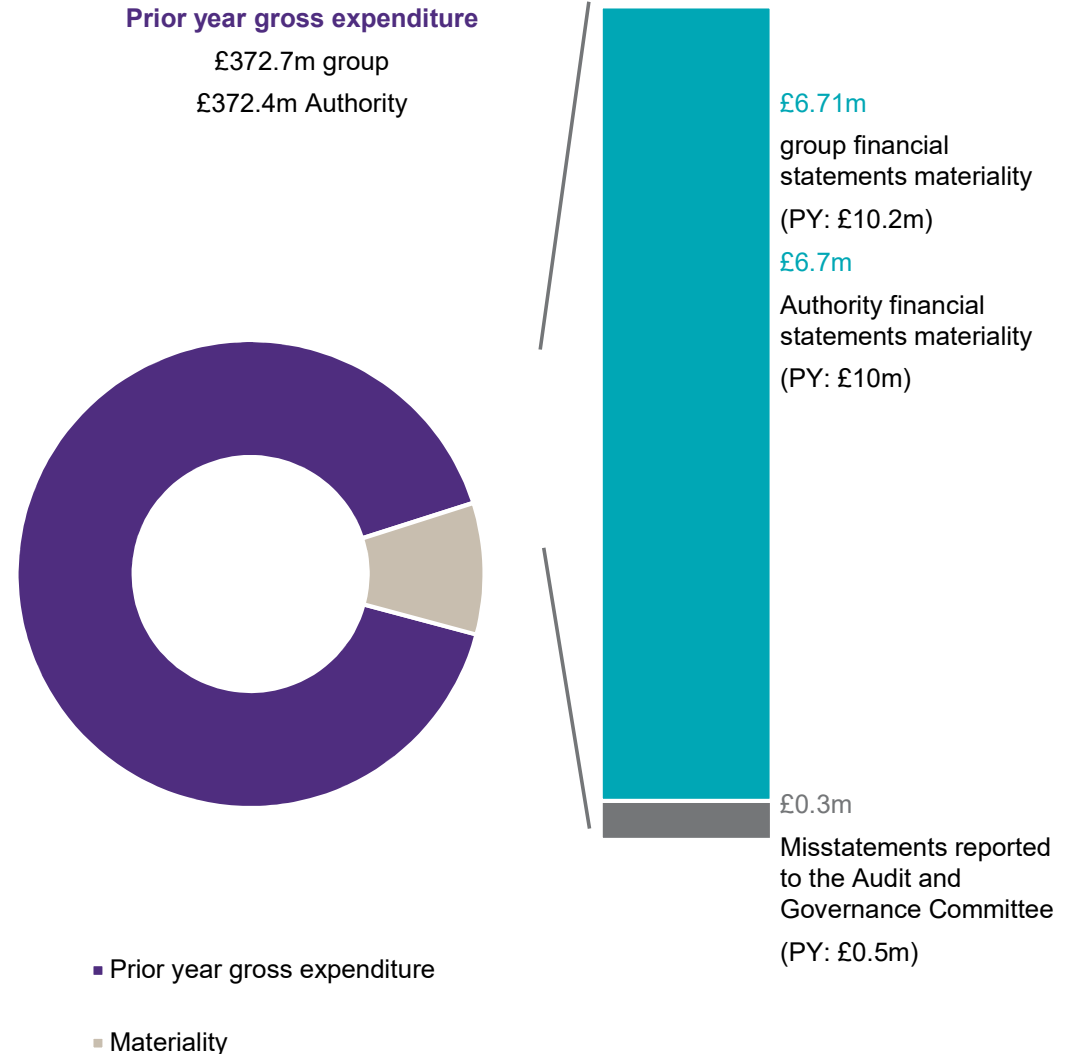
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the total assets as a benchmark as part of a pilot study. Materiality at the planning stage of our audit is £6.71m (PY £10.2m) for the group and £6.7m (PY £10m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year. We have decided to revert back to gross expenditure given the fact that nationally public interest in audit is increasing and gross expenditure provides a more relevant basis for materiality in this circumstance. Given the experience from our pilot, we do not consider this will have a substantial impact on the delivery of the audit. We considered a lower materiality level for areas of the financial statements. We have decided that we will pay close audit attention to the Remuneration Report, however a lower materiality level will not be set. Close audit attention means that we will review all the senior officers disclosures to the payroll reports and will require amendments if any errors are found.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.3m (PY £0.5m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



8. Value for Money arrangements

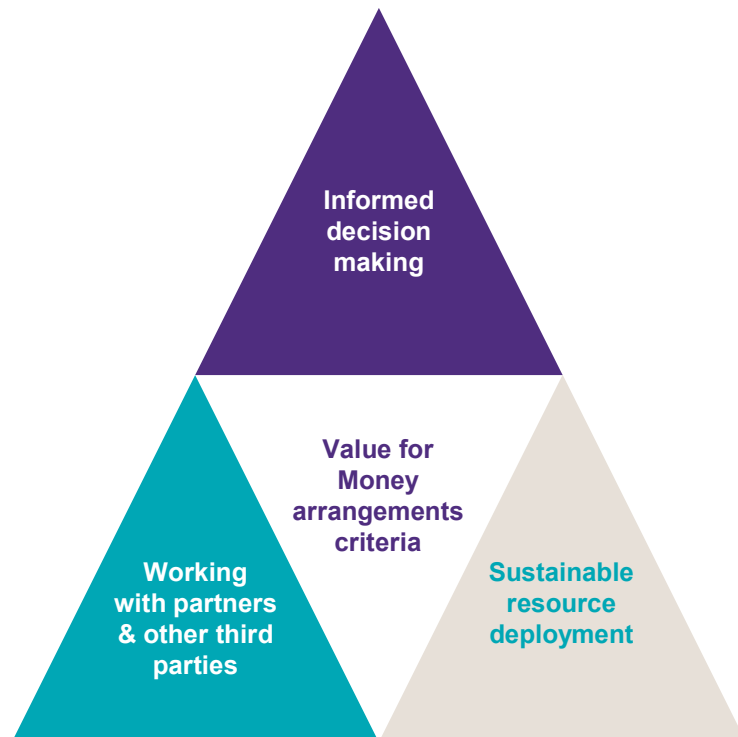
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial sustainability

If the key assumptions within the medium-term financial plan are not reasonably based then the future financial position of the Authority could be at risk.

We will discuss with Officers the key assumptions in the medium term financial plan and consider supporting evidence particularly around looked after children as this appears to be an area where there has been consistent pressures against budget.



Capital programme

There have been a number of issues identified in recent years around the capital programme. Whilst the Authority is responding to these issues, we consider that this represents a significant ongoing risk to our VFM conclusion.

We will consider the actions that the Authority is taking to respond to previous concerns raised around the governance of the capital programme. We will also consider the governance of capital projects in support of NMiTE.



Governance arrangements

Following the Authority's political change, new policies will be considered and implemented. It is likely that significant political decisions will be taken and there is a consequent need to ensure that the governance arrangements supporting such decisions remains sound.

We will discuss with Officers the impact that the political change has had and consider how this has been reflected in the governance arrangements in place.

9. Audit logistics & team



Jon Roberts, Engagement Lead

Jon's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority. Jon is an experienced engagement lead and is the National Head of Assurance at Grant Thornton. This will be Jon's third year as your engagement lead.



Gail Turner-Radcliffe, Audit Manager

Gail's role will be to be a key contact with the Chief Finance Officer and the Audit Committee.



Zarak Zaman, Audit Incharge

Zarak's role will be the day to day contact for the Authority finance staff. He will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

Authority responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other bodies. Where the elapsed time to complete an audit exceeds that agreed due to a body not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an audited body not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2a rating this means that additional audit work is required. We are currently considering the likely additional fee requirements for 2019/20 and will shortly communicate to you our expected levels of variation to the scale fee. Whilst this may change during the course of the audit, we feel that up front communication would be preferable to previous arrangements, whereby variations were communicated retrospectively.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Chief Finance Officer and is subject to PSAA agreement.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Authority Audit – scale fee	£124,405	£95,792	£95,792
Additional fee raised	£15,000	£10,500	TBD
Total audit fees (excluding VAT)	£139,405	£106,292	TBD

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

11. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing Benefits Subsidy	13,698	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £13,698 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers Pension return	4,950	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,950 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of the Education and Skills Funding Agency return	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

11. Independence & non-audit services - continued

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Chief Finance Officer. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Progress report on 2019/20 internal audit plan
Report by:	Chief finance officer / head of 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) consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary.

Further information on the subject of this report is available from

Jacqui Gooding, email: Jacqui.Gooding@swapaudit.co.uk

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, one priority 2 recommendation was made for the 2019-20 audit plan and there were some significant findings from one special investigation that have also been reported to the Committee. A summary of the significant findings is provided in the report.
3. The annual plan summary and a glossary of terms is also provided in the report.

Community impact

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

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 progress report, 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.

Further information on the subject of this report is available from

Jacqui Gooding, email: Jacqui.Gooding@swapaudit.co.uk

Legal implications

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 Internal Audit plan progress report 2019-20 – quarter 2

Background papers

None identified.

Please include a glossary of terms, abbreviations and acronyms used in this report.

In partnership with



Appendix A

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2019/20 January 2020

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Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Contents

The contacts at SWAP in connection with this report are:

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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 SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered 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 19 March 2019.

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

Outturn to Date



Internal Audit Work Programme

The schedule provided at Appendix C contains a list of all audits as agreed in the Annual Audit Plan 2019/20. 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 in Appendix B 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 findings (priority 1 or 2), a summary of the key audit findings is given as part of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

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Internal Audit Plan Progress 2019/2020

Outturn to Date



Internal Audit Work Programme

This is the quarter 2 update for 2019-20. Twenty-one audits have been completed since my last update and there are four audits at Report and sixteen audits in progress. One audit has been deferred to quarter 4 at the request of the Client. For the audits completed two audits were assessed as Substantial assurance, six as Reasonable assurance, two were Advisory audit reports, one was a Special Investigation, two were grant certification audits and eight were follow up audits.

The following audits have been completed since my last update:

Audit	Assurance
Transport / Highways policy setting	Reasonable
Environmental Health / Trading Standards	Reasonable
Troubled Families quarter 2	Advisory Report <i>(an advisory report is issued for each quarter – an audit opinion will be given at the conclusion of the quarter 4 audit)</i>
Property Maintenance - Schools	Reasonable
Pupil Referral Unit	Reasonable
Loss of Monies	Special Investigation
Bus Subsidy grant	Grant Certification
New Model in Technology and Engineering (NMiTE) Project (University) quarter 2 review	Advisory Report
Council Reserves	Substantial
Local Transport Block Funding	Grant Certification
Cemeteries / Crematoriums	Reasonable
Local Enterprise Resources team	Reasonable

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Internal Audit Plan Progress 2019/2020

Outturn to Date



Internal Audit Work Programme

Audit	Assurance
Health and Safety	Follow Up
Capital Accounting follow up	Follow Up
NNDR	Substantial
Housing and Council Tax Benefit	Follow Up
Council Tax	Follow Up
Major Transport Schemes - financial reporting	Follow Up
Special Educational Needs transport	Follow Up
IT Access Controls – Mosaic and other systems used by AWB and CWB	Follow Up
ICT Cloud and Externally Hosted Services	Follow Up

Significant Corporate Risks



Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit and Governance Committee.

We provide a definition of the 3 Risk Levels for Corporate risk applied within audit reports. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

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

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SWAP Performance - Summary of Partial Opinions

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



Summary of Partial Assurances and Significant Service Findings (Priority 1 and 2)

I provide a summary of the significant service findings for audits where the findings have been assessed as priority 1 or 2. For each finding the detail of the finding, the recommendation, agreed action by management and the target date for completion of the agreed action is provided. The target date for implementation is agreed with the manager at the conclusion of the audit and is the date for completing the agreed action. For some actions this date may not be met and these agreed actions will be reported to this Committee with a revised target date as part of the Tracking of Audit Recommendations report which is presented to this Committee by the Directorate Services Team Leader.

For the 2019-20 audits completed since my last update no audits have been assessed as Partial. One audit assessed as Reasonable (Pupil Referral Service) had one priority 2 finding and there were a number of significant findings for the Special Investigation – Loss of Monies.

Pupil Referral Unit – Reasonable

The objective of the audit was to provide assurance the Pupil Referral Unit operating within Herefordshire is compliant with statutory requirements in the provision of education for pupils. The audit evaluated statutory compliance with regulations in respect of both Pupil Referral Unit Centres: Aconbury Centre– Key Stage 3 and St David’s Centre– Key Stage 4.

The audit found the following areas to be well controlled:

- Policies have been drawn up for all areas reviewed. They are made available to and discussed with staff.
- A good governance framework was in place, with a Management Committee and Sub-Committees. Terms of Reference have been drawn up for all of the Committees.
- A good system was in place for ensuring that staff are subject to DBS checks; these are carried out every three years. In instances where a DBS check is not current (i.e. within the three-year limit) for staff employed by the Service, Risk Assessments are carried out for the staff and are held on file.

SWAP Performance - Summary of Partial Opinions

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



Summary of Partial Assurances and significant service findings (Priority 1 and 2)

- The Interim Executive Headteacher of the Herefordshire Pupil Referral Service has drawn up and is implementing a Child Exploitation Action Plan.
- The Council has a representative who sits on the Management Committee and reports back to the Assistant Director on progress / issues of note.

There were 4 priority 3 findings and one priority 2 finding.

Priority 2 finding

Personal / sensitive information was found to be on display on notice boards in the office at both PRU Centres, which is non-compliant with the General Data Protection Regulation.

Recommendation:

We recommend that a comprehensive check of the offices at both St. David's Centre and the Aconbury Centre is carried out to ensure that personal / sensitive information is only accessible to authorised personnel and is locked away when not required.

Agreed Action:

Herefordshire Pupil Referral Service will ensure all personal / sensitive information is only accessible to authorised personnel and or locked away.

Target Date: 31 December 2019

Loss of Monies – Special Investigation

A special investigation was completed following the loss of monies totalling £1,093.36 across five sites managed by the Council and one site managed by Hoople Ltd. The total included £275.82 loss to Hoople Ltd and £215 from a staff Christmas Fund with the total loss to the Council of £602.54. In the 2018/2019 financial year the total cash collected by the Council was £3.309M.

SWAP Performance - Summary of Partial Opinions

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



Summary of Partial Assurances and Significant Service Findings (Priority 1 and 2)

Whilst the total cash loss is small compared to the total cash collected by the Council it is still a loss of public money and the investigation has identified some significant control weaknesses that need to be addressed. All the recommendations have been accepted by management and are being progressed. As this was a special investigation, I have only provided a summary of the findings for the Committee so that you are aware of the control weaknesses and can take assurance that actions are being taken to address the weaknesses.

- Keys for safes, tills and access to where cash is secured were not always held securely
- Cash-ups of the petty cash and cash floats was not always undertaken weekly and petty cash expenditure was not always documented or receipted.
- Other sums of money were held at one site in addition to Council monies
- Not all sites had a safe
- Cash was not always in a secure location
- Not all monies received were recorded on accounting records
- Access to safes was not always restricted to relevant staff

All recommendations have been accepted by management and all recommendations will be completed by 31 January 2020. Some recommendations were addressed promptly during the investigation and most recommendations had been addressed by 4 December 2019. A recommendation was made to the Council to review whether it would be possible for services currently using cash across the Council to go cashless. This is currently being considered and has a target date for completion of 31 January 2020.

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



Follow Up Audits

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 2018-19 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. Where a key control audit received Reasonable assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audit evidence is obtained to demonstrate implementation and progress for all recommendations. The following table demonstrates progress against agreed actions at the time the follow up audits were completed.

Priority of recommendation	Complete	Overdue	Not yet due	In Progress	Superseded
Health and Safety					
2	2	0	0	0	0
3	4	0	0	0	0
Capital Accounting					
2	0	0	0	0	0
3	2	0	0	0	0
Council Tax					
2	0	0	0	0	0
3	2	0	0	0	0
Housing and Council Tax Benefit					
2	0	0	0	0	0
3	2	0	0	0	0

Internal Audit Plan Progress 2019/2020

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



Follow Up Audits

Priority of recommendation	Complete	Overdue	Not yet due	In Progress	Superseded
Special Educational Needs transport					
2	4	0	0	0	0
3	3	0	0	0	0
IT Access Controls –Mosaic and other systems used by AWB and CWB –					
2	0	2	0	0	0
3	3	1	0	0	0
ICT Cloud and Externally Hosted Services					
2	2	0	0	0	1
3	3	0	0	0	0
Major Transport Schemes - financial reporting					
2	0	1	0	0	0
3	4	0	0	0	0

Where a recommendation is overdue a revised target implementation date has been agreed.

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Internal Audit Plan Progress 2019/2020

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:

Traffic Regulation Order Prioritisation Process - this was an opportunity to identify ways other councils use a map base schedule to manage TROs, the prioritisation process in operation and what steps are implemented to reduce any backlogs.

Voluntary Sector - Cross Comparison - this was an opportunity to identify ways other councils support the voluntary sector; and to determine both their alignment to other local authorities and consider other practices beneficial to employ.

Property Maintenance – Schools – the cross comparison reviewed compliance services, condition services, funding for maintenance work.

Internal Audit Plan Progress 2019/2020

SWAP Performance - Summary of Audit Opinions



Summary of Audit Opinion

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

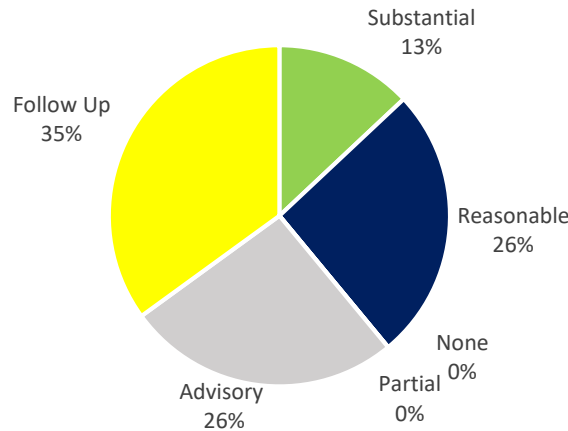
- Substantial
- Reasonable
- Partial
- None

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

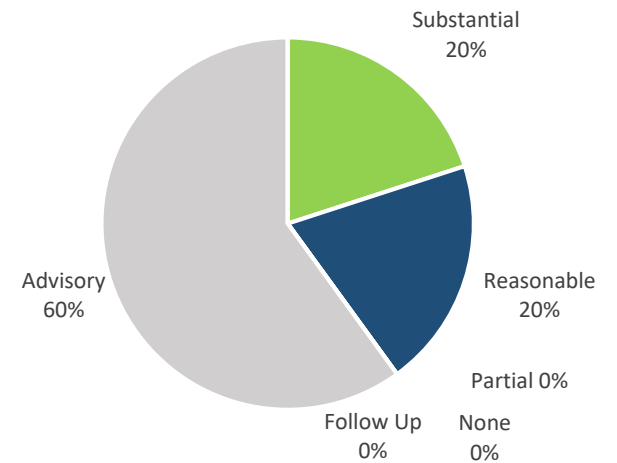
Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.

Of the reviews that have a final report, the opinions offered are summarised below.

Control Assurance by Category Quarter 2



Control Assurance by Category Quarter 1



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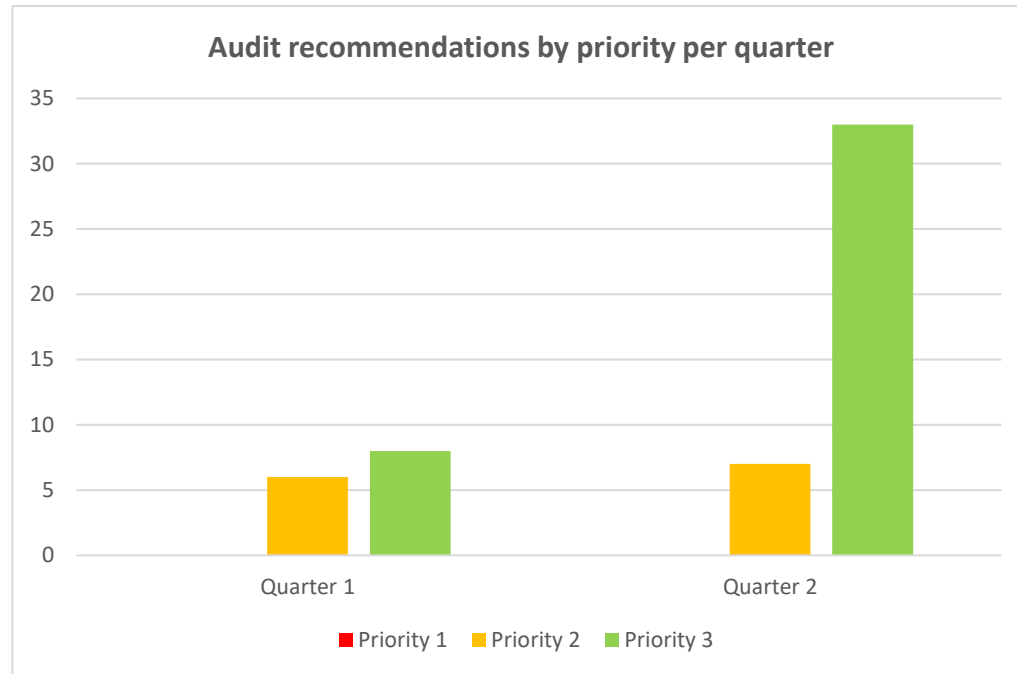
Internal Audit Plan Progress 2019/2020

Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of fundamental concern requiring immediate corrective action.



Summary of Recommendations



Internal Audit Plan Progress 2019/2020

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



Approved Changes to the Audit Plan

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

Two audits Development Regeneration Programme and Strategic Partnerships have been deferred to 2020-21 to accommodate the two additional pieces of work reported in my last update.



Conclusion

Twenty-one audits have been completed since my last update and there are four audits at Report and sixteen audits in progress. One audit has been deferred to quarter 4 at the request of the Client. For the audits completed two audits were assessed as Substantial assurance, six as Reasonable assurance, two were Advisory audit reports, one was a Special Investigation, two were grant certification audits and eight were follow up audits. There have been no significant corporate risks identified however it should be noted that there have been significant findings identified for the Loss of Monies review.

Recommendations have been made for improvement at service level and all findings have been accepted by management and a target date agreed for implementation. Thirty-three priority 3 findings and seven priority 2 findings have been reported. The significant findings for the Loss of Monies review have mostly been actioned demonstrating the Councils willingness to promptly address issues identified in control weakness.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 95% would reflect the fact that the client agreed that the review was delivered to a good standard of quality, i.e. agreed with the statement in the questionnaire and satisfied with the audit process and report. For 2019-20 audits the feedback return is 100% for audits where feedback has been provided.

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

- Substantial
- Reasonable
- Partial
- None
- Advisory



Audit Framework Definitions

Control Assurance Definitions

Substantial	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	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	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	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.

Advisory Report - In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

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



Audit Framework Definitions

Risk	Reporting Implications
	In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Each recommendation has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ← 2 = Medium → 3 = Medium		
						Recommendation		
						1	2	3
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 1 review	1	Completed	Advisory Report	-	-	-	-
Advisory	South Wye Transport Package Phase 1 – Governance	1	Completed	Advisory Report	7	0	4	3
Operational	Coroners/Registrars	1	Completed	Substantial	1	0	0	1
Operational	Transport / Highways policy setting	1	Completed	Reasonable	4	0	0	4
Operational	Environmental Health / Trading Standards	1	Completed	Reasonable	2	0	0	2
Operational	Property Maintenance - Schools	1	Completed	Reasonable	5	0	0	5
Grant	Troubled Families (Qrt 1 monthly review of claims)	1	Completed	Advisory Report	0	0	0	0
Operational	Schools Exclusion Policy	1	Deferred to qrt 3	In Progress				
Operational	Children’s centres (changed to Pupil Referral Unit)	1	Completed	Reasonable	5	0	1	4
Operational	Facilities Management	1	In progress					
ICT	ICT Applications	1	Discussion Document					
Operational	Mandatory Training	1	Draft Report					
Operational	Disclosure and Barring Service	1	Completed	Reasonable	6	0	2	4
Special Investigation	Code of Conduct Complaint	1	Completed	Special Investigation	-	-	-	-
Special Investigation	Loss of Monies	2	Completed	Special Investigation	-	-	-	-
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 2 review	2	Completed	Advisory Report	-	-	-	-

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Grant	Bus Subsidy grant	2
Operational	South Wye Transport package Phase 2	2	In progress					
Grant	Troubled Families (Qrt 2 monthly review of claims)	2	Completed	Advisory Report	-	-	-	
Operational	Council Reserves	2	Completed	Substantial	2	0	2	
Grant	Local Transport Block Funding	2	Completed	Grant Certification	-	-	-	
Operational	EU Grant Funding	2	Draft Report					
Governance, Fraud & Corruption	Cemeteries / Crematoriums	2	Completed	Reasonable	3	0	3	
Operational	Healthy Lifestyle Service (was Development of Community Strategy)	2	In Progress					
Operational	Client finance System - Interface between all systems	2	Deferred to qrt4 at request of client					
Operational	Continuing Healthcare process	2	Draft Report					
Operational	Quality Assurance Panel Process (change of audit to Local Enterprise Resources team)	2	Completed	Advisory Report	4	0	4	
Operational	Independent review officer services	2	In Progress					
Schools	Schools Financial Value Standard	2	In Progress					
ICT	Data Centres	2	In Progress					
Operational	Project Delivery/project management	2	Not started					
Grant	Troubled Families (Qrt 3 monthly review of claims)	3	In progress					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Key Control	Council Tax follow up	3	Completed	Follow up	-	-	-	-
Key Control	Treasury Management	3	In progress					
Key Control	Accounts Payable follow up	3	In progress					
Key Control	Main Accounting	3	In progress					
Key Control	Payroll follow up	3	In progress					
Key Control	Accounts Receivable follow up	3	In progress					
Key Control	Capital Accounting follow up	3	Completed	Follow up	-	-	-	-
Key Control	NNDR	3	Completed	Substantial	1	0	0	1
Key Control	Housing and Council Tax Benefit	3	Completed	Follow up	-	-	-	-
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 3 review	3	In progress					
Governance, Fraud & Corruption	Contracts - Public Realm, Waste and Balfour Beatty (review of actions from vfm review)	3	In progress					
Operational	Income Charging	3	In progress					
Operational	Integrated Short Term Support and Care Pathway - Carers Assessment	3	Deferred to qrt 4 (client request)					
Operational	Workforce Development – Adults	3	Not started					
Schools	Prevention of Fraud in Schools audit – one school	3	In Progress					
Governance, Fraud & Corruption	Compliance with Financial Regulations	3	Not started					
ICT	Incident Management to include Ransomware	3	Not started					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Operational	Service Planning	3
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 3 review	4	Not started					
Grant	Troubled Families (Qrt 4 monthly review of claims)	4	Not started					
Governance, Fraud & Corruption	Savings Targets	4	Not started					
Operational	RNIB Site for FE College	4	Not started					
Operational	Housing (Capital programme and spending)	4	Not started					
Operational	Development Regeneration Programme	4	Deferred to 2020-21	Days allocated to Loss of Monies SI	-	-	-	
Operational	Integrated Short-Term Support and Care Pathway – Delayed Transfers of care (DToC) plan – process of hospital discharges, Front door redirected.	4	Initial meeting					
Operational	Integrated Short-Term Support and Care Pathway phase 4 Housing Pathway	4	Not started					
Operational	Homepoint - Review of new provider	4	Not started					
Governance, Fraud & Corruption	Members Expenses	4	In Progress					
Operational	Strategic Partnerships	4	Deferred to 2020-21	Days allocated to Code of Conduct Complaint SI	-	-	-	
Follow UP	Health and Safety	4	Completed	Follow up	-	-	-	
Follow UP	Major Transport Schemes - financial reporting	4	Completed	Follow up	-	-	-	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Follow UP	Special Educational Needs transport	4
Follow UP	ICT Cloud and Externally Hosted Services	4	Completed	Follow up	-	-	-	
Follow UP	IT Access Controls –Mosaic and other systems used by AWB and CWB –	4	Completed	Follow up	-	-	-	
Follow Up	Follow Up Contingency	4	To be Assigned					



Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Annual governance statement: Action Plan update 2019/20
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To report progress made towards implementing the agreed action plan in response to issues identified in the 2019/20 annual governance statement in order that the committee may gain assurance that risks are being appropriately mitigated.

The annual governance statement approved on [30 July 2019](#) was accompanied by an action plan to strengthen governance arrangements. The report informs the committee about progress made in implementing the agreed actions in order that the committee may gain assurance that action is being taken in a timely fashion to mitigate identified risks.

The report also provides the committee with information about the timetable for production of the 2019/20 statement and the process of the review to be undertaken.

Recommendation(s)

That:

- (a) **the committee review the progress made in delivering the annual governance statement action plan at appendix 1, and determine any recommendations it wishes to make either to secure further improvement or gain assurance; and**

- (b) the committee review the timetable and process for review and determine any recommendations it wishes to make to strengthen the review process.

Alternative options

1. There are no alternatives to the recommendations. It is a function of the committee to monitor the effective development and operation of risk management and corporate governance in the council, and reviewing governance improvement progress supports fulfilment of that function. It is a function of the committee to annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the annual governance statement.

Key considerations

2. The council has a responsibility for conducting at least annually a review of the effectiveness of the governance framework including the system of internal control. This is reported through the annual governance statement and published as an appendix to the annual statement of accounts.
3. The annual governance statement also provides commentary on how the council's governance framework including the system of internal control can be improved. Whilst the statement by its nature is only signed off once a year, the process of review is continuous. Reports presented to the audit and governance committee inform the development of the annual governance statement, and the committee receives a half year progress report on implementation of the action plan supporting the annual governance statement. The progress report is attached as appendix 1 with an update on progress with a RAG (red; amber; green) rating based on green for complete and amber if not yet complete but on track or if there is a current or expected time delay. Regarding the latter this relates to the following actions:
 - **Action:** Communication and awareness of the current anti-fraud, bribery and corruption policy will be delivered to all staff. Time Scale: August 2019.
Update: The communication and awareness will be linked to other updates following the amendments to financial procedural rules for January 2020 to have a greater impact on a number of compliance issues.
 - **Action:** Adopt and implement a member development strategy and programme. Time scale: January 2020.
Update: Will be delayed to tie in with the establishment of a member working group to be convened in January 2020. The role of the group will be to review the draft strategy and programme.
 - **Action:** Adopt and implement a corporate workforce strategy. Time scale: December 2019.
Update: Delayed to tie-in with the new corporate priorities with implementation date of 31 March 2020.
 - **Action:** Improve the approach to training for decision report authors. Time scale: October 2019.
Update: Revision of current guidance undertaken, training being prepared for delivery from January 2020 with a revised intranet site

- **Action:** Strengthen specialist legal, finance, property and commercial support capacity, with particular reference to major procurements and arms length delivery arrangements. Time scale: January 2020.
Update: Majority of action complete, with outstanding activity to reshape legal services planned for first phase implementation by March 2020.
 - **Action:** Review West Mercia Energy joint committee governance. Time scale: September 2019.
Update: Review plans for West Mercia Energy joint committee governance in February 2020.
4. Two items changed in approach, but meeting the same result so therefore considered as complete:
- **Action:** Review the governance arrangements in place between the council and health bodies to ensure they support effective transparency and communication whilst respecting the respective partner's distinctive governance processes. Time scale: April 2020.
Update: Not one specific review but reviews as part of the existing governance arrangements. Also linked to related action to review all of the council's strategic partnerships.
 - **Action:** Provide guidance to managers for all job descriptions to be reviewed each year and accurately reflect accountabilities and requirements of the role. Time scale: September 2019.
Update: Rather than provide general guidance the requirement of up to date job descriptions is built into the managers' annual assurance statement.
5. The annual governance statement for 2020/21- must be published with the statement of accounts by 31 July 2020, the timetable is below for information:
- a) A draft of the statement is provided on 5 May so that the committee can provide assurance that the statement accurately reflects the strength of the council's governance and internal control processes, on the basis of the knowledge available to the committee at that time;
 - b) The draft statement is published with the draft accounts by 30 May;
 - c) The final draft statement, having regard to the external and internal audit opinion reports is provided to the committee on 30 July for approval;
 - d) Following the July meeting of the committee, and taking account of any recommendations the committee makes, the final statement is signed by the leader and chief executive for publication with the accounts by the end of July; and
 - e) The committee receives a progress report on the implementation of the action plan in January 2021.
5. The process of review that has been established is overseen by the chief finance officer who is the council's section 151 officer (a statutory role responsible for the proper administration of the council's financial affairs), and the solicitor to the council who is the council's monitoring officer (a statutory role responsible for maintaining the constitution, ensuring decision-making is fair and lawful, and for dealing with complaints that councillors have breached the councillor code of conduct) and consists of:

- a) reviewing our existing governance arrangements against the guidance included in The Chartered Institute of Public Finance and Accountancy (CIPFA) and The Society of Local Authority Chief Executives (SOLACE) 'Delivering Good Governance in Local Government' framework - 2016;
- b) reviewing our code of corporate governance to ensure it reflects this guidance and includes the recommended seven principles of good governance (see paragraph 7 below); and
- c) assessing the effectiveness of our governance arrangements against the code of corporate governance. The key sources of assurance that inform this review are set out in the following table.

What we are seeking assurances on	What sources of assurance we will use
<ul style="list-style-type: none"> • Delivery against corporate and service delivery plans whilst observing the principles of good governance • Delivery of sustainable economic, social and environmental benefits • Design and effectiveness of internal controls, risk management and counter fraud measures • Strong commitment to ethical values • Compliance with laws, regulations, and the council's constitution, strategies, policies and procedures • Key governance tools (e.g. financial, performance and risk management and reporting) are fit for purpose • Direction of travel of previously identified governance issues 	<ul style="list-style-type: none"> • Management assurances re compliance with laws and regulations, corporate strategies, policies, plans and arrangements e.g. constitution, financial and performance monitoring and reporting, and risk management • Statutory officers' declarations • Significant partnerships' governance risk assessments • Internal audit reports and opinions • Findings from audit and governance committee and scrutiny committees • External bodies and inspectorates reports • Views of the council's appointed Independent Person(s)

6. The external auditor has indicated that, as the council now produces group accounts which include Hoople, the annual governance statement should also extend to assurance around that bodies internal controls. Because the council has a framework for partnership governance in place that includes an annual assessment of any governance risks associated with a particular partnership this information will continue to inform the annual governance statement review process.

Community impact

7. Corporate governance is the term used to describe the systems, processes, culture and values Herefordshire Council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. The council's adopted code of corporate governance recognises that good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk; it sets out the seven principles to underpin good governance.

8. To assess compliance, the council conducts an annual review of the effectiveness of its governance framework and system of internal control. The results of this review, carried out in accordance with the principles of this code, inform the production of the annual governance statements presented as part of the statement of accounts

Equality duty

9. 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.
10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual report on improvement action progress, we do not believe that it will have an impact on our equality duty.

Resource implications

11. There are no resource implications arising from the recommendations. Though resource has been realigned to meet some of the recommendations.

Legal implications

12. The Accounts and Audit Regulations 2015 include a requirement for all councils to produce an annual governance statement. This progress report is for information purposes only and does not have any legal implications.

Risk management

13. The statement itself identifies any significant governance risks and the action plan provides mitigation to those risks

Consultees

14. None.

Appendices

Appendix 1 – 2019/20 Action plan progress update.

Background papers

None identified.

Glossary of terms, abbreviations and acronyms used in this report.

Term	Abbreviation	Meaning
West Mercia Energy joint committee		The joint executive committee of Shropshire Council, Herefordshire Council, Borough of Telford & Wrekin Council and Worcestershire County Council.
managers' annual assurance statement		Produced annual as part of the governance framework as a statement of assurance by managers agreed by Directors.
The Society of Local Authority Chief Executives and Senior Managers	SOLACE	Network for local government and public sector professionals in the UK.
The Chartered Institute of Public Finance and Accountancy	CIPFA	Accountancy body for the public services providing education and training in accountancy and financial management.
Independent Person(s)		Appointed under the Localism Act 2011 to provide a view on members code of conduct complaints
Hoople		Hoople was established in 2011 as a company and delivers services to the council and other clients.
Framework for partnership governance		As part of the governance framework review of partnerships for risks to the authority.

Appendix one: Annual Governance Statement Action Plan 2019/20 update

	Improvement required	Action planned	By when	Owner	Progress	Status
	1. Support the maintenance of high ethical standards.	Provide member induction training on roles responsibilities, code of conduct and decision making.	July 2019	Solicitor to the Council	Completed. Similar induction training will be provided for any new members joining the council.	
		Implement training re Employee Code of Conduct	March 2020	Assistant Director People	The eLearning module has been written and will be launched to all staff between January and March 2020	On track
		Develop options for implementation of the good practice recommended in the "Local Government Ethical Standards" report	September 2019	Solicitor to the Council	Completed. Review undertaken and actions agreed by audit and governance committee on 24 September 2019	
56	2. The level of awareness of fraud risk and potential mitigation is low in areas outside of financial transaction service areas.	Communication and awareness of the current Anti-fraud, bribery and corruption policy will be delivered to all staff	August 2019	Head of Corporate Finance	Amendment to financial procedural rules for January 2020 to result in range of communication updates. Additional programme on counter fraud and corruption instigated with proactive approach including appointment in the new year. Financial procedure rules to be reviewed by Audit and Governance Committee 28 January 2020.	Time delay
	3. Further develop the capacity of the organisation and individuals within it	Adopt and implement a member development strategy and programme	January 2020	Democratic Services Manager	Draft strategy completed to be tested with member-led working group to be established in January 2020 With work completed by April 2020	Time delay
		Adopt and implement a corporate workforce strategy	December 2019	Assistant Director People	Draft strategy held to reflect the new administration's corporate priorities and new implementation date will now be 31 March 2020.	Time delay
		Improve the approach to training for decision report authors	October 2019	Solicitor to the Council	Revision of current guidance undertaken training being prepared for delivery from end of January. New SharePoint site with updated guidance also available from end of January.	Time delay

Appendix one: Annual Governance Statement Action Plan 2019/20 update

	Improvement required	Action planned	By when	Owner	Progress	Status
96		Review manager training to ensure a mandatory induction and refresher element regarding governance and accountability	August 2019	Assistant Director People	Complete. The induction process for all new managers now also includes a section called 'Governance and decision making'. There is also a manager training programme with a face to face module called 'working in a political environment'.	
		Strengthen specialist legal, finance, property and commercial support capacity, with particular reference to major procurements and arm's length delivery arrangements.	January 2020	Chief Executive	Completed a service redesign for Commercial Services with final implementation on 13 January 2020. Interim head of legal services recruited and agency staff appointed to hard to recruit posts or where internal capacity was required. Review of structure undertaken with a reshaping of legal services planned for implementation of first phase by March 2020. New Design and Construction project managers appointed in property services plus generic project managers assigned to property schemes. Appointment of Interim Capital Projects Director to review all capital programmes and projects. To also strengthen for value for money assurance due in the first quarter of 2020.	Part complete
		Provide guidance to managers for all job descriptions to be reviewed each year and accurately reflect accountabilities and requirements of the role.	September 2019	Assistant Director People	Managers are asked to confirm in the annual assurance statement that 'All staff have been issued with up to date job descriptions, which clearly define full authority, responsibility and accountability'	

Appendix one: Annual Governance Statement Action Plan 2019/20 update

	Improvement required	Action planned	By when	Owner	Progress	Status
97	4. Enhance transparency in relation to significant partnerships	Review West Mercia Energy joint committee governance	September 2019	Solicitor to the Council	Raised with monitoring officers in other local authorities. Suggested approach given but not adopted by Shropshire. Will review again at next joint committee meeting in February 2020.	Time delay
		Review the governance arrangements in place between the council and health bodies to ensure they support effective transparency and communication whilst respecting the respective partners distinctive governance processes	March 2020	Director for Adults and Communities	Reviews scheduled with all partnership boards as part of formal governance arrangements. There are no plans to change the existing governance arrangements between the council and external partners. Reviews to also link to the assurance of strategic partnerships due by April 2020. Plus the review of partnerships as part of the rethinking governance working group.	
		Review partnership governance arrangements between the council and higher education bodies	December 2019	Director for Economy and Place	Review underway to update current governance arrangements and take account of recent developments and funding agreements being developed by Head of Economic Development. Expected to be reported to Cabinet in first quarter 2020 to ensure consistency with funding awards.	On track
		Improve consistent corporate compliance with the framework for partnerships' governance	January 2020	Assistant Director Corporate Support	Reviewed of process presented to management board on 26 November 2019. New system for completing compliance live by 6 January 2020.	
5.	There is evidence of good community engagement work by particular service areas but no clearly identifiable strategic	Develop a strategic corporate approach to community engagement	June 2020	Director for Adults and Communities	The Talk Community approach and plan describes the new strategic approach to community engagement. This is currently in draft and will be progressing through	On track

Appendix one: Annual Governance Statement Action Plan 2019/20 update

	Improvement required	Action planned	By when	Owner	Progress	Status
	approach to community engagement				appropriate governance routes in April 2020.	
6.	Maintain robust internal controls by strengthening clarity and consistency of some arrangements and assurance processes	Strengthen internal controls in respect of treasury management investments	September 2019	Chief Finance Officer	Complete. Amended policy and procedures.	
		Refresh corporate business continuity arrangements	March 2020	Assistant Director People	Ongoing. Management board have been consulted on the revised arrangements and work is ongoing to finalise by March 2020.	On track
		Improve timeliness of strategy, policy and procedure reviews	January 2020	Assistant Director Corporate Support	Work progressing to update register and process for establishing a “policy pipeline” to documents that need review and updating. First phase reviewing the requirement of policies and strategies and their timeline.	On track
		Refresh the performance, risk and opportunity management framework	February 2020	Assistant Director Transformation and Performance	A workshop session in November 2019 with managers within directorates to design PROM with draft produced in December.	On track
		Ensure programme and project board terms of reference are accurate and appropriate	September 2020	Assistant Director Transformation and Performance	Draft terms of reference are currently under review	On track
		Review the manager assurance statement process	December 2020	Assistant Director Corporate Support	Review of process presented to management board on 26 November for implementation from February 2020. Second part will be review requirements of assurance statement.	On track
		Adopt and implement a revised process for close down of accounts including valuation of assets.	December 2019	Chief Finance Officer	Completed and reviewed annually.	

Appendix one: Annual Governance Statement Action Plan 2019/20 update

	Improvement required	Action planned	By when	Owner	Progress	Status
66	7. Further improve the quality and clarity of data informing decisions.	Continue to implement improvements to capital reporting	September 2019	Chief Finance Officer	Continued improvement including Interim Capital Projects Director appointed who will produced recommendations for improvement by March 2020.	On track
		Undertake a best practice review of establishing value for money	March 2020	Chief Finance Officer	Start date for review and preparation of Value for Money strategy in January 2020 which will then determine the time scale and approach.	On track
		Deliver improvements in the accuracy of performance data within Children and Families	December 2019	Head of Corporate Performance	Complete. Following investment there have been clear improvements in the range and accuracy of information available.	
		Redesign the 'Understanding Herefordshire' website to provide more accessible information to inform decision-making	July 2019	Assistant Director Transformation and Performance	Completed. The re-designed website is live and will continue to be refreshed as data is updated.	
8.	Ensure compliance with legislative requirements	Adopt and publish a Slavery and Human Trafficking Statement	December 2019	Head of Corporate Services	Agreed at Cabinet in September 2019. Published on the council website.	
		Approve and publish a policy on employing ex-offenders, and include the council's approach in a new recruitment training programme.	March 2020	Assistant Director People	Will commence January 2020	On track



Meeting:	Audit & Governance Committee
Meeting date:	28 January 2020
Title of report:	Corporate Risk Register
Report by:	Head of Corporate Performance

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 risk management within the Performance, Risk and Opportunity Management framework.

Recommendation(s)

That:

the committee determine any recommendations it wishes to make to ensure effective risk management

Alternative options

1. The committee could choose not to monitor the corporate risk register; however this would not be recommended as regular monitoring provides assurance that risk is being managed effectively within the council.

Key considerations

2. In accordance with the Performance, Risk and Opportunity Management (PROM) framework, it is the committee's role to ensure that risk management is effectively managed and in line with the processes set out in the PROM.
3. The PROM requires that a corporate risk register is compiled from high-level, organisation-wide risks which require strategic management and risks identified at an operational level that have been escalated; either where mitigating activity controlled within the directorate is not able to contain the risk, or where additional resources might be required to control the risk.
4. Entries within the corporate risk register reflect risks identified by management board and are endorsed by cabinet, thereby strengthening their strategic perspective, management response and controls, and increasing organisational awareness.
5. The inclusion of risks within any level of risk register indicates that officers are aware of the potential risks and mitigation strategies and controls are in place.
6. Each risk within directorate or corporate risk registers is scored to provide an assessment of the level of risk. All risks are score based on an assessment of the impact and likelihood. Scoring criteria is set out within the PROM. These assessments are made at two points; before actions are put in place (inherent risk); and after identified controls are in place (residual risk).
7. Whatever level of residual risk remains, it is essential that the controls identified are appropriate, working effectively and kept under review.

Current Risks

8. The risk "heat map" below shows the current risks identified on the corporate risk register at the end of December 2019. Full details of the risks below are found in Appendix 1.

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain					
	4 Likely			CRR.11	CRR.02, CRR.03, CRR.04, CRR.36	CRR.01, CRR.31, CRR.32
	3 Possible			CRR.17, CRR.18, CRR.19, CRR.20	CRR.06, CRR.07, CRR.08, CRR.09, CRR.10, CRR.12, CRR.13, CRR.14, CRR.15	CRR.33, CRR.035
	2 Unlikely		CRR.30	CRR.24, CRR.25, CRR.26, CRR.27, CRR.29	CRR.21, CRR.23, CRR.34	
	1 Rare					

9. As shown in the heat map above, there are three risks which are on the corporate risk register which remain as extreme risks (i.e. score more than 20) following the mitigating activities completed to date. The three risks are:
 - CRR.01 Children's Operational Staffing / Workforce – we are unable to recruit and maintain a stable, experienced social care workforce

- CRR.31 South Wye Transport Package – scheme costs increasing as a result of changes to the programme
 - CRR.32 South Wye Transport Package – the Marches LEP withdrawing the existing growth funding
10. Sixteen risks are rated as high risk (scoring between 10 and 16) following mitigation, twelve as medium (in the yellow grouping) and one are rated as low following mitigation.
11. Since November, there have been the following changes:
- Delayed Transfer of Care (DTOC): This risk has been removed following a sustained period of improved performance. At the time the risk was added Herefordshire was highlighted as one of the poorer performing authorities nationally, however improvements within the directorate, including investment in the HomeFirst service and a trusted assessor to support with discharge to care homes, evidence clear improvement.
 - Integration (One Herefordshire): This risk has been removed. This is an agreed programme of work, which has an approved governance structure in place. The management of the integration agenda is now moved in to business as usual within the adults and communities directorate.
 - Information Governance (IG) Toolkit: this risk has been stepped down from the corporate risk register. The IG toolkit has now been successfully completed since 2012/13. The current toolkit is being updated and confidence of delivery is monitored monthly at the IG Steering Group.
 - Three risks regarding the South Wye Transport Package (SWTP) have been added to the corporate risk register. These are surrounding finances already committed to the project by the Marches LEP.
 - Information Governance: Risk score has increased in the last quarter following review. Despite robust processes for sharing of information and a good record in this area, there are an average of 8-10 data breaches across the council in a month. There is additional training which increases awareness to report incidents. Whilst the majority of these are low level, there have been recent examples of breaches being referred to the Information Commissioner which have resulted in fines.
 - The safeguarding work to support the police investigation risk (from Childrens & Families) has been closed following the completion of the police investigation. This has been replaced by a new risk regarding the response to the prosecution (CRR.34).
 - Phosphate Pollution in Lugg Catchment: This risk has been added to the Corporate Risk Register (CRR.35) due to the strategic implications for development in the county.
 - Hillside (former NHS Community Hospital): This risk has been added to the Corporate Risk Register (CRR.36) due to the possibility of a legal charge being invoked should there be a change of use of the building. This continues to be progressed through involvement of politicians and NHSE.
12. Previous committee meetings have requested that the directorate risk registers are also available to evidence escalation / de-escalation of risks in line with the PROM framework. Heat maps of these risk registers are provided at appendices 2 – 5.

Community impact

13. 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

Further information on the subject of this report is available from
Paul Harris, Tel: 01432 383675, email: Paul.Harris1@herefordshire.gov.uk

facilitates effective and efficient delivery of planned services. Effective risk management is an important component of this performance management system.

Equality duty

14. 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.
15. There are no equality duty implications arising from this report.

Resource implications

16. There are no resource implications arising from this report.

Legal implications

17. None.

Risk management

18. There are no risks as a direct result of this report. By reviewing the corporate risk register, greater assurance is given that the council manages its risks appropriately.

Consultees

19. None

Appendices

- Appendix 1 Corporate Risk Register
- Appendix 2 Adults and Communities Risk Register
- Appendix 3 Children and Families Risk Register
- Appendix 4 Economy and Place Risk Register
- Appendix 5 Corporate Services Risk Register

Background papers

None

Corporate Risk Register - December 2019

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Residual Risk trend (6 months)	Risk Owner
CRR.01	Children's Operational Staffing / Workforce IF/AS: We are unable to recruit and maintain a stable, experienced social care workforce THEN: Caseloads for social workers will be higher than wanted and may affect the quality of casework for children	Oct-17	25 (5x5)	A recruitment and retention plan has been implemented and specific actions taken to reduce turnover and improve the attractiveness of our offer to experienced staff. We have commissioned an agency to undertake a search process under the 'urgent to rural' banner. We are actively engaging with regional colleagues to influence wider work and to reduce reward package escalation. We have engaged a number of agency workers as a result of regional collaboration which has provided additional capacity. Grow our own activity has been agreed and has been progressed during 2019-20	20 (4x5)	Further mitigation required	Cabinet have approved an additional £1.6m to support reducing caseloads by recruiting to social work posts, we have in place a number of initiatives to recruit social workers into the organisation; including for example ASYE offer; Urban to Rural and through the apprenticeship scheme to train new staff to achieve their social work qualification.		Director Children & Families
CRR.02	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be an impact on availability of services - this is particularly true of Registered Managers and Nurses	Mar-17	25 (5x5)	External market workforce project launched - the care heroes campaign to attract and retain more people into care and support providers with recruitment & training costs. Fees have been increased to dom care providers with a steer that front line staff should benefit. Monthly provider forums with commissioning services and close monitoring of market capacity and responses.	16 (4x4)	Further mitigation required	Ensuring that the Adult Social Care agenda is high on priority list for other Directorates. Working with economic partners on master planning to shape the future market.		Director Adults & Communities
CRR.03	Budget and Savings Plans - Children & Families IF/AS: The demand for placements for looked after children and care leavers exceeds that planned for when the budget was set THEN: the spend will be greater than the budget within children and families IF/AS: The savings plans across the directorate are not delivered with support from council services THEN: Resources and the MTFs across the council may be at risk	Apr-17	20 (4x5)	Budget is reviewed monthly DLT/SMT/Management Board and then informing Cabinet. Alternatives to care panel in place on a weekly basis to review cases that may be considered to be moving towards becoming looked after, chaired by the AD safeguarding and family support. Corporate contingency in place as part of 2019/2020 to cover any spend over planned budget	16 (4x4)	Further mitigation required	Business case for Edge of Care Service been developed with input from Staffordshire Council; cabinet agreed in principle to use of earmarked reserves in 2019/20 to start the edge of care service subject to cabinet member decision.		Director Children & Families
CRR.04	Human Rights claims IF: a result of high court decisions regarding children's social care cases THEN: Herefordshire council may face Human Rights claims.	Dec-16	16 (4x4)	Case review work has been undertaken by children's social care and by legal services and submitted to court. Legal services have reviewed current cases to assess for potential human rights claims. Communications briefed on response from council, including training, audit of any cases with similar presenting features and action to address any recommendations from the judgement; communications to cabinet, children's scrutiny and all members; communication to chair of HSCB and also to regional lead for safeguarding with Ofsted. In light of court judgements, cases are reassessed. Practice improvements are identified through this work and steps taken to embed changes in day to day work.	16 (4x4)	Further mitigation required	Children's services and legal services reassess cases in light of court judgements. Practice improvements are identified through this work and steps taken to embed changes in day to day work.		Director Children & Families
CRR.06	Council Redesign/Resources IF: Reducing resources in the form of grant, uncertainty and the requirement to deliver transformation at speed combine THEN: there will be an risk of failure to meet statutory and/or legal duties and powers.	Jun-15	25 (5x5)	Transformation programme within each directorate, corporate plan, refreshed governance and constitution, quarterly performance management reporting and director performance management through appraisal system.	12 (3x4)	Further mitigation required	Benefits realisation and review arrangements through quarterly performance management		Chief Executive
CRR.07	Deprivation of Liberty IF: The authority does not meet the statutory requirements for Deprivation of Liberty Safeguards and individuals are unlawfully deprived of their liberty THEN: The authority faces a risk of being taken to the Court of protection, increasing the risk of Costs and Financial penalties for the Local Authority	Oct-14	20 (4x5)	Additional investment into DoL's has been made and will be maintained. Weekly performance management of waiting list is in place. Regular reporting and review up to Director Level and to Safeguarding Adults Executive Group. Recruitment of external Best Interest Assessors - although these are limited in availability due to national demand. The DoLS team check all referrals for DoLS against list of open safeguarding referrals to ensure these cases are prioritised. ADASS triage criteria are followed to identify cases where there is a high risk to the individual and a high risk to the Council of litigation. Three full time BIA posts have been created and a MCA DoLS team manager post has been created as part of the adults social care restructure. 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. agency MCA and DoLS policies completed.	12 (3x4)	Accept			Director Adults & Communities
CRR.08	Recruitment Strategy IF: the council is unable to recruit the level and scale of staff required to vacant posts across the organisation due to inability to attract and/or an unsustainable employable local demographic THEN: there will be insufficient staff to meet service demands; an inability to progress service development; and a financial implication of using agency staff/contractors.	Aug-18	16 (4x4)	Short term reductions in capacity are accommodated by prioritisation and reallocating work amongst staff. Analysis identifying posts which are hard to recruit to. Involvement in regional workforce development and agency market management. Recruitment and retention initiatives.	12 (3x4)	Accept			Head of HR and Organisational Development
CRR.09	EU exit IF: following the EU exit there is uncertainty or policy decisions that impact the council THEN: there may be an impact on the economic and social programmes of the Council and its partners, including: interest rates and exchange rates impacting on the Affordability of the council's capital programme; and restriction on the free movement of people which could lead to skills gaps and adverse impact on the workforce.	Aug-18	16 (4x4)	Inclusion of an assessment of the risks associated with EU exit in our MTFs and Treasury Management Strategy, and our debt profile is monitored and managed to avoid exposure to interest rate fluctuations. The Capital Programme will include a risk assessment of the cost of borrowing, and it will be reviewed constantly to ensure its continued affordability.	12 (3x4)	Accept			Chief Finance Officer
CRR.10	Failure of council employees to adhere to standing orders and policy IF: officers fail to adhere to standing orders (e.g. contract and finance procedure rules) and policies 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.	Sep-17	16 (4x4)	Contract and finance procedure rules have been rewritten and published. Toolkits, guidance and training have been implemented. Schemes of delegation have been written as part of the new constitution. Governance training has been provided. 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.	12 (3x4)	Further mitigation required	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.		Solicitor to the Council
CRR.11	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.	Apr 11	16 (4x4)	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 completed. BBLP tested new emergency road closure software, which will update the website automatically within the road closure map.	12 (4x3)	Accept			Health Safety and Resilience Manager
CRR.12	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 breaches 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.	May 11	16 (4x4)	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. Property Services buildings statutory compliance system in place.	12 (3x4)	Accept			Health and Safety Advisor
CRR.13	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 (3x5)	IT Supplier (Hoople Ltd) holders of ISO 27001:2013, and: Cyber Essentials Plus certificates - both in good standing. Implemented 'defence in depth' strategy covering: Administrative, Technical and Physical controls to maintain our security goals: Confidentiality, Integrity and Availability.	12 (3x4)	Further mitigation required	Greater links to disaster recovery and continuity within services.		Assistant Director, Corporate Support
CRR.14	Development Regeneration Partnership - Keeppmoat IF: there is not an adequate pipeline of suitable residential development projects THEN: we will not be able to deliver the benefits through the contract	Feb-18	12 (3x4)	A pipeline of projects has been identified and discussed with the DRP Board. Work is underway to identify and bring forward suitable sites for inclusion in early phases of the programme, specifically relating to housing development, there are, however, limited opportunities that are immediately available. Draft pipeline of potential development sites being collated Jun 18: A pipeline of projects has been identified and discussed with the DRP Board Business case to cover the life of the partnership being developed in conjunction with each development partner and the council's Finance department. Jan 19: Early phase pipeline is current focus. Release of Merton Meadow for mixed development will provide opportunities for housing development. Mar 19: DRP Housing Strategy and pipeline drafted seeking approval in June 2019.	12 (3x4)	Further mitigation required	Amended pipeline to be reviewed.		Programme Director, Housing and Growth
CRR.15	Workplace / Accommodation Programme IF: The Programme is not managed to time and budget and does not include BWoW principles THEN: there will be significant risks to service delivery, savings plans and the life cycle of buildings.	Mar 16	12 (3x4)	Corporate Property Board. Escalation of high risk items to EP management team and to members for political consideration of priorities. Jun 18: Paper for Cabinet being prepared for July 2018. Cancelled as directive that CWB need to complete service review post OFSTED report - also impacts on BWOW. Aug 18: Undertaking a programme of condition surveys on a cyclical basis will provide detail on scale of backlog maintenance. A programme is being developed for commencement in 2018-19. CWB internal review post-Ofsted needs to be completed before a strategic property review is completed including BWoW. This is likely to be post May 2019. CPB wound up - Outline future estates strategy options to go to Corporate Property Strategy Board in January 2019. March; No Directorate business plans received to underpin estate strategy.	12 (3x4)	Further mitigation required	Data collected and information being prepared for updated strategy for next period; this will update the accommodation plan. Draft for February 2020 will incorporate BWOW principles.		Strategic Property Services Manager

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Residual Risk trend (6 months)	Risk Owner
CRR.17	Demographic Pressures IF: due to increasing financial and demographic pressures, the council is unable to meet its statutory obligations and assess clients in a timely manner and annually review all long-term packages of care THEN: clients might not receive the timely interventions required and we might miss the opportunity to maximise independence	Oct-14	16 (4x4)	New pathway implemented with evidence of improved outcomes for people and reduced amount people requiring social care intervention. In addition, implemented a SAS team to focus on re-assessment work, and an external provider to undertake reassessments and reviews allied to cohorts of service users where review is required. Controlled waiting list, proactive front door, proactive reablement response, regular reporting to monitor any changes. Strengthened commissioning approach to market developments and client need.	9 (3x3)	Further mitigation required	Further embedding the strengths based ethos within the directorate as well as partners. Developing a review dashboard. Pilot scheme being implemented to boost capacity to undertake assessments.		Director Adults & Communities
CRR.18	Capital Programme IF: we are unable to implement the strategic corporate and CWB capital programmes within budget and timescale THEN: operating costs will increase, assets will deteriorate, service delivery could be impacted and opportunities to realise value and benefits could be missed. Strategic change will not be implemented.	Feb-18	16 (4x4)	Corporate Property Strategy Board and CWB Capital Programme Board comprising senior Directors; ongoing monitoring of programme and projects; escalation of high risk items to Directors. Additional project management is being sourced as the previous additional project management resource is committed to the work around property services review. Looking at using framework agreements to backfill design capacity due to further loss in staffing resources which is adding to more pressure in the ability to delivering projects in suitable time frames. Corporate capital programme for 2019/20 is being progressed and delivered on site. The recruitment of a Programme Manager to commence 1/7/19 will help to deliver the CWB capital programme, however staff resources are well under capacity and funding to permit further recruiting allied to the use of framework contracts is still recommended to reduce the time-pressures that currently exist to deliver these programmes. Consultation completed to transfer the administration and responsibilities of the 'helpdesk' over to the provider BBLP to free up and enable the property services technical team to concentrate on delivering corporate and other services capital projects. Operational detail being finalised. Given the late start to the program due to the election purdah and governance process we are reviewing what can be delivered in the programme this year given the resource available, after taking account of the possibility of commissioning project management services. Nov 19: 9 of 11 corporate capital schemes for 2018/19 are forecast to be completed by end of 2019 financial year; 7 of 11 corporate capital schemes for 2019/20 are due to be started and in some cases completed before end of the 2019 financial year; 45 condition surveys completed on schools.	9 (3x3)	Further mitigation required	Support arrangements will be tailored to approved capital programmes for school works in 2020/21.		Strategic Property Services Manager
CRR.19	NMITE University IF: there is a lack of critical infrastructure such as teaching space and student accommodation to meet NMITE's forecast growth THEN: would be unable to reach the critical mass of student numbers to become self-sustaining.	Aug-18	12 (3x4)	The council is working closely with NMITE to plan for the development of critical teaching space and student accommodation. For example, the council has enabled the development of a 178 bedroom purpose build student accommodation at station approach where 50% of rooms are likely to be available for NMITE students for three years from September 2020. The council has agreed to underwrite up to £850,000 of a Local Enterprise Partnership grant funding to develop teaching accommodation at NMITE's Blackfriars Street site. We are commencing feasibility studies to identify opportunities for student accommodation provision at sites such as College Road Campus, and the along the City Link Road, and the council is due to consider a decision to undertake detailed design stage works (including seeking planning approval) for student accommodation to be developed at the football ground (behind the Blackfriars Street Stand) in February. However, there remains a significant gap between NMITE's growth forecasts and the provision of student accommodation within the city over the next few years.	9 (3x3)	Further mitigation required	Jan 2020 seeking to agree nominations contract for provision of 89 student rooms for 3 years to NMITE in the Station Approach development. Feb 2020 Decision on the detailed design stage of the Football Club Student accommodation project Feb 2020 Decision on potential underwrite of second phase LEP grant for additional teaching facilities on the Hereford Enterprise Zone. July 2020 conclude feasibility of options for student accommodation to be developed at College Road Campus.		Head of Economic Development
CRR.20	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 (3x4)	Decision reports are subject to a quality assurance process which includes review by risk, legal, finance, governance, equality, procurement 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; report received and being actioned.	9 (3x3)	Accept			Solicitor to the Council
CRR.21	Economic Resilience IF: the Invest Herefordshire Economic Vision is not supported by key stakeholders and does not deliver initiatives which address economic growth prospects and local economic concerns and meet local need THEN: there will be a fall in indigenous and new business investment within Herefordshire engagement with the council which could affect large business retention, business rates income, productivity, employment and wage rates, and wider resilience in the local economy.	Jun 15	16 (4x4)	Implementation of the Economic Development Strategy. Economic Masterplan adopted. Delivery of the Fastershire project. Delivering and promoting the Local Development Framework. Implementing the delivery of the Enterprise Zone. Securing external funding. Full approval for Ross Enterprise Park and in the process of contracting Delivery of Hereford Centre for Cyber Security. Joint Venture agreed and start on site commenced	8 (2x4)	Accept			Head of Economic Development
CRR.23	Good internal controls protect against fraud and error IF: good internal controls aren't in place and followed to protect against the potential of fraud, corruption, financial management, malpractice or error THEN: this produces a heightened risk of fraud, corruption and/or poor value for money with the consequent negative reputational impact.	Nov-17	16 (4x4)	Follow-up on SWAP audit recommendations so that they are all dealt with fully so that systems, processes and compliance are improved. EE code of conduct - should be issued with contract of employment. Recruitment process which ensures appropriate background checks. Induction programme. Fraud, bribery and corruption policies. Whistleblowing Policy. Finance procedure rules. Contract procedure rules. Agresso workflow. Governance processes.	8 (2x4)	Accept			Head of corporate finance
CRR.24	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	Aug 12	20 (4x5)	MTFS to 19/20 approved by Council in February. All savings RAG rated and reviewed. MTFS linked to Corporate Priorities. Monthly financial reports to Management team and Cabinet; Performance Challenge meetings. Base budget review exercise completed. Prudent levels of reserves in place. Regular reviews by Cabinet of reserves and assumptions around inflation.	6 (2x3)	Accept			Chief Finance Officer
CRR.25	ICT Platforms IF: the ICT application /systems/platforms are not appropriate or used to their full effect THEN: we fail to manage our services and cost the organisation more money	Apr 14	16 (4x4)	Programme Boards for major systems e.g. Mosaic for adults and childrens social care. Measures are in place to ensure that access to systems/tech. is in place and will be progressed through a number of initiatives. SWAP audits and related training.	6 (2x3)	Further mitigation required	Applications audit underway; future consideration of transformation of services using ICT linked to the priorities of the Digital Strategy.		Assistant Director, Corporate Support
CRR.26	Partnerships IF: the partnerships that the council's involved in are not developed / fail to operate effectively / or fail entirely THEN: the strategic objectives / priorities may not be achieved.	Aug-18	12 (3x4)	Partnership governance protocol. Updated process for review and publication of partnership. Contractual and partnering agreements.	6 (2x3)	Accept			Head of Corporate Governance
CRR.27	Development Regeneration Partnership - Engie IF: the length of time that regeneration projects take to bring forward leads to a perception that the programme is not delivering THEN: confidence will be reduced	Feb-18	9 (3x3)	A pipeline of regeneration projects has been identified and discussed with the DRP Board. Work is underway to bring these projects into the programme; however, the feasibility, design and approval process does take time. Investment in project management structures and capacity to improve the delivery of the DRP	6 (2x3)	Accept			Head of Economic Development
CRR.29	Information governance IF: staff do not treat the information they access appropriately THEN: this may lead to the risk of referral to the Information Commissioner and/or legal challenge with resultant unbudgeted costs and reputational damage for the Council.	Feb 14	16 (4x4)	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. DSP Toolkit completed for 2018 and 2019 being worked on. Mandatory training has been refreshed for 2019	6 (2x3)	Accept			Assistant Director, Corporate Support
CRR.30	Litigation IF: disputes with contractors arise there is potential exposure to litigation THEN: the Council may lose and be liable for costs in excess of £M (affecting budget position) and incurring reputational harm.	Jun 13	16 (4x4)	In house and external legal teams in place dealing with adjudications and litigation. I respect of the current contract dispute, formal mediation has been undertaken and matters resolved through dispute resolution procedures. A Counter claim raised by former provider and response provided by the council.	4 (2x2)	Further mitigation required	The Council will escalate matters through formal dispute resolution processes as required. The timing of these next steps will be set in response to circumstances.		Solicitor to the Council
CRR.31	South Wye Transport Package IF: scheme costs increase as a result of changes to programme THEN: they will exceed current approved budget and it will significantly affect ability to drawdown grant funding within funding window.	Jun-19	16 (4x4)	Continue to review cost forecasts and estimates as programme is revised. Report forecasts each month at MIBD to support decision making.	20 (4x5)	Further Mitigation Required	Following the Cabinet Member decision taken 22 October 2019 to review SWTP, discussions ongoing with funding providers. If costs increase consideration will need to be given to additional funding sources.		Director Economy & Place
CRR.32	South Wye Transport Package IF: The Marches LEP withdraw the existing growth funding THEN: the council will need to identify and seek alternative funding sources to deliver the scheme	Nov-19	25 (5x5)	Ongoing discussions with Marches LEP regarding existing funding, and opportunities to make adjustments to the existing profile. Prepare expressions of interest for Marches LEP call for projects to include SWTP preferred ATM packages.	20 (4x5)	Further Mitigation Required	Further discussions with Marches LEP regarding existing funding allocation. Marches LEP to be informed of decision regarding scope of review for the scheme in January 2020.		Director Economy & Place
CRR.33	South Wye Transport Package IF: The Marches LEP require existing growth funding to be repayed based on any change in approach to the SWTP THEN: Funding will need to be allocated for repayment of the growth funding, impacting on other budgets.	Nov-19	20 (4x5)	Ongoing discussions with Marches LEP regarding existing funding, and opportunities to make adjustments to the existing profile. Prepare expressions of interest for Marches LEP call for projects to include SWTP preferred ATM packages.	15 (3x5)	Further Mitigation Required	Further discussions with Marches LEP regarding existing funding allocation.		Director Economy & Place
CRR.34	Response to police investigation IF: there is an uncoordinated response THEN: there may be disruptions to casework, unsettled staff and service users and the council may not respond effectively to the outcome of the investigation.	Dec-19	16 (4x4)	Interim senior management was put in place to provide additional capacity during the investigation which has now concluded. Staff communicated with and support was put in place. Outcome of police investigation still to be concluded. Risks to current service delivery assessed to be low.	8 (2x4)	Accept			Director Children & Families

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Residual Risk trend (6 months)	Risk Owner
CRR.35	Phosphate Pollution in Lugg Catchment IF/AS: A way forward cannot be found in relation to the moratorium on housing development in the River Lugg catchment arising from elevated phosphate levels THEN: the 5 Year Housing Land Supply figure will fall further which will have a severe impact upon the weight of Neighbourhood Development Plans and the outcome of planning appeals, leading to an increased potential for unplanned development in areas of the county not affected by the phosphate issue.	Dec-19	25 (5x5)	A Nutrient Management Board (NMB) oversees the protection of the Rivers Wye and Lugg and a Nutrient Management Plan (NMP) has been adopted jointly with the Environment Agency and Natural England (NE), with the aim of enhancing the water quality within these catchments. Because of the recent action by Natural England to resist development in the Lugg catchment, the Board is seeking to strengthen the NMP with a view to providing certainty to NE so that they will no longer resist development..	15 (3x5)	Further mitigation required	The Board will be meeting more frequently and has tasked a Technical Advisory Group to explore how the river catchments can be better protected. This is likely to include physical measures that will either reduce phosphate pollution from sewage treatment works or by from diffuse agricultural sources. Once specific proposals have been identified the council will need to consider how these are delivered and funded.		Director Economy & Place
CRR.36	Hillside (former NHS Community Hospital) IF: The Council changes the use of the building and/or takes back occupation due to the ending of the current tenancy agreement (with the NHS) THEN: NHS England may/could insist on implementing the historic Legal Charge on the Building (which is invoked through a change of use) and this could lead to a cost to the Council of a minimum of £1.8Million and a maximum (to date) of £2.9 million. The higher figure being subject to ongoing RPI increases.	Dec-19	20 (4x5)	Detailed discussions have been undertaken and continue with NHSE to establish the conditions under which the Legal Charge can be revoked and/or neutralised for the benefit of the H&SC system in Herefordshire. It is believed that at least a % of the potential cost can be negotiated should the Council reach that stage.	16 (4x4)	Further Mitigation Required	Further detailed and politically supported discussions will continue with NHSE to establish the conditions under which the Legal Charge can be revoked and/or neutralised for the benefit of the H&SC system in Herefordshire.		Director A&C and S151 Officer

Likelihood	Consequence				
	1 Insignificant Impact / Benefit	2 Minor Impact / Benefit	3 Moderate Impact / Benefit	4 Major Impact / Benefit	5 Significant Impact / Benefit
5 Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Rare	1	2	3	4	5

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		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain				AC.12, AC.20	AC.22, AC.23
	4 Likely		AC.06	AC.02, AC.04, AC.05, AC.32	AC.01, AC.11, AC.21, AC.30, AC.34	
	3 Possible		AC.18	AC.03, AC.15, AC.25, AC.26, AC.27, AC.33	AC.08, AC.13, AC.19	AC.24, AC.29, AC.31
	2 Unlikely		AC.09, AC.10, AC.16, AC.17	AC.14	AC.07, AC.28	
	1 Rare					

Ref	Risk Description	Corporate Risk
AC.01	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be an impact on availability of services - this is particularly true of Registered Managers and Nurses	Yes (CRR.02)
AC.02	Deprivation of Liberty IF: The authority does not meet the statutory requirements for Deprivation of Liberty Safeguards and individuals are unlawfully deprived of their liberty THEN: The authority faces a risk of being taken to the Court of protection, increasing the risk of Costs and Financial penalties for the Local Authority	Yes (CRR.07)
AC.03	Demographic Pressures IF: due to increasing financial and demographic pressures, the council is unable to meet its statutory obligations and assess clients in a timely manner and annually review all long-term packages of care THEN: clients might not receive the timely interventions required and we might miss the opportunity to maximise independence	Yes (CRR.17)
AC.34	Hillside (former NHS Community Hospital) IF: The Council changes the use of the building and/or takes back occupation due to the ending of the current tenancy agreement (with the HS) THEN: NHS England may/could insist on implementing the historic Legal Charge on the Building (which is invoked through a change of use) and this could lead to a cost to the Council of a minimum f £1.8Million and a maximum (to date) of £2.9 million. The higher figure being subject to ongoing RPI increases.	Yes (CRR.36)
AC.04	Market viability IF: Provider services fail, THEN: we will need to manage the transfer of a (large) number of service users in very short timescales, in an already difficult market, with limited capacity.	
AC.05	Supported Housing for Care leavers with complex needs. If the accommodation and support options are not increased, with improved quality and pricing, Then; young people will continue to become homeless, at risk and vulnerable to exploitation and the council will continue to pay	

	too much for support placements with inconsistent outcomes for individuals	
AC.06	Staffing & Recruitment IF: we are unable to recruit to crucial roles THEN there will be a risk to our services	
AC.07	Contract & Quality Management Capacity IF: we have limited capacity in both contracts management and quality assurance teams, THEN there is a risk on pro-actively engaging with commissioned providers and focus is on providers subject to concerns	
AC.08	Use of Temporary Accommodation IF: the constraints on the supply of temporary accommodation continues at the same rate THEN this may mean that we are unable to meet our statutory duties under the Housing Act 1986 and Homelessness Reduction Act 2017	
AC.09	Market Capacity IF: providers withdraw or fail due to increased costs, reduced packages due to reablement through Home First, changes to CQC inspections and increase in quality concerns THEN: package costs are likely to increase for our clients and there will be further pressure on capacity in the market	
AC.10	Nursing Capacity IF: the current trends of difficulty in placing in nursing beds due to increased complexity continue THEN there will be a further increase in the spend in this area in order to make placements	
AC.11	NHS Re-organisation IF: there is a major NHS re-organisation THEN this might hinder effective joint working with social care	
AC.12	Care Home Ratings IF: the increasing trend of care homes with reduced ratings by CQC (to either Inadequate or RI) THEN placing people will be more challenging and these homes will require additional support from our staff	
AC.13	Continuing budget pressures and future of ASC funding IF: There continues to be uncertainty around the future and sustainability of adult social care funding, THEN the risk of not meeting statutory functions increases as does the risk of failure within the reliant social care economy in the county, such as care homes. In addition, the opportunity to re-model the way we provide services is limited	
AC.14	SHYPP: IF: The service improvements agreed and managed through the joint project with WM Housing and C&F do not address concerns about referrals, quality and property condition, THEN the SHYPP service will fail, leaving questions about demand among care leavers and delivery models, along with reputational risk.	
AC.15	ICES: IF prescriber engagement and budget mitigation measures do not continue to be effective and also when the re-procurement of ICES is launched THEN there could be a significant overspend of the budget of £1.5m (council share of £525k) and/or also there is significant risk of procurement challenge and associated litigation.	
AC.16	Talk Community Hubs IF there are delays in identifying and mobilising talk community hubs THEN strategic priorities for communities will be disrupted and there would be reputational harm to the Council	

AC.17	Blue Badge: IF the appropriate resources and processes are not in place to support implementation of the revised national scheme THEN Council would face delays to applications and an increased complaints and appeals	
AC.18	Suicide Prevention Strategy IF the new strategy does not seem to be associated with a reduction in local suicides THEN the council and its partners may be challenged by the public and by the media as failing in their objectives	
AC.19	Integrated Sexual Health Service The appointment of the new provider - Solutions for Health - as a non NHS provider and new to sexual health services has created a tremendous amount of interest and challenge from professional bodies. IF this challenge continues THEN it has a potential to discredit the service and cause poor press which is a risk service performance.	
AC.20	Community Hospital IF the proposed redesign of community hospitals leads to beds reductions or closures THEN this could impact the Local Authority financially and on assessment and care capacity.	
AC.21	Better Care Fund the 19/20 guidance was issued in July 2019 which is significantly late for budget planning. Therefore the LA is spending BCF money without formal approval. IF the plan is not approved THEN the BCF Funding could be at risk to the LA	
AC.22	Access to Health funding (CHC and joint funding) Herefordshire remains in the bottom quartile of cases fully funded meeting CHC eligibility. IF CCG continue to not accept that there are any process or decision making irregularities influencing this trend THEN it remains the fact that ASC are funding above other Local Authorities per 1000 population. Meaning ultimately Herefordshire citizens and the Local Authority potentially are funding Healthcare which should be free to the individual at the point of delivery. Currently the CCG is disputing the Local Authority peer challenge feedback.	
AC.23	Herefordshire and Worcestershire CCG merger. Herefordshire and Worcestershire CCGs are expected to merge from April 2020. Primarily for back office functions only. However, IF services and budgets are merged with Worcestershire THEN the Herefordshire place provision could reduce, key decisions could be made from Worcester which could have a direct impact on Herefordshire population, Local Authority and services provided.	
AC.24	Continuation of the PHRFG IF the ring fence is removed from the grant or the grant is reduced THEN this will threaten the delivery of funded services and the ability of the Council to improve Health & Wellbeing	
AC.25	No Deal Brexit IF there is a no deal Brexit THEN there is a potential threat to medication supplies for commissioned services and staff, food security and fuel as a result. In addition potential impact on staff time in needing to respond to emerging issues	
AC.26	Rising cost of buprenorphine IF the cost of buprenorphine continues to rise THEN this will impact on Addaction's prescribing budget.	
AC.27	NHS Health checks There are performance concerns and concerns about targeting invites. IF these are not resolved THEN there is the potential of high risk individuals not accessing prevention and support at an early stage to reduce or resolve potential long term health issues	

AC.28	Annual Fee Setting: IF we fail to set sustainable transparent and appropriate fees for providers THEN this could lead to challenge and potentially judicial reviews or market failure	
AC.29	Care4IT IF the system fails to function in the expected electronic form THEN the service may need to revert to paper based scheduling which can lead to the potential for human error	
AC.30	Discretionary Housing Payment If the council continues to underspend Discretionary Housing Payment (DHP) by more than 30% annually, then; housing solutions for the most vulnerable people (homeless, care leavers etc) will continue to be limited, pressure on council budgets will increase whilst government grant reduces and scrutiny will increase on the council's homelessness performance and use of resources.	
AC.31	Social housing providers: If social housing providers continue to be uncertain about whether supported housing schemes will attract housing benefit funding then; some stockholding providers will withdraw from existing or proposed new schemes and some providers will decline to bid for procurements of supported housing, leading to loss of accommodation and services to care leavers, ex-offenders and disabled people, and reputational, financial and regulatory damage to the council.	
AC.32	Care Home sales: IF there is an Increase number of care homes up for sale due to retirement of ageing local providers. THEN Due to size and other pressures such as workforce within the sector selling as a care home could be very problematic and therefore bed capacity could reduce over the coming year.	
AC.33	Citizen Young People restructure - IF the recruitment process currently underway fails then the reduced staff team will continue to offer core support within the foyers for an extended period of time from 6th January 2020 to beyond early February 2020.	

Children & Families Risk Register – December 2019

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain				CF.01	
	4 Likely			CF.06	CF.02, CF.03, CF.08	
	3 Possible			CF.07	CF.05	
	2 Unlikely				CF.04	
	1 Rare					

Ref	Risk Description	Corporate Risk
CF.01	Childrens Operational Staffing / Workforce IF/AS: We are unable to recruit and maintain a stable, experienced social care workforce THEN: Caseloads for social workers will be higher than wanted and may affect the quality of casework for children	Yes (CRR.01)
CF.02	Budget and Savings Plans - Children & Families IF/AS: The demand for placements for looked after children and care leavers exceeds that planned for when the budget was set THEN: the spend will be greater than the budget within children and families	Yes (CRR.03)
CF.03	Human Rights claims IF: a result of high court decisions regarding children's social care cases THEN: Herefordshire council may face Human Rights claims.	Yes (CRR.04)
CF.04	Response to police investigation IF: there is an uncoordinated response THEN: there may be disruptions to casework, unsettled staff and service users and the council may not respond effectively to the outcome of the	Yes (CRR.34)
CF.05	Ofsted Readiness IF/AS: Preparations are not made for Ofsted focused visit or Joint Targetted Area Inspection THEN: Service areas and leadership may be judged poorly and positive outcomes for children not reflected in Ofsted judgements. This could lead to reputational damage, requirements for improvements including significant budget implications for the council and partners	
CF.06	ICT Systems IF/AS: The technology ICT systems/ platforms are not appropriate or used to their full effect THEN: We fail to manage our services effectively and this can lead to poor practice and inefficient use of staff time	
CF.07	School Assets IF/AS: Insufficient condition oversight of school assets is not in place THEN: There may be an increase in costs due to unplanned significant spend	
CF.08	Whitecross PFI IF/AS: There is an increase in the roll at Whitecross school THEN: The PFI provider may impose a financial charge as 'soft service' charges	

Economy & Place Risk Register – December 2019

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain					
	4 Likely				EP.13	EP.07, EP.08
	3 Possible		EP.19	EP.03, EP.04, EP.18,	EP.01, EP.02, EP.14, EP.15 EP.16	EP.09, EP.17
	2 Unlikely			EP.06, EP.10	EP.05, EP.12	EP.11
	1 Rare					

Ref	Risk Description	Corporate Risk
EP.01	Development Regeneration Partnership - Keepmoat IF: there is not an adequate pipeline of suitable residential development projects THEN: we will not be able to deliver the benefits through the contract	Yes (CRR.14)
EP.02	Workplace / Accommodation Programme IF: the Programme is not managed to time and budget and does not include BWoW principles THEN: there will be significant risks to service delivery, savings plans and the life cycle of buildings.	Yes (CRR.15)
EP.03	Capital Programme IF: we are unable to implement the strategic corporate and CWB capital programmes within budget and timescale THEN: operating costs will increase, assets will deteriorate, service delivery could be impacted and opportunities to realise value and benefits could be missed. Strategic change will not be implemented.	Yes (CRR.18)
EP.04	NMITE University IF: there is a lack of critical infrastructure such as teaching space and student accommodation to meet NMITE's forecast growth THEN: would be unable to reach the critical mass of student numbers to become self-sustaining.	Yes (CRR.19)
EP.05	Economic Resilience IF: the Invest Herefordshire Economic Vision is not supported by key stakeholders and does not deliver initiatives which address economic growth prospects and local economic concerns and meet local need THEN: there will be a fall in indigenous and new business investment within Herefordshire engagement with the council which could affect large business retention, business rates income, productivity, employment and wage rates, and wider resilience in the local economy.	Yes (CRR.21)
EP.06	Development Regeneration Partnership - Engie IF: the length of time that regeneration projects take to bring forward leads to a perception that the programme is not delivering THEN: confidence will be reduced	Yes (CRR.27)

EP.07	<p>South Wye Transport Package IF: scheme costs increase as a result of changes to programme THEN: they will exceed current approved budget and it will significantly affect ability to drawdown grant funding within funding window.</p>	Yes (CRR.31)
EP.08	<p>South Wye Transport Package IF: The Marches LEP withdraw the existing growth funding THEN: the council will need to identify and seek alternative funding sources to deliver the scheme.</p>	Yes (CRR.32)
EP.09	<p>South Wye Transport Package IF: The Marches LEP require existing growth funding to be repayed based on any change in approach to the SWTP THEN: Funding will need to be allocated for repayment of the growth funding, impacting on other budgets.</p>	Yes (CRR.33)
EP.10	<p>University loan IF: the loan is an unsecured loan, if university is not in position to repay the loan THEN: there is a risk that the council will have to write off the £300k and any associated costs</p>	
EP.11	<p>Litigation IF: ongoing contract changes and budget savings increase the level of exposure to litigation/dispute THEN: the Council may lose and be liable for costs in excess of £M (effecting budget position) and incurring reputational harm</p>	
EP.12	<p>Bridge Condition IF: a robust asset management approach is not taken, and an appropriate level of investment is not made available THEN: the condition of the County asset stock will deteriorate with potential failure of structures, resulting in network closures thus affecting communities and the economic viability of growth areas.</p>	
EP.13	<p>Cost increase in providing special transport IF/AS: there is increasing demand for special transport (SEN/LAC/PRU) THEN: there will be significant budget pressures to the transport service.</p>	
EP.14	<p>HEREFORD CITY CENTRE TRANSPORT PACKAGE IF/AS: There is a significant change in scope of the transport hub and public realm project THEN: Programme will be impacted and costs could increase and exceed available budget.</p>	
EP.15	<p>Hereford Transport Package IF: decision taken to pause or review this transport project THEN: there will be a cost implication and current funding opportunities could be lost.</p>	
EP.16	<p>Transport Infrastructure IF: we fail to deliver the necessary infrastructure to deliver core strategy growth THEN: there will be an impact on the delivery of planned homes and jobs.</p>	
EP.17	<p>Waste management services contract IF: we fail to make best decision in regard to WMSC extension THEN: value for money to the council will not be delivered.</p>	

EP.18	<p>5 year Housing Land Supply/Housing delivery test IF: We do not actively address the current lack of five year land supply and the under delivery of housing (according to the national Housing Delivery Test THEN: it will continue to be difficult to resist applications for planning permission for housing on sites not currently identified in the Local Plan which would undermine the plan led approach, lead to development of sites which are locally considered inappropriate and potentially affect the deliverability of identified strategic sites and associated infrastructure.</p>	
EP.19	<p>University loan IF: the 89 rooms for which the council has nomination rights for three years are not filled THEN: the council will be liable to pay the management company's costs (approximately £5k per room).</p>	

Corporate Service Risk Register – December 2019

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain					
	4 Likely				CS.05, CS.15	
	3 Possible			CS.08	CS.01, CS.02, CS.03, CS.04, CS.06, CS.07	
	2 Unlikely		CS.14	CS.10, CS.11, CS.12, CS.13	CS.09	
	1 Rare					

Ref	Risk Description	Corporate Risk
CS.01	Council Redesign/Resources IF: Reducing resources in the form of grant, uncertainty and the requirement to deliver transformation at speed combine THEN: there will be an risk of failure to meet statutory and/or legal duties and powers.	Yes (CRR.06)
CS.02	Recruitment Strategy IF: the council is unable to recruit the level and scale of staff required to vacant posts across the organisation due to inability to attract and/or an unsustainable employable local demographic THEN: there will be insufficient staff to meet service demands; an inability to progress service development; and a financial implication of using agency staff/contractors.	Yes (CRR.08)
CS.03	EU exit IF: following the EU exit there is uncertainty or policy decisions that impact the council THEN: there may be an impact on the economic and social programmes of the Council and its partners, including: interest rates and exchange rates impacting on the Affordability of the council's capital programme; and restriction on the free movement of people which could lead to skills gaps and adverse impact on the workforce.	Yes (CRR.09)
CS.04	Failure of council employees to adhere to standing orders and policy IF: officers fail to adhere to standing orders (e.g. contract and finance procedure rules) and policies 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.	Yes (CRR.10)
CS.05	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 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.	Yes (CRR.11)

	Lack of trained staff (deployed or other) means we may not respond as quickly/effectively as we should.	
CS.06	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 breaches 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.	Yes (CRR.12)
CS.07	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.	Yes (CRR.13)
CS.08	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.	Yes (CRR.20)
CS.09	Good internal controls protect against fraud and error IF: good internal controls aren't in place and followed to protect against the potential of fraud, corruption, financial management, malpractice or error THEN: this produces a heightened risk of fraud, corruption and/or poor value for money with the consequent negative reputational impact.	Yes (CRR.23)
CS.10	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	Yes (CRR.24)
CS.11	ICT Platforms IF: the ICT application /systems/platforms are not appropriate or used to their full effect THEN: we fail to manage our services and cost the organisation more money	Yes (CRR.25)
CS.12	Partnerships IF: the partnerships that the council's involved in are not developed / fail to operate effectively / or fail entirely THEN: the strategic objectives / priorities may not be achieved.	Yes (CRR.26)
CS.13	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.	Yes (CRR.29)
CS.14	Litigation IF: disputes with contractors arise there is potential exposure to litigation THEN: the Council may lose and be liable for costs in excess of £M (affecting budget position) and incurring reputational harm.	Yes (CRR.30)

CS.15	Legal establishment: IF: legal are unable to recruit to key planning, highways, commercial and commercial property posts THEN: alternative provision to an in-house team will need to be made effecting budget provision and access to legal advice.	
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Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Contract and finance procedure rules update
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the updated financial procedure rules attached at appendix 1 and contract procedure rules at appendix 5. The rules were last updated and approved by the committee in November 2018.

To ensure council financial and contract procedure rules are up to date and provide clarity of roles, accountabilities and process in order to ensure transparency about how public resources are used and to mitigate the potential for fraud.

Recommendation(s)

That:

- (a) The financial procedure rules attached at appendix 1 be approved; and**
- (b) The contract procedure rules at appendix 5 be approved.**

Alternative options

1. The council could continue with its current financial and contract procedure rules; however they would then not be up to date or provide clarity of roles and processes.

Key considerations

Finance procedure rules

2. The financial procedure rules attached at appendix 1 have been updated to:-
 - a) Provide different spend approvals for capital spend. The previous rules did not differentiate between capital and revenue spend. It is proposed that capital spend is approved by the corporate project manager responsible for the delivery of the capital project. This ensures one spend control point exists for each capital scheme.
 - b) That where a service area submits a bid for external funding they must have approval from management board and the relevant cabinet member prior to submission.
 - c) The rules also now state that where a service area submits a bid for external funding they must have approval from management board and the relevant cabinet member prior to submission. Directors can provide approval for bids for less than £5,000. In addition the Chief Finance Officer shall be consulted on, and certify if necessary, any application for grant or external funding.
 - d) The rules are being amended to enable the approval of capital spend ahead of receiving anticipated S106 income. The approval process for this is the same as any new capital scheme due to the need to find alternative funding sources if the S106 monies are never received.
 - e) The summary table has been updated to highlight existing rules for spending from reserves and when selling goods that are no longer required. Spending from reserves requires approval from the Chief Finance Officer and reporting to Cabinet. For the sale of goods, where the receipt is expected to be up to £2,000 then director or assistant director approval is required, if between £2,001 and £10,000 then deputy S151 officer approval is required and where over £10,001 then the chief finance officer's approval is required.
 - f) Other minor changes are to provide clarity that the budget virements rules apply to revenue budgets only and that all Chief Finance Officer direct reports can approve payments without an order up to £500,000 (previously this ability was restricted to Deputy S151s).
3. The changes are shown as tracked changes in appendix 2.
4. The financial procedure rules guidance notes, attached at appendix 3, with tracked changes at appendix 4, have been expanded to confirm the existing requirements of partnership arrangements. This is that partnerships must comply with the council's framework for partnership governance and a supporting assurance self-assessment process must be completed. The guidance note also now include reference to the existing requirement that all staff must have regard to the Council's Anti-Money Laundering Policy and Anti Bribery and Corruption Policy. The guidance also includes that the Chief Finance Officer shall be informed of the purpose and nature of all voluntary funds maintained or managed by any officer in the course of their duties with the Council. Voluntary funds are any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.
5. The most substantial change to the finance procedure rules is in respect of capital expenditure where the authority to approve spend is moving from budget holders to

corporate project managers. This rule will apply to all new capital projects immediately however for capital projects already underway the change will be phased as the approval authority is transitioned to the new corporate project manager. This process is expected to take approximately six months to complete. During this time mandatory training on capital projects will be cascaded throughout the organisation as appropriate. The update will also be communicated to all staff members via news core.

6. The council is responsible for obtaining value for money through the economic, efficient and effective use of its funds and assets. This duty is not included explicitly as a financial procedure rule due to its subjective nature and its requirement to be determined at the specific individual circumstance. It is therefore at the discretion of the chief finance officer to provide guidance on determining how the value for money assessment will be carried out and whether or not the council is required to commission an independent organisation to provide assurance.
7. The financial procedure rules will be published on the council website and intranet as part of the council's constitution. The finance procedure rules will be communicated as part of the induction programme and included in financial training provided. Compliance will be monitored and reported as part of the annual governance process.

Contract procedure rules

8. The contract procedure rules (CPRs) attached at appendix 5, with tracked changes at appendix 6, have been updated as follows:
 - a) EU Procurement thresholds updated to reflect national changes taking effect in January 2020.
 - b) Authority to award contracts now reserved for assistant director and above in line with chief executive's scheme of delegation.
 - c) The section addressing authority to conduct a procurement activity has been updated to include authority to terminate any contract during the contract period, to enable early contract terminations to be duly authorised.
 - d) To enable decision makers to have documented record of options considered, the rules have been clarified to such that officers appropriately document specifications and options considered including procurement options at the start of any procurement activity.
 - e) To minimise risk of procurement challenge, the rules are updated to indicate that officers leading procurement activities are appropriately trained or experienced in undertaking the task allocated.
 - f) Blanket waivers have been removed, as this is considered unnecessary due to being adequately covered by the main exemption clauses of the CPRs
9. The contract procedure rules will be communicated as part of the induction programme and included in procurement training provided by the Commercial Services team. Compliance will be monitored and reported as part of the annual governance process.

Community impact

10. In accordance with the adopted code of corporate governance, Herefordshire Council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.

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

Equality duty

12. 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.
13. 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 decision is in regarding a procedural change to provide clarity of roles and processes, we do not believe that it will have an impact on our equality duty.

Resource implications

14. The proposed revisions to the financial and contract procedure rules are designed to ensure that the council complies with all of the current relevant financial regulations which govern the council's financial conduct in relation to procurement and ensures that the council follows effective local financial processes.

Legal implications

15. The council must prepare and keep up to date a constitution in accordance with s37 of the Local Government Act 2000. The minimum requirements for the content are set out in The Local Government Act 2000 (constitutions) (England) Direction 2000 which includes a description of the rules and procedures for the management of the council's financial affairs including: procedures for auditing and financial rules. These are the rules that officers follow in the day to day operation of the council set within this council's budget and statutory framework of local government finance.

Risk management

16. The current regulations and standing orders are out of date, in some places, and this creates potential for confusion, errors and misunderstandings. Updating the rules will attempt to deal with these issues and problems and ensure that the council continues to have sound financial management policies in place.
17. There is a risk that officers may be unaware of the new rules, which will be mitigated by communication of the changes and a training programme for relevant officers.

Consultees

18. None

Appendices

Appendix 1	Updated financial procedure rules
Appendix 2	Updated financial procedure rules with tracked changes
Appendix 3	Updated financial procedure rules guidance notes
Appendix 4	Updated financial procedure rules guidance notes with tracked changes
Appendix 5	Updated contract procedure rules
Appendix 6	Updated contract procedure rules with tracked changes

Background papers

None identified

Section 7 - Financial Procedure Rules (alternative arrangements must obtain chief finance officer approval)

Approving revenue payments – post securing spend authority - with an order				
Value (before VAT)	Approval level			
Up to £25,000	Officers as agreed by the director			
Between £25,001 and £100,000	Managers that report to Head of Service (up to and including HC12 pay grade)			
Between £100,001 and £250,000	Head of Service (HC13 pay grade)			
Between £250,001 and £500,000	Assistant Directors (HoS1 and HoS2 pay grade)			
Above £500,001	Directors or chief finance officer (pay in excess of HoS2)			
Approving capital payments – post securing spend authority - with an order				
Value (before VAT)	Approval level			
Up to £500,000	Corporate Project Manager or the Corporate Capital Programme Manager			
Between £500,001 and £1,000,000	Director or chief finance officer direct reports (being deputy S151 officers and strategic capital finance manager)			
Above £1,000,001	Chief finance officer			
Approving payments that do not have an order – due to the nature of the spend, for example periodic payments to HMRC and the pension fund				
Value (before VAT)	Approval level			
Up to £500,000	Chief finance officer direct reports (being deputy S151 officers and strategic capital finance manager)			
Over £500,001	Chief finance officer			
Budget movements (revenue virements)				
Value	Approval required	Required to obtain consent from		
Up to £100,000 – within a directorate	Spend Manager(s)	Finance Manager		
Up to £100,000 – across directorates	Director / assistant director or head of service receiving budget	Both directorate finance managers		
Between £100,001 & £250,000 – within a directorate	Budget holder	Deputy S151		
Between £100,001 & £250,000 – across a directorate	Director / assistant director or head of service receiving budget	Chief finance officer and director / assistant director or head of service reducing budget		
Between £250,001 & £500,000 – within a directorate	Director / assistant director or head of service	Chief finance officer		
Over £250,001 – across directorates	Director and Portfolio holder receiving budget	Chief finance officer, director and Portfolio holder reducing budget		
Over £500,001 – within a directorate	Director	Chief finance officer and Portfolio holder		
Sales of goods		Use of reserves to fund spend		
Value (before VAT)	Approval level	Value	Approval required	Reported to
Up to £2,000	Director or assistant director	All	Chief Finance Officer	Cabinet
Between £2,001 and £10,000	Deputy S151 officer			
Over £10,001	Chief finance officer			
Debt write off approval				
Value	Approval required		Reported to	
Up to £20,000	Deputy S151			
Over £20,001	Chief Finance Officer		Cabinet	
Bids for external grant funding				
Value	Approval required		Comment	
Up to £5,000	Director		Expected savings to be held centrally	
Over £5,001	Management board & relevant Cabinet member		Expected savings to be held centrally	
Amendments to the approved capital programme				
Change required	Approval required		Comment	
New capital scheme (includes spend funded by S106 agreement where spend incurred before funds received)	Council		Cabinet / Cabinet member or officer report post Council approval required before spend can be incurred	
New 100% funded externally scheme	Chief finance officer			
Revenue contributions to capital schemes	Chief finance officer			

Introduction

7.1 Procedures

Any organisation with a large financial turnover needs to lay down the procedures to be observed in its financial dealings. Such procedures are especially necessary in the case of a local authority which is limited by legislation in what it is able to do, is subject to statutory audit and must account for its actions and stewardship to the general public.

7.2 Purpose of Financial Procedure Rules

The purpose of these rules is therefore to set out, for the benefit of members, officers and the public, basic financial rules and guidance in order that everyone works to an approved common standard in the financial dealings of the council.

The rules are to be followed post obtaining the necessary decision approval required before incurring expenditure.

They do not over-ride the requirement to observe statute, including European Union Directives, in everyday matters.

These Financial Procedure Rules apply to all areas of the council and should be read in conjunction with the rest of the council's constitution.

7.3 Emergency situations

The provision of these rules does not prevent the council acting through the Chief Executive and director(s) from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or situation relating to Section 138 of the Local Government Act 1972. This is subject to the action being reported as soon as practicable to the appropriate authority.

7.4 Non-compliance with rules

Any non-compliance with these rules will follow the relevant council performance management procedure and may result in disciplinary action being taken, or criminal investigation as appropriate.

7.5 Approval of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer or a nominated representative must approve all financial implications on all decision reports and the relevant implications section of the report template must be completed.

7.6 Approval changes

The Head of Paid Service may agree changes to the approval authority where directors or chief finance officers are either working their notice or employed on an interim basis.

Internal audit and internal control

7.7 Regulations

The Chief Finance Officer or nominated officer shall in accordance with the Accounts and Audit Regulations for the time being in force and future

amendments, arrange for a continuous and current internal audit of all activities of the council.

7.8 Financial irregularities with regard to council functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit and follow the relevant procedures as disclosed in the anti-money laundering, anti-bribery, fraud and corruption and whistleblowing policies (with reference to Treasury Management Practice Statement 9) as necessary.

Treasury management

7.9 Activities of treasury management

All treasury management activities will be carried out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 and the "Treasury Management Policy Statement" as currently approved by the Chief Finance Officer and included in the Treasury Management Policy approved by Council.

Banking Arrangements

7.10 Arrangements with council's bankers

No officer has authority to open a bank account without prior specific written delegation of that authority by the Chief Finance Officer or nominated officer.

7.11 Officer Involvement

Officers must declare an interest and absent themselves from any managerial involvement in any financial matter from which they or their family could directly or indirectly benefit as required in the employee code of conduct.

Revenue Expenditure - Control

7.12 Budgetary Control

Directors and the Chief Executive must ensure, that their Assistant Directors / Heads of Service are managing their budgets, including commitments, appropriately by requiring regular reports are presented to Management Board and their Department Management monthly budget monitoring meetings.

7.13 Role of Directors

Budgets are allocated to Directors to enable them to deliver services approved by Members through the budget setting process. Directors are required to ensure budgets are deployed in accordance with these rules to deliver policies and plans determined by members, and to ensure that there are processes and procedures in place within their directorates to be compliant with systems of internal control.

Financial Procedure Rules- Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at:

<http://www.opsi.gov.uk/legislation/uk>

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1 Scope of Financial Procedure Rules

The purpose of the finance procedure rules is to ensure that:

- Directors, Assistant Directors and Heads of Service remain within their budget and only spend what they have in their budget;
- Directors, Assistant Directors and Heads of Service maintain adequate commitment records;
- Directors, Assistant Directors and Heads of Service monitor their budgets;
- Where there are any problems with overspend or failure to perform, these problems are reported at the earliest opportunity;
- Directors, Assistant Directors and Heads of Service should have effective reporting arrangements from their budget holders;
- Directors and Assistant Directors should have effective reporting arrangements from their Heads of Service.

2 Approval of Chief Finance Officer or Nominated Officer

Where matters are to be considered by the Management Board that in any way affect the finances of the Council or that require the supply of financial information by the Chief Finance Officer or nominated officer, the Chief Finance Officer or nominated officer must be notified by the Director or Head of Service / Assistant Director (or equivalent) concerned, in sufficient time, to enable the Chief Finance Officer or nominated officer to report.

The Legal Framework

3 Current Regulations

The Statutes and Statutory Instruments and Regulations which currently affect these rules are as follows:

1. The Accounts and Audit Regulations 2015 – Regulation 5 requires the accounting system, the form of its accounts and supporting accounting records to be determined by the responsible Financial Officer who shall ensure that the accounting systems determined by them are observed and that the accounts and supporting records of the body are maintained in accordance with proper practices and kept up to date.

4 Review of the Systems of Internal Control – Regulation 4

Regulation 4 of the Accounts and Audit Regulations 2015 requires the Council to carry out a review of the effectiveness of the system of internal control. The results of this review, contained in the Annual

Governance Statement, are considered by the Audit and Governance Committee.

5 Accounting Records - Regulation 5

Regulation 5 of the Accounts and Audit Regulations 2015 also requires that the accounting records required by the Financial Officer will be sufficient to show the Council's transactions and to enable the responsible Financial Officer to ensure that any statement of accounts, income and expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts comply with the Accounts and Audit Regulations 2015.

In particular this means that accounting records must contain:

- a. Entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure or receipts and payments account relate;
- b. a record of the assets and liabilities of the body; and
- c. a record of incoming expenditure of the body in relation to claims made or to be made by them for contribution grant or subsidy from any Minister of the Crown, a body to whom such a Minister may pay sums out of monies provided by Parliament or an European Union Institution.

Regulation 5 requires that the accounting controls systems ensure that the financial transactions of the Council are recorded as soon and as accurately as reasonably possible, that there are measures in place to enable the prevention and detection of inaccuracies and fraud and there is the ability to reconstitute any lost records.

Regulation 5 also requires that the duties of Officers dealing with financial transactions are identified and the division of responsibilities of those Officers are identified in relation to significant transactions and that procedures for uncollectable amounts including bad debts will not be written off except with the approval of a responsible Financial Officer or a member of staff nominated by the responsible Financial Officer.

6 Internal Audit – Regulation 6

Regulation 6 of the Accounts and Audit Regulations 2015 require the Council to carry out an effective internal audit of its accounting records and system of internal control in accordance with “proper practices” in relation to Internal Control. Officers must implement accepted recommendations from internal audit. This is monitored by the Audit and Governance Committee.

7 Local Government Finance Act 1988 – Section 114

The s151 Officer will report to the Council if they have reason to believe that the Council or any part of the Council:

- a. has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or

- b. has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause loss or deficiency on the part of the Authority, or
- c. is about to enter an item of account the entry of which is unlawful.

Under Section 114 of the [Local Government Finance Act 1988](#), the s151 Officer will make a report if it appears to them that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Accounting and System Development

8 Accounting Procedures

All accounting procedures and records of the Council and its Officers shall be determined by the Chief Finance Officer or nominated officer in consultation, where necessary, with the appropriate Director or Head of Service / Assistant Director (or equivalent) concerned. Such procedures shall have regard to Section 151 of the Local Government Act 1972 and shall be in accordance with the relevant legislation and guidance for the time being in force and such other statutory provisions which affect the financial affairs of the whole Council or any specific service.

9 Responsibility of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer shall be responsible for the compilation of the main accounting records for the Council.

The Chief Finance Officer or nominated officer may from time to time issue written “financial instructions” dealing with detailed procedures to be followed in certain matters. Such instructions shall be issued after consultation with the Director, assistant director or Heads of Service affected.

The Chief Finance Officer or nominated officer shall be responsible for the maintenance of a management information system, the General Ledger.

10 Allocation of Accounting Duties

The following principles shall be observed in the allocation of accounting duties by all employees or consultants engaged by the Council:

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Internal Audit and Internal Control

11 Role of Internal Audit

This service is currently provided by the South West Audit Partnership (SWAP). SWAP will assist Directors, Assistant Directors, Heads of Service and Senior Managers in the effective discharge of their responsibilities by giving assurance on financial and management control systems, identifying weaknesses, giving advice on how to resolve financial and management problems and improve control, investigating suspected irregularities and by undertaking Value for Money (VFM) reviews and management studies.

12 Accounts and Audit Regulations required by the Secretary of State

Any Member or Officer will make available documents relating to financial or other records of the Council which relate to their accounting. Other records, as appear to the Section 151 Officer necessary for the purpose of Internal Audit, will be supplied together with any such information and explanation as the Section 151 Officer considers necessary for that purpose.

13 Powers of Internal Audit (SWAP)

The Chief Finance Officer or nominated officer and all authorised Internal Audit staff are empowered to enter at reasonable times any premises or land owned by or in the control of the Council, if appropriate, and require employees to produce Council property and records under their control.

14 Financial Irregularities with Regard to Council Functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit or follow Anti-money Laundering procedures and Treasury Management Policy Statements as necessary.

Treasury Management

15 Chief Finance Officer Decisions Involving Finance

All chief finance officer recommendations on borrowing, investment or financing is required to act in accordance with the Code and the "Treasury Management Policy Statement".

Banking Arrangements

16 Arrangements with Council's Bankers

All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer or nominated officer, who is authorised to operate such banking accounts and other electronic transactions as they may consider necessary.

17 Funds Held on Behalf of Others

All funds held on behalf of others (Trust or Private) shall be subject to an annual audit, which shall be undertaken by a suitably qualified person. A copy of all audit reports and the final accounts shall be made available, on request, to Internal Audit for information. In respect of Schools, the audit report and the findings shall be presented to their School Governors.

18 Value Added Tax

The appropriate officers who are responsible for the administration of Trust or Private funds shall be responsible for ensuring that all Value Added Tax is correctly accounted for, and shall have due regard to the treatment of Value Added Tax on donated funds (as detailed in Section 15 of the Local Government Act 1972).

19 Investment

Officers shall be responsible for ensuring that Trust and Private Funds are appropriately invested for the benefit of the fund. Advice as to the most appropriate method of investment will be obtained from the Chief Finance Officer or nominated officer.

Financial Planning ‘Accounting’ and the Budget Process

20 Financial Strategy

The medium term financial strategy will set out the parameters for the budget build process for the coming year in the light of likely grant settlement, service pressures, available balances, and consultation with clients and partners of the Council. The Budget and Policy Framework will be followed and the strategy will be approved by Council.

21 Capital and Revenue Budgets

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Management Board. The Budget and Policy Framework will be approved by Council following recommendation from cabinet.

Where a service area submits a bid for external funding they must have approval from the councils management board made up of directors and the chief executive and the relevant cabinet member prior to submission. Where there is an element of Council revenue or capital match funding identified this must already exist within the revenue budget or capital investment budget (or recommended by Cabinet for approval at the next Council meeting to add to the capital investment budget). When external grants are awarded and funding covers costs already in the current revenue budgets, the one off savings from these grants should be vired corporately so the available budget can be used on other priorities, or to top up reserves. Capital Programme

The Chief Finance Officer will maintain a Capital Strategy to feed into the annual Capital Programme. Directors and their nominated budget holders, in consultation with the Chief Finance Officer or nominated officer, shall jointly prepare for consideration by the Management Board, a draft Capital Investment Budget alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies and timescales determined by the Cabinet. The Budget and Policy Framework, including the Capital Programme, will be approved by Council.

22 Approval of Estimates

The estimates, once approved by the Council shall become the Council's Revenue Budget and Capital Investment Budget for the next financial year.

Approval of the annual estimates by the Council will confer authority on the Directors, Assistant Directors and Heads of Service of the Council to incur revenue expenditure so provided for the next financial year subject to compliance with the relevant provisions of the Contract Procedure Rules.

Revenue Expenditure - Control

23 Role of Directors

It is the responsibility of each Director to ensure that the budgets for which they are responsible are used to deliver the Service Plan and are not overspent. Where budget pressures indicate that overspending may occur, then the Director must apply the rules set out under cash limited budgets below.

Directors are responsible for allocating responsibility for managing each cost centre within their service. They must inform the Chief Finance Officer or nominated officer of the allocation and any changes as soon as they occur.

Directors must ensure that their managers who are budget holders are properly trained in budget management and apply adequate budgetary control through local commitment accounting by requiring regular reports from budget holders.

24 Moving Budgets between Cost Centres

The rules for moving budgets between revenue cost centres (virement) are shown in the table in the financial procedure rules.

The following transfers will not count as virement for these purposes:

- (a) Budget movements which occur as a result of year end procedures
- (b) Transfers of budgets when a whole or part service transfers from one directorate to another as a result of a service restructure or change in line management responsibilities
- (c) Income and expenditure budget changes reflecting additional grants not included in the Council's approved budget
- (d) Transfers arising from changes in legislation
- (e) Any support service recharges (allocation of overheads) for accounting purposes.

Any in year unplanned contributions from reserves will need to be reported in line with the reserves policy; those at year end are considered by Cabinet as part of approving the Council's financial statements. The use of funds in an emergency are set out in the financial procedure rules (Emergency Situations).

25 Unauthorised Overspend

The unauthorised overspend of a cost centre budget may lead to disciplinary action being taken against the budget holder. The unauthorised overspend overall by a service may lead to disciplinary action being taken against the Head of Service / Assistant Director (or Director).

26 Monthly Forecasting

The Chief Finance Officer works with the Head of Management Accounts to provide monthly forecasting in accordance with the Directorate / corporate Management Team Meetings.

27 Cash Limited Budgets

Budgets are limited to the net annual budget for the relevant service. The Council maintains a general reserve which is to be used in exceptional circumstances where there is an uncontrollable overspend position at the end of the financial year. Therefore, Directors must ensure that they and their budget holders do not overspend their service budgets.

Revenue Expenditure may not be incurred which cannot be met from the amount provided in the revenue budget under the Service for that Head of Service / Assistant Director (or equivalent) to which the expenditure would be charged unless alternative funding sources have been secured or agreed.

The Head of Service / Assistant Director (or equivalent) can present overspend to the relevant Director who can consider whether the overspend can be contained within the overall service grouping. The Director and Head of Service / Assistant Director (or equivalent) will then report to Management Board for consideration and approval.

The CHIEF FINANCE OFFICER must be consulted on overspends. Management Board need to take a view on what is a significant overspend in terms of the overall budget for the Council and anything which they consider significant should be reported to Cabinet. Approval from the CHIEF FINANCE OFFICER will only be given in exceptional circumstances. In all cases Financial Procedure Rules must be complied with. The approval of the additional expenditure budget may include provision for the repayment of the overspend.

28 Exceeding Cost Centre Estimate

Directors, excluding interims and those working their notice period, may authorise expenditure which would otherwise exceed the estimate for a cost centre, provided that the expenditure:

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure;
- will not constitute Capital Expenditure or result in:

- (a) a change in the level of service provision; or
 - (b) a commitment to incur expenditure in future years; or
 - (c) a change in policy; or
 - (d) a breach of the Council's Workforce Strategy.
- is not a virement from a support service recharge code.
 - is notified in the prescribed form to the Chief Finance Officer or nominated officer who may if they consider that the expenditure is significant, require a report to be submitted to Cabinet.

29 Carry Forward of Under and Overspends

Genuine provisions for liability as recognised by the Code in force must be accounted for in accordance with this guidance. Where budget holders wish to carry forward any unspent monies into the next financial year, then they must provide a business case (<https://apps.herefordshire.gov.uk/financetoolkit/SitePages/Business%20Case%20templates.aspx>) to the Chief Finance Officer.

These cases will be assessed against the relevant accounting guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Chief Finance Officer.

Overspends are not permitted to be carried forward; all known overspends where no action can take place to rebalance budgets should be corrected via service repayments and approved by the Council when setting the next financial year's budget.

30 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates. Miscoding expenditure / income distorts the Council's financial information and, therefore, may result in disciplinary action being taken against the Officer responsible.

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Management Board and after consultation with Cabinet.

Journal transfers may only be actioned by the finance support team.

Budget holders may only charge expenditure against budgets for which they are responsible.

31 Earmarked reserves

When establishing reserves the council needs to ensure that it is complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

A reserve is a budget amount kept to fund a future event.

A provision is recorded as a cost against a cost centre when the council has a present obligation as a result of a past event, it is

probable that the cost will be paid to settle the obligation, and a reliable estimate of the value of the cost can be made.

New reserves may be created at any time, but must be approved by The Cabinet member when a reserve is established. The setting, reporting and reviewing of reserves must be in accordance with the councils reserves policy.

The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed.

The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the Councils earmarked reserves for relevance of propose and adequacy.

Any amendments to earmarked reserves will be reported to the Cabinet.

Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another similar purpose earmarked reserve or surrendered to General Reserves.

Capital Expenditure - Control

32 Council Approval of Capital Investment Budget

Council's approval of the Capital Investment Budget, known as the capital programme, – The Budget and Policy Framework - constitutes allocation of:

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
- Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the Capital Strategy and Programme.
- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility woks, new capital schemes and monitoring of those schemes.

33 Variations to the Approved Capital Strategy and Programme

The Council's Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is agreed by Council. External grant funded schemes can be approved by the CHIEF FINANCE OFFICER, the rules for capital budgets are shown in the table in the financial procedure rules.

34 Other Additional Expenditure Requests

Any other additions to capital budgets outside the agreed Budget and Policy Framework must be approved by Council.

35 Official Orders

Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments (rent + rates), petty cash purchases, or such exceptions as the Chief Finance Officer or nominated Officer may approve. Orders must clearly state the quantity of the goods and nature of the work or services and whether covered by contract or an agreed price and discounts specified therein or an estimated value. In line with the Councils no PO no pay, no payment will be made to suppliers without a purchase order having been raised. Unless payment falls within the procurement card policy.

36 Raising a Purchase Requisition

The Head of Service / Assistant Director (or equivalent) shall nominate those Officers eligible to raise Purchase Requisitions on the Council's financial system. The Finance system converts the Purchase Requisition into a Purchase Order upon the approval of the Budget Holder or nominated Authorising Officer.

37 Placing an Order

Unless the service has a budget an order should not be placed. Placing an order commits the Council to spending the money.

All official orders for goods and services must be raised using the Council's Financial System. Exceptions to this requirement require written approval from the Chief Finance Officer or nominated Officer. Purchases made using a Corporate Procurement Card do not require a purchase order. Requirements for use of the Corporate Procurement Card are contained within the Corporate Procurement Card Policy and should also be adhered to at all times.

The Council's Finance system will generate the appropriate commitment accounting record of outstanding orders. Verbal orders must not be made except as a matter of genuine urgency and must be confirmed immediately with a written order produced through the Council's Finance System.

Other than in cases of genuine emergency, no supplier shall be asked to provide goods or services before a purchase order has been issued to them.

38 Regular Periodic Payments

Any circumstances causing the cessation or variation of a regular periodical payment must be notified immediately to the Payments Manager.

39 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Director. Nominations shall be set up by submitting an authorised signatory form in the financial system which will workflow for the relevant approval before the roles are allocated.

Orders can be approved in line with the approval limits detailed in the financial procedure rules.

Goods properly supplied or work done without an official order due to a genuine emergency must be covered as soon as possible by a confirmation order.

Whenever practicable the duties of requisitioning goods or services and the subsequent confirmation of their receipt (goods received note process) shall not be performed by the Officer authorising the Order.

Each Head of Service / Assistant Director (or equivalent) shall be responsible for all orders issued from their Service.

40 Goods Received Process

The Head of Service / Assistant Director (or equivalent) or Delegated Officer shall ensure that the Corporate Finance System is promptly updated when goods or services are received. Before completing the Goods Received Note process the verifying Officer shall, save to the extent that the Chief Finance Officer or nominated Officer may otherwise determine, be satisfied:

- that the goods have been duly received examined and approved as being in accordance with the specification or match the official order and are satisfactory;
- that the works done or services rendered have been satisfactorily carried out and that, where applicable, the materials used were of the requisite standard;
- that the proper entries have been made in the inventories or stores records, where appropriate;
- that the Council's purchasing guidance has been followed.

Payment of Accounts

41 Payment of Invoices

It is the Council's policy to pay all invoices within 30 days of invoice date. It is therefore the responsibility of all staff to assist the Payments Team in ensuring invoices can be processed for payment as soon as possible through full compliance with all the relevant financial procedures.

42 Other Payment Requests

Payment requests shall be prepared in accordance with the format determined by the Chief Finance Officer or nominated Officer who if satisfied, shall process and pay in accordance with a timetable prepared by them.

43 Destination of Invoices

Invoices for payment must be sent in the first instance to the Payments Team in Plough Lane.

44 Amendments and Deletions

Amendments to or deletions from an invoice must only be made in exceptional circumstances and must be authorised by the Chief Finance Officer or nominated officer. Where changes are required they must be made in ink of a distinctive colour and initialled by, or on behalf of the Head of Service / Assistant Director (or equivalent), and the reasons, if not obvious, briefly stated on the invoice. No alterations to a Value Added Tax invoice may be made but a new invoice or credit note must be sought from the supplier. To avoid the possibility of duplicate payments photocopies or faxes are not accepted as valid invoices except in emergencies.

45 Payment of Invoices

The Chief Finance Officer or nominated officer shall pay all invoices and other payment requests which they are satisfied are in order, apart from petty cash imprest accounts or Local Bank Accounts.

The Chief Finance Officer shall ensure that appropriate arrangements are in place for ensuring that invoices received by the Payments Team are matched against official orders. Payment of invoices shall only be made when:

- the ordering Service has confirmed that the goods have been duly received, examined and approved;
- the prices are in accordance with the order;
- the payment is in accordance with Council Policy and legally payable;
- the account is correct, and that VAT is properly accounted for where appropriate;
- the item has not been previously passed for payment and is a proper liability of the Council.

The normal method of payment of money due from the Council shall be by cheque, electronic transfer or other instrument drawn on the Council's bank account by the Chief Finance Officer or nominated officer. Alternatively credit cards are used to pay for goods, these transactions are uploaded onto the financial system and payment made to the card supplier in the normal process.

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all

transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on line.

Directors shall provide the CHIEF FINANCE OFFICER with a list of authorised officers showing their signing levels as specified below, with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

Authorisation limits are shown in the financial procedure rules.

46 Examination of Accounts

The Chief Finance Officer or nominated officer may at their discretion examine the verified accounts passed for payment, as to their compliance with the minutes and Council regulations, contracts, accepted tenders or other authorities and for this purpose shall be entitled to receive such information and explanation as may be required.

Local Bank Accounts - Imprest / Petty Cash Accounts

47 Imprest / Petty Cash Advances

The Chief Finance Officer or nominated officer will provide imprests and petty cash advances, where appropriate, to Officers for the purpose of defraying expenses. A receipt shall be signed in respect of each advance by the Officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of floats issued to Officers.

48 Changes to Officers

Any changes to Officers responsible must be immediately notified to the Chief Finance Officer or nominated officer. An outgoing imprest holder must reconcile the imprest to the total amount held, whilst the incoming responsible Officer should satisfy themselves that all is in order before accepting responsibility for the imprest.

49 Disbursements

Vouchers for disbursements must be obtained, and attached to claims for reimbursement. Claims must be properly certified and forwarded for payment to the Payments Team at specified intervals, normally not exceeding one month.

50 Security of Cash

Heads of Service are responsible for ensuring that all cash is kept in a safe and secure place and that bank accounts are reconciled on a regular basis, not less than monthly. A bank statement must be received at least monthly for all imprest bank accounts.

51 Use of Imprest Accounts

Imprest accounts can be used for amounts agreed by the Chief Finance Officer or nominated officer:

- to pay for local purchases by cheque at the time of collection or delivery;
- to secure discounts or take advantage of special offers;

- to reimburse staff who have purchased small value items directly; All such payments must be supported by VAT invoices or receipts.

52 Use of Imprest Funds

Imprest funds must never be used to pay salaries, wages, or other employee expenses i.e., travel/subsistence and removal/relocation expenses, without the specific approval of the Chief Finance Officer or nominated officer. Such payments may attract liability to Income Tax or National Insurance contributions and must therefore be made via the payroll system.

53 Examination of Local Bank Accounts

The Chief Finance Officer or nominated officer may at their discretion examine and reconcile Local Bank Accounts and for this purpose shall be entitled to receive such information and explanation as may be required.

54 Partnership Arrangements

Where it is intended that the Council should enter into a partnership arrangement to further the delivery of Council policy and/or services, this must comply with the council's framework for partnership governance and a supporting assurance self-assessment process must be completed.

The council's Partnership Governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, and in all cases where the Council's financial contribution to the partnership exceeds £100,000 per annum, including any grant or external funding for which the Council would act as Accountable Body, a full assessment must be carried out using the self-assessment process.

Income

55 Collection of Monies

The framework and regulation of the collection of all monies due to the Council shall be subject to the approval of the Chief Finance Officer or nominated officer and shall comply with these Financial Procedure Rules.

The general ledger shall be updated promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer or nominated officer shall have the right to inspect any documents or other evidence in this connection as they may decide.

56 Invoicing for Sums Due

Each Head of Service / Assistant Director (or equivalent) shall establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These

procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

57 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council shall contain a statement that payment must be made direct to the Chief Finance Officer or nominated officer and that cheques, money orders, and postal orders should be made payable to Herefordshire Council.

All cheques, money orders and postal orders received in any Service Unit shall be crossed "Herefordshire Council". Personal Cheques must not be cashed out of the money held on behalf of the Council.

Our preferred payment method is through utilising the Bankers Clearing Automated System (BACS)

58 Introduction of New Electronic Payment Facility

The Chief Finance Officer or nominated officer shall be consulted at an early stage on any proposals to introduce a new electronic payment facility. No such facility shall go live without the specific authorisation of the Chief Finance Officer or nominated officer.

The Council prohibits the use of any PayPal or any similar electronic payment facilities (unless specific authority has been obtained).

59 Payment into Council Account

All monies received by an Officer on behalf of the Council shall, without delay, be paid to the Chief Finance Officer or nominated officer. No deduction may be made from such money save to the extent that the Chief Finance Officer or nominated officer may specifically authorise.

Officers who bank money shall enter on the paying in slip and on the reverse of each cheque a reference to the related debt (receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

The name of the originating Service/Section shall be recorded on the paying in slip.

60 Issue of Receipts

Every sum received by a cashier or other Officer of the Council shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in the case of cheques other arrangements may only be established with the express approval of the Chief Finance Officer or nominated officer.

All official receipts, tickets, books and other cash tokens shall, except by special arrangements approved by the Chief Finance Officer, be controlled and issued by the Chief Finance Officer or nominated officer, who shall keep a register of their receipt and issue.

Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

61 Recording Receipt of Monies

Each Officer who receives monies on behalf of the Council, or for which they are accountable to the Council, shall keep records in a form approved by the Chief Finance Officer or nominated officer.

62 Transfer of Monies

Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

Grants and External Funding

Authorisation to submit a bid for grant or other external funding, or accept an offer of such funding, must be obtained in advance of bid documents or acceptance documents being signed. This includes a situation where the Council intends to act as Accountable Body in respect of partnership funding, in which case authorisation to accept this Accountable Body status must also be obtained.

The Chief Finance Officer shall be consulted on, and certify if necessary, any application for grant or external funding.

The Chief Finance Officer shall:

- (i) agree the terms and conditions of all grant offers made to the Council, and
- (ii) accept such grant offers and sign appropriate documentation on behalf of the Council,

Where the application for grant, or other external funding, is being made on behalf of a partnership, for which the Council will take on the Accountable Body role, the Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and the Solicitor to the Council, shall agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the Council.

The Chief Finance Officer shall be responsible for the completion, authorisation and submission of any grant or external funding claim forms to the relevant organisation(s) and, if necessary, the Internal or External Auditor, in accordance with any guidelines applicable to the claim(s) in question.

Director(s) shall ensure that records are retained to enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

Developer Contributions S106

Developer contributions continue to support investment need associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have

been received. Do note however there may be a risk to the Council that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

Write-Offs - Income

63 Discharge of Debts

No debt due to the Council, after it has been correctly established, shall be discharged otherwise than by payment in full or by the writing-off of the debt or the unpaid portion of it, on the authority of the Chief Finance Officer or nominated officer where either:

- (a) the debt is not enforceable or that attempted recovery is likely to involve expensive litigation with limited hope of success; or
- (b) the cost of recovery would be disproportionate to the amount involved.

64 Written-off Debts

The approval limits for debt write offs are set out in the financial procedure rules.

Budget Holders will be provided with details of those debts where write off is appropriate. Such details are to include information on recovery action already taken.

In exceptional circumstances Corporate Finance may recommend to the CHIEF FINANCE OFFICER that a debt should not be written off to the service budget but will be written off corporately.

Charging for Services

65 Review of Service Charges

As per Fees and Charges Policy

<http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=2243>

66 Unmet Estimates

Where it appears that income targets as set out in the Council's estimates will not be met then the Head of Service / Assistant Director (or equivalent) shall either meet the shortfall from within the service budgets or apply for an additional budget.

Salaries and Wages

67 Responsibility for Payments to Employees

The Chief Finance Officer shall be responsible for making arrangements for the payment of all salaries, wages, pensions and other payments to all current and former employees of the Council.

Travelling and Subsistence

68 Claims for Payment

All claims for payment of officer car allowances, subsistence allowances, travelling and incidental expenses shall be made through Business World

Officer's claims should be submitted promptly at the end of each month in which the journeys were made or the expenses incurred. The Chief Finance Officer or nominated officer may refuse to make payment of claims over 2 month old.

Stocks / Stores

69 Responsibility for Stocks

Each Head of Service / Assistant Director (or equivalent) shall ensure:

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the number of slow moving items and disposing of obsolete stock items;
- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer ;
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

70 Surplus or Deficiency

Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Chief Finance Officer shall be advised and disciplinary action taken where necessary.

71 Checking of Stock

The Chief Finance Officer or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

Disposal of Surplus or Obsolete Goods, Plant and Stocks

72 Authorisation for Disposal

Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £2,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Director of the Assistant Director. Where the value is between £2,001 and £10,000 the authorisation of the Deputy S151 Officer or nominated officer must also be obtained. Where the value exceeds £10,000, authorisation from the Chief Finance Officer must be obtained.

In relation to inventory items (e.g. IT equipment etc.) all items surplus to requirements should, in the first instance, be offered to other Council departments, schools etc. prior to being disposed of.

73 Sale of Stock

Sale must be effected by public tender except when, in the opinion of the appropriate Head of Service / Assistant Director (or equivalent) concerned and the Chief Finance Officer or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

74 Recording Disposal

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

75 Income from Disposal

Income from disposals shall be credited to the cost centre unless a capital receipt. Capital receipts are sales of assets recorded on the asset register in excess of £10,000, either individually or cumulative. These are credited to the capital receipts reserve and used to fund the capital investment budget.

76 VAT

Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Chief Finance Officer or nominated officer should be contacted if clarification of the VAT position is required.

Voluntary funds

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

The Chief Finance Officer shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports.

Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and examined annually by a competent person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the Chief Finance Officer immediately after the examination. The Chief Finance Officer shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

Insurance

77 Responsibility for Insurance

The Chief Finance Officer or nominated officer is responsible for the arrangement of risk funding on advice from Internal Audit. The administration and resolution of all losses is the responsibility of the nominated officer in consultation with other Officers where necessary by reporting to the Chief Finance Officer or nominated officer.

78 Record of Insurances

The Chief Finance Officer will keep a permanent record of all insurances, risks covered, premiums paid and of all self-funded risks and losses paid. This includes third parties arranging insurance where the Council has an insurable interest. Documents to be permanently retained must include policy schedules and all liability insurance certificates for every period of insurance. Such responsibilities may be delegated to the nominated officer.

79 Incident / Accident Reporting

Every event with the potential to give rise to a financial loss, or involving injury to a member of staff, an elected Councillor or client of the Council, must be reported in accordance to the Health & Safety Arrangements Policy.

80 Review of Risk Financing Arrangements

The Chief Finance Officer or nominated officer and Internal Auditor shall annually review the Council's risk financing arrangements and look at adequacy of provision in the light of changes in the environment including new legislation, imposed or contractual responsibilities, legal precedent, newly identified and quantified risks, or other concerns identified.

81 Consultation

Before any indemnity requested from the Council is provided, the Head of Service / Assistant Director (or equivalent) responsible shall obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow

burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

Security

82 Responsibility for Security

All Heads of Services are responsible for maintaining proper security at all times for all information, buildings, stocks, stores, furniture, equipment and cash under their control. They should report to Facilities Management where they consider security is thought to be defective or where they consider special arrangements are needed.

Appropriate security controls for all assets shall be identified by the risk assessment process and by referring to security standards and procedures. Arrangements shall be agreed as above.

Maximum limits for cash holdings shall be identified by the risk assessment process and agreed with the Chief Finance Officer or nominated officer and shall not be exceeded without permission.

Key holders for safes and similar security receptacles are to be agreed by each Head of Service / Assistant Director (or equivalent) in conjunction with the Chief Finance Officer or nominated officer. The loss of keys shall be reported immediately using the security incident reporting procedures.

83 Data Protection Legislation

The Chief Executive in conjunction with the Chief Operating Officer (Hoople Ltd) and Corporate Support, and in consultation with Heads of Service and the Data Controller, will ensure that all computer systems and written records, (including those in the possession of elected Councillors) which store sensitive personal data are operated in accordance with the Council's Data Protection Policy, Data Protection legislation, and that proper security and confidentiality is maintained.

84 Anti money laundering, bribery and corruption

All staff must have regard to the Council's Anti-Money Laundering Policy and Anti Bribery and Corruption Policy. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £5,000 or more of cash to the Money Laundering Officer (the Head of Corporate Finance); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Officer.

Staff should also have regard to the Council's Gifts and Hospitality Protocol. All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.

Estates

85 Responsibility of Directors in Relation to Asset Register

The CHIEF FINANCE OFFICER or nominated officer will maintain an asset register of all land and properties owned by the Council recording the purpose for which the property is held, the location, extent and plan reference(s), purchase details where available, details of interest and rents payable and particulars of tenancies of other interests granted. This register is also updated by the assets team as appropriate.

All changes to the asset register must be communicated through business world.

The Chief Finance Officer is responsible for producing an Asset Management Plan which is approved at Full Council as part of the Capital Strategy in line with the Budget and Policy Framework.

86 Valuation of Assets

The Chief Finance Officer or nominated officer shall ensure that all assets are valued (reinstatement and open market valuation) for capital accounting purposes in accordance with the latest CIPFA code.

87 Notification of Purchase or Disposal of land and / or buildings

Any purchases or disposals of property must be actioned on Business World (including requiring a valuation prior to disposal).

Section 6 - Contract Procedure Rules

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
Low value Below £5,000	Best value must be demonstrated	None required and the procurement process can be undertaken outside of the council's e-tendering portal	Director's delegated authority under Scheme of Delegation	Operational decisions -Only assistant director or above are authorised to award and sign a contract. Key Decisions: Only assistant director or above are authorised to award and sign a contract, subject to approval or specific delegation by cabinet/cabinet member. All amounts exclude VAT. The following must be sealed by the council: contracts
Medium Value £5,001 to £75,000	Minimum 3 competitive quotes sought from appropriately qualified and competent suppliers. Where 3 suppliers cannot be identified, the opportunity must be openly advertised or make the purchase via a compliantly let framework agreement.	None required if obtaining 3 quotes directly. The procurement process should normally be undertaken utilising the council's e-tender portal, or another method which has been determined as more appropriate with the written consent of the Commercial Services Team. Where advertising the opportunity to all suppliers, the opportunity should be advertised and undertaken, utilising the council's e-tendering portal The opportunity should also be advertised using : <ul style="list-style-type: none"> • trade journals and other publications if appropriate (recommended); • Central Government's Contracts Finder when over £25,000 (mandatory). • make the purchase via a compliantly let Framework Agreement. <i>*Note: framework agreements must have more than one supplier.</i>	No decision report is required for procurement under £50,000. Officers must be able to evidence compliance with Contract Procedure Rules and Finance Procedure Rules	
High Value £75,001 to: • £189,330 (goods and services)	Open tendering procedures must be followed.	The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using :	Procurement that is above the key	

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<ul style="list-style-type: none"> £4,733,252 (works) £663,540 (light touch regime for health/ social services) 		<ul style="list-style-type: none"> trade journals and other publications if appropriate (recommended); and, Central Government's Contracts Finder (mandatory); or, make the purchase via a compliantly let Framework Agreement. <p><i>*Note: framework agreements must have more than one supplier.</i></p>	decision value (£500,000) must be subject to approval by cabinet/cabinet member.	above the key decision value (£500,000); all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.
<p>EU Tenders. Over:</p> <ul style="list-style-type: none"> £189,330 (goods and services) £4,733,252 (works) <p>£663,540 (light touch regime for health/ social services)</p>	Use EU compliant procedures	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using :</p> <ul style="list-style-type: none"> OJEU advert (mandatory); and, Central Government's Contracts Finder (mandatory); or, make the purchase via a compliantly let Framework Agreement. <p><i>*Note: framework agreements must have more than one supplier.</i></p>		
<p><u>Framework Agreements</u></p>	<p><u>New framework</u> Use one of the above procedures relative to the framework value.</p>	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:</p> <ul style="list-style-type: none"> OJEU advert (where above EU threshold); and, Central Government's Contracts Finder (mandatory); or, make the purchase via a compliantly let Framework Agreement. You must follow the procedure set out in the framework agreement for direct awards and mini competitions 		New frameworks must be sealed by the council

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- 4.6.1 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These Contract Procedure Rules (CPRs) are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.2 The council is also subject to EU law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with EU law.
- 4.6.3 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.4 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value.
- 4.6.5 The CPRs do not apply to:
- (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this does not apply to any external professional services linked to the purchase or sale.
 - (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
 - (c) Grant agreements, where the council is giving an unconditional grant.
 - (d) Sponsorship agreements regulated by the sponsorship rules.
 - (e) Supply of Works, Goods and Services **by** the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
 - (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
 - (g) Litigation advice and services

4.6.6 Authority to conduct procurement activity

The authority for an officer to undertake;

- (a) a procurement;
- (b) award a contract;
- (c) extend or vary a contract;
- (d) terminate a contract during a contract period (early contract termination).

is provided by either of the following;

- (a) scheme of delegation either as an operational or non-key executive decision,
- (b) any key executive decision for example through a Cabinet or Cabinet member decision.

Operational or non-key executive decisions

4.6.7 Where the scheme of delegation provides the authority and in accordance with financial procedure rules:

- (a) officers as agreed by the director may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £25,000
- (b) managers who report to heads of service may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £100,000
- (c) heads of service (as defined by head of service pay grades) may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £250,000.
- (d) assistant directors, directors or the chief executive (as defined by the requisite pay grade) may authorise commencement of a procurement activity, or commencement of a contract variation activity for total aggregate contract value up to £500,000
- (e) Commencement of a procurement activity, or contract variation for a contract in excess of £500,000 must be authorised by directors or the chief executive (as defined by the requisite pay grade).

4.6.8 Where an award or variation of contract is above £50k, there is a requirement to publish the decision. Additionally, a decision must be sought for:

- (a) Procurement of contracts jointly with one or more other contracting authorities
- (b) Contract variations of medium, high and above EU threshold value contracts
- (c) Extension of contracts where not incorporated as part of the original contract agreement.
- (d) Price increases in contracts where the proposed price increase is either:
 - Above that provided for in the contract; or
 - Above inflation (consumer price index (CPI))

Key Executive Decisions

4.6.9 Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a

recommendation in the decision and procurement options considered must be documented as element of the report.

Specifications and Options appraisal

- 4.6.10 At the start of any commissioning activity that will require a procurement, the commissioning officer must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identifies at a minimum:
- (a) Why the service is being commissioned; what is the need?
 - (b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can actively participate in the designing, delivery and quality-monitoring of their service.
 - (c) Which social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
 - (d) Alternative options that have been considered.
 - (e) Financial implications
 - (f) Risks associated
- 4.6.11 Decisions must clearly document the procurement options considered and recommendations to be taken forward.

Procurement Thresholds

4.6.12 **Low value contracts/purchases (under £5,000)** – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.

4.6.13 **Medium value contracts/purchases (between £5001 and £75,000)**
No contract with an estimated total cost over £5,000 shall be let, or any purchase of that value made, unless at least three written quotations have been sought from appropriately qualified and competent suppliers.

Formal tender documents must be used outlining the terms of the procurement.

The council's e-tendering portal should normally be used to obtain three quotations; other mechanisms may be used having secured written approval from the commercial services where the value of the contract is very low and/or the contract is of a specialist nature.

For purchases where three appropriately qualified and competent suppliers cannot be identified you must either: advertise the opportunity to all suppliers using the council's e-tendering portal; or, make the purchase via a compliantly let Framework Agreement. Regard should also be given to advertisement of the opportunity within trade journals and other publications as appropriate.

Contracts with an estimated total cost of over £25,000 that are openly advertised must also be advertised on Central Government's Contracts Finder.

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- 4.6.14 High value contracts/purchases (between £75,001 and up to relevant EU Limit)**
Open tendering procedures must be followed.
Formal tender documents must be used to outline the terms of the procurement.
All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal.
- 4.6.15 Above the relevant EU threshold limit (currently £189,330 for goods and services, £4,733,252 for works and £663,540 for light touch regime services)**
Contracts with a value in excess of the relevant EU threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under European law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

Awarding a contract (signature and sealing).

- 4.6.16** Where the scheme of delegation provides the authority:
- (a) assistant directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract or authorise an early contract termination of a contract value up to £500,000
 - (b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority sign a contract or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision
- 4.6.17** Contracts can be signed by the authorised officer as set out in 4.6.16 However contracts must be executed as deeds and are sealed by the council by affixing the common seal. In the event of a dispute, the council can make a claim under the contract for up to 12 years. The following contracts must be sealed:
- (a) contracts above the key decision value – unless agreed otherwise by legal services;
 - (b) new framework agreements;
 - (c) all building and works-related contracts – unless agreed otherwise by legal services;
 - (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
 - (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.
- 4.6.18** Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate

decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.

- 4.6.16 Officers shall ensure that each contract is entered into in accordance with the finance procedure rules.

Exemptions (Waivers)

- 4.6.19 An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value. A lack of time caused by inadequate forward planning is not a cogent reason and will not permit an exemption to the rules.
- 4.6.20 Any exemption requests must evidence options considered in consultation with Commercial Services.
- 4.6.21 Exemption forms shall include options considered and shall be completed by officers. Officers must obtain signatory approval from their assistant director or director in the first instance, the commercial services team and the solicitor to the council or their deputy.
- 4.6.22 Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.
- 4.6.23 An exemption cannot be granted for contracts over the EU threshold unless agreed with legal services that there are no cross-border competition requirements.

Urgent decisions

- 4.6.24 Tenders need not be invited in accordance with the provisions of the council's CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service. Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member. Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.

Training for procurement

- 4.6.4 Where appropriate any officer leading a procurement activity shall be appropriately trained or have experience commensurate with the nature of the procurement activity being undertaken.

Contracts register

- 4.6.5 All contracts over £5,000 are to be entered on the council's contract register by the contract holder in order to comply with the transparency information/code. Contracts and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform work planning.

Section 7 - Financial Procedure Rules (alternative arrangements must obtain chief finance officer approval)

Approving revenue payments – post securing spend authority - with an order ~~(alternative arrangements must obtain chief finance officer approval)~~

Value (before VAT)	Approval level
Up to £25,000	Officers as agreed by the director
Between £25,001 and £100,000	Managers that report to Head of Service (up to and including HC12 pay grade)
Between £100,001 and £250,000	Head of Service (HC13 pay grade)
Between £250,001 and £500,000	Assistant Directors (HoS1 and HoS2 pay grade)
Above £500,001	Directors or chief finance officer (pay in excess of HoS2)

Approving capital payments – post securing spend authority - with an order ~~(alternative arrangements must obtain chief finance officer approval)~~

Value (before VAT)	Approval level
<u>Up to £250,000</u>	<u>Corporate Project Manager and-or the Corporate Capital Programme Manager</u>
<u>Between £25,001 and £100,000</u>	<u>Corporate Project Manager and-or the Corporate Capital Programme Manager</u>
<u>Between £100,001 and £250,000</u>	<u>Corporate Project Manager and-or the Corporate Capital Programme Manager</u>
<u>Between £250,001 and £500,000</u>	<u>Capital Programme Assistant Director or chief finance officer and-or the Corporate Capital Programme Manager</u>
<u>Above Between £500,001 and £1,000,000</u>	<u>Programme Assistant Director or chief finance officer direct reports (being deputy S151 officers and strategic capital finance manager)</u>
<u>Above £1,000,001</u>	<u>Chief finance officer</u>

Approving payments that do not have without an order – for example periodic payments to HMRC and the pension fund ~~(alternative arrangements must obtain chief finance officer approval)~~

Value (before VAT)	Approval level
Up to £500,000	Deputy S151 <u>Direct reports to chief finance officer</u> direct reports (being deputy S151 officers and strategic capital finance manager)
Over £500,001	chief finance officer

Budget movements (revenue virements)

Value	Approval required	Required to obtain consent from
Up to £100,000 – within a directorate	Spend Manager(s)	Finance Manager
Up to £100,000 – across directorates	Director / assistant director or head of service receiving budget	Both directorate finance managers
Between £100,001 & £250,000 – within a directorate	Budget holder	Deputy S151
Between £100,001 & £250,000 – across a directorate	Director / assistant director or head of service receiving budget	Chief finance officer and director / assistant director or head of service reducing budget
Between £250,001 & £500,000 – within a directorate	Director / assistant director or head of service	Chief finance officer <u>officer</u>

Over £250,001 – across directorates	Director and Portfolio holder receiving budget	Chief finance officer, director and Portfolio holder reducing budget
Over £500,001 – within a directorate	Director	Chief finance officer and Portfolio holder
Sales of goods		
<u>Value (before VAT)</u>	<u>Use of reserves to fund spend</u>	<u>Approval level</u>
	<u>Value</u>	<u>Approval required</u>
	<u>All</u>	<u>Chief Finance Officer</u>
		<u>Reported to</u>
		<u>Cabinet</u>

Over £20,001	Chief Finance Officer	Cabinet
Bids for external grant funding		
Value	Approval required	Comment
<u>Up to £5,000</u>	<u>Director</u>	<u>Expected savings to be held centrally</u>
<u>Over £5,001</u>	<u>Management board & relevant Cabinet member</u>	<u>Expected savings to be held centrally</u>
Amendments to the approved capital programme		
Change required	Approval required	Comment
New capital scheme <u>(includes spend funded by S106 agreement where spend incurred before funds received)</u>	Council	Cabinet / Cabinet member <u>or officer</u> report post Council approval required before spend can be incurred
New 100% funded externally scheme	Chief finance officer	
Revenue contributions to capital schemes	Chief finance officer	
<u>Up to £2,000</u>	<u>Director or assistant director</u>	
<u>Between £2,001 and £10,000</u>	<u>Deputy S151 officer</u>	
<u>Over £10,001</u>	<u>Chief finance officer</u>	
Debt write off approval		
Value	Approval required	Reported to
Up to £20,000	Deputy S151	

Introduction

7.1 Procedures

Any organisation with a large financial turnover needs to lay down the procedures to be observed in its financial dealings. Such procedures are especially necessary in the case of a local authority which is limited by legislation in what it is able to do, is subject to statutory audit and must account for its actions and stewardship to the general public.

7.2 Purpose of Financial Procedure Rules

The purpose of these rules is therefore to set out, for the benefit of members, officers and the public, basic financial rules and guidance in order that everyone works to an approved common standard in the financial dealings of the council.

The rules are to be followed post obtaining the necessary decision approval required before incurring expenditure.

They do not over-ride the requirement to observe statute, including European Union Directives, in everyday matters.

These Financial Procedure Rules apply to all areas of the council and should be read in conjunction with the rest of the council's constitution.

7.3 Emergency situations

The provision of these rules does not prevent the council acting through the Chief Executive and director(s) from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or situation relating to Section 138 of the Local Government Act 1972. This is subject to the action being reported as soon as practicable to the appropriate authority.

7.4 Non-compliance with rules

Any non-compliance with these rules will follow the relevant council performance management procedure and may result in disciplinary action being taken, or criminal investigation as appropriate.

7.5 Approval of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer or a nominated representative must approve all financial implications on all decision reports and the relevant implications section of the report template must be completed.

7.6 Approval changes

The Head of Paid Service may agree changes to the approval authority where directors or chief finance officers are either working their notice or employed on an interim basis.

Internal audit and internal control

7.7 Regulations

The Chief Finance Officer or nominated officer shall in accordance with the Accounts and Audit Regulations for the time being in force and future Financial Procedure Rules 4

amendments, arrange for a continuous and current internal audit of all activities of the council.

7.8 Financial irregularities with regard to council functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit and follow the relevant procedures as disclosed in the anti-money laundering, anti-bribery, fraud and corruption and whistleblowing policies (with reference to Treasury Management Practice Statement 9) as necessary.

Treasury management

7.9 Activities of treasury management

All treasury management activities will be carried out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and CrossSectoral Guidance Notes 2017 and the "Treasury Management Policy Statement" as currently approved by the Chief Finance Officer and included in the Treasury Management Policy approved by Council.

Banking Arrangements

7.10 Arrangements with council's bankers

No officer has authority to open a bank account without prior specific written delegation of that authority by the Chief Finance Officer or nominated officer.

7.11 Officer Involvement

Officers must declare an interest and absent themselves from any managerial involvement in any financial matter from which they or their family could directly or indirectly benefit as required in the employee code of conduct.

Revenue Expenditure - Control

7.12 Budgetary Control

Directors and the Chief Executive must ensure, that their Assistant Directors / Heads of Service are managing their budgets, including commitments, appropriately by requiring regular reports are presented to Management Board and their Department Management monthly budget monitoring meetings.

7.13 Role of Directors

Budgets are allocated to Directors to enable them to deliver services approved by Members through the budget setting process. Directors are required to ensure budgets are deployed in accordance with these rules to deliver policies and plans determined by members, and to ensure that

there are processes and procedures in place within their directorates to be compliant with systems of internal control.

Financial Procedure Rules- Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at:

<http://www.opsi.gov.uk/legislation/uk>

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Financial Procedure Rules- Guidance 7

1 Scope of Financial Procedure Rules

The purpose of the finance procedure rules is to ensure that:

- Directors, Assistant Directors and Heads of Service remain within their budget and only spend what they have in their budget;
- Directors, Assistant Directors and Heads of Service maintain adequate commitment records;
- Directors, Assistant Directors and Heads of Service monitor their budgets;
- Where there are any problems with overspend or failure to perform, these problems are reported at the earliest opportunity;
- Directors, Assistant Directors and Heads of Service should have effective reporting arrangements from their budget holders;
- Directors and Assistant Directors should have effective reporting arrangements from their Heads of Service.

2 Approval of Chief Finance Officer or Nominated Officer

Where matters are to be considered by the Management Board that in any way affect the finances of the Council or that require the supply of financial information by the Chief Finance Officer or nominated officer, the Chief Finance Officer or nominated officer must be notified by the Director or Head of Service / Assistant Director (or equivalent) concerned, in sufficient time, to enable the Chief Finance Officer or nominated officer to report.

The Legal Framework

3 Current Regulations

The Statutes and Statutory Instruments and Regulations which currently affect these rules are as follows:

1. The Accounts and Audit Regulations 2015 – Regulation 5 requires the accounting system, the form of its accounts and supporting accounting records to be determined by the responsible Financial Officer who shall ensure that the accounting systems determined by them are observed and that the accounts and supporting records of the body are maintained in accordance with proper practices and kept up to date.

4 Review of the Systems of Internal Control – Regulation 4

Regulation 4 of the Accounts and Audit Regulations 2015 requires the Council to carry out a review of the effectiveness of the system of internal control. The results of this review, contained in the Annual Governance Statement, are considered by the Audit and Governance Committee.

5 Accounting Records - Regulation 5

Regulation 5 of the Accounts and Audit Regulations 2015 also requires that the accounting records required by the Financial Officer will be sufficient to show the Council's transactions and to enable the responsible Financial Officer to ensure that any statement of accounts, income and expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts comply with the Accounts and Audit Regulations 2015.

In particular this means that accounting records must contain:

- a. Entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure or receipts and payments account relate;
- b. a record of the assets and liabilities of the body; and
- c. a record of incoming expenditure of the body in relation to claims made or to be made by them for contribution grant or subsidy from any Minister of the Crown, a body to whom such a Minister may pay sums out of monies provided by Parliament or an European Union Institution.

Regulation 5 requires that the accounting controls systems ensure that the financial transactions of the Council are recorded as soon and as accurately as reasonably possible, that there are measures in place to enable the prevention and detection of inaccuracies and fraud and there is the ability to reconstitute any lost records.

Regulation 5 also requires that the duties of Officers dealing with financial transactions are identified and the division of responsibilities of those Officers are identified in relation to significant transactions and that procedures for uncollectable amounts including bad debts will not be written off except with the approval of a responsible Financial Officer or a member of staff nominated by the responsible Financial Officer.

6 Internal Audit – Regulation 6

Regulation 6 of the Accounts and Audit Regulations 2015 require the Council to carry out an effective internal audit of its accounting records and system of internal control in accordance with “proper practices” in relation to Internal Control. Officers must implement accepted recommendations from internal audit. This is monitored by the Audit and Governance Committee.

7 Local Government Finance Act 1988 – Section 114

The s151 Officer will report to the Council if they have reason to believe that the Council or any part of the Council:

- a. has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
 - b. has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause loss or deficiency on the part of the Authority, or
-
- c. is about to enter an item of account the entry of which is unlawful.

Under Section 114 of the [Local Government Finance Act 1988](#), the s151 Officer will make a report if it appears to them that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Accounting and System Development

8 Accounting Procedures

All accounting procedures and records of the Council and its Officers shall be determined by the Chief Finance Officer or nominated officer in consultation, where necessary, with the appropriate Director or Head of Service / Assistant Director (or equivalent) concerned. Such procedures shall have regard to Section 151 of the Local Government Act 1972 and shall be in accordance with the relevant legislation and guidance for the time being in force and such other statutory provisions which affect the financial affairs of the whole Council or any specific service.

9 Responsibility of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer shall be responsible for the compilation of the main accounting records for the Council. The Chief Finance Officer or nominated officer may from time to time issue written “financial instructions” dealing with detailed procedures to be followed in certain matters. Such instructions shall be issued after consultation with the Director, assistant director or Heads of Service affected.

The Chief Finance Officer or nominated officer shall be responsible for the maintenance of a management information system, the General Ledger.

10 Allocation of Accounting Duties

The following principles shall be observed in the allocation of accounting duties by all employees or consultants engaged by the Council:

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.

- Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Internal Audit and Internal Control

11 Role of Internal Audit

This service is currently provided by the South West Audit Partnership (SWAP). SWAP will assist Directors, Assistant Directors,

Heads of Service and Senior Managers in the effective discharge of their responsibilities by giving assurance on financial and management control systems, identifying weaknesses, giving advice on how to resolve financial and management problems and improve control, investigating suspected irregularities and by undertaking Value for Money (VFM) reviews and management studies.

12 Accounts and Audit Regulations required by the Secretary of State

Any Member or Officer will make available documents relating to financial or other records of the Council which relate to their accounting. Other records, as appear to the Section 151 Officer necessary for the purpose of Internal Audit, will be supplied together with any such information and explanation as the Section 151 Officer considers necessary for that purpose.

13 Powers of Internal Audit (SWAP)

The Chief Finance Officer or nominated officer and all authorised Internal Audit staff are empowered to enter at reasonable times any premises or land owned by or in the control of the Council, if appropriate, and require employees to produce Council property and records under their control.

14 Financial Irregularities with Regard to Council Functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit or follow Anti-money Laundering procedures and Treasury Management Policy Statements as necessary.

Treasury Management

15 Chief Finance Officer Decisions Involving Finance

All chief finance officer recommendations on borrowing, investment or financing is required to act in accordance with the Code and the "Treasury Management Policy Statement".

Banking Arrangements

16 Arrangements with Council's Bankers

All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer or

nominated officer, who is authorised to operate such banking accounts and other electronic transactions as they may consider necessary.

17 Funds Held on Behalf of Others

All funds held on behalf of others (Trust or Private) shall be subject to an annual audit, which shall be undertaken by a suitably qualified person. A copy of all audit reports and the final accounts shall be made available, on request, to Internal Audit for information. In respect of Schools, the audit report and the findings shall be presented to their School Governors.

18 Value Added Tax

The appropriate officers who are responsible for the administration of Trust or Private funds shall be responsible for ensuring that all Value Added Tax is correctly accounted for, and shall have due regard to the treatment of Value Added Tax on donated funds (as detailed in Section 15 of the Local Government Act 1972).

19 Investment

Officers shall be responsible for ensuring that Trust and Private Funds are appropriately invested for the benefit of the fund. Advice as to the most appropriate method of investment will be obtained from the Chief Finance Officer or nominated officer.

Financial Planning ‘Accounting’ and the Budget Process

20 Financial Strategy

The medium term financial strategy will set out the parameters for the budget build process for the coming year in the light of likely grant settlement, service pressures, available balances, and consultation with clients and partners of the Council. The Budget and Policy Framework will be followed and the strategy will be approved by Council.

21 Capital and Revenue Budgets

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Management Board. The Budget and Policy Framework will be approved by Council following recommendation from cabinet.

Where a service area submits a bid for external funding they must have approval from the councils management board made up of directors and the chief executive and the relevant cabinet member prior to submission. Where there is an element of Council revenue or capital match funding identified this must already exist within the revenue budget or capital investment budget programme (or recommended by Cabinet for approval at the next Council meeting to add to the capital investment budget programme). When external grants are awarded and funding covers costs already in the current revenue budgets, the one off savings from these grants should be

vired corporately so the available budget can be used on other priorities, or to top up reserves.

Capital Programme

The Chief Finance Officer will maintain a Capital Strategy to feed into the annual Capital Programme. Directors and their nominated budget holders, in consultation with the Chief Finance Officer or nominated officer, shall jointly prepare for consideration by the Management Board, a draft Capital Investment Budget alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies and timescales determined by the Cabinet. The Budget and Policy Framework, including the Capital Programme, will be approved by Council.

2422 Approval of Estimates

The estimates, once approved by the Council shall become the Council's Revenue Budget and Capital Investment Budget for the next financial year.

Approval of the annual estimates by the Council will confer authority on the Directors, Assistant Directors and Heads of Service of the Council to incur revenue expenditure so provided for the next financial year subject to compliance with the relevant provisions of the Contract Procedure Rules.

Revenue Expenditure - Control

2523 Role of Directors

It is the responsibility of each Director to ensure that the budgets for which they are responsible are used to deliver the Service Plan and are not overspent. Where budget pressures indicate that overspending may occur, then the Director must apply the rules set out under cash limited budgets below.

Directors are responsible for allocating responsibility for managing each cost centre within their service. They must inform the Chief Finance Officer or nominated officer of the allocation and any changes as soon as they occur.

Directors must ensure that their managers who are budget holders are properly trained in budget management and apply adequate budgetary control through local commitment accounting by requiring regular reports from budget holders.

2624 Moving Budgets between Cost Centres

The rules for moving budgets between revenue cost centres (virement) are shown in the table in the financial procedure rules.

The following transfers will not count as virement for these purposes:

- (a) Budget movements which occur as a result of year end procedures

- (b) Transfers of budgets when a whole or part service transfers from one directorate to another as a result of a service restructure or change in line management responsibilities
- (c) Income and expenditure budget changes reflecting additional grants not included in the Council's approved budget
- (d) Transfers arising from changes in legislation
- (e) Any support service recharges (allocation of overheads) for accounting purposes.

Any in year unplanned contributions from reserves will need to be reported in line with the reserves policy; those at year end are considered by Cabinet as part of approving the Council's financial statements. The use of funds in an emergency are set out in the financial procedure rules (Emergency Situations).

2725 Unauthorised Overspend

The unauthorised overspend of a cost centre budget may lead to disciplinary action being taken against the budget holder. The unauthorised overspend overall by a service may lead to disciplinary action being taken against the Head of Service / Assistant Director (or Director).

2826 Monthly Forecasting

The Chief Finance Officer works with the Head of Management Accounts to provide monthly forecasting in accordance with the Directorate / corporate Management Team Meetings. **2927 Cash Limited Budgets**

Budgets are limited to the net annual budget for the relevant service. The Council maintains a general reserve which is to be used in exceptional circumstances where there is an uncontrollable overspend position at the end of the financial year. Therefore, Directors must ensure that they and their budget holders do not overspend their service budgets.

Revenue Expenditure may not be incurred which cannot be met from the amount provided in the revenue budget under the Service for that Head of Service / Assistant Director (or equivalent) to which the expenditure would be charged unless alternative funding sources have been secured or agreed.

The Head of Service / Assistant Director (or equivalent) can present overspend to the relevant Director who can consider whether the overspend can be contained within the overall service grouping. The Director and Head of Service / Assistant Director (or equivalent) will then report to Management Board for consideration and approval.

The CHIEF FINANCE OFFICER must be consulted on overspends. Management Board need to take a view on what is a significant overspend in terms of the overall budget for the Council and anything which they consider significant should be reported to Cabinet. Approval from the CHIEF FINANCE OFFICER will only be given in

exceptional circumstances. In all cases Financial Procedure Rules must be complied with. The approval of the additional expenditure budget may include provision for the repayment of the overspend.

3028 Exceeding Cost Centre Estimate

Directors, excluding interims and those working their notice period, may authorise expenditure which would otherwise exceed the estimate for a cost centre, provided that the expenditure:

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure; • will not constitute Capital Expenditure or result in:
 - (a) a change in the level of service provision; or
 - (b) a commitment to incur expenditure in future years; or
 - (c) a change in policy; or
 - (d) a breach of the Council's Workforce Strategy.
 - is not a virement from a support service recharge code.
-
- is notified in the prescribed form to the Chief Finance Officer or nominated officer who may if they consider that the expenditure is significant, require a report to be submitted to Cabinet.

3129 Carry Forward of Under and Overspends

Genuine provisions for liability as recognised by the Code in force must be accounted for in accordance with this guidance. Where budget holders wish to carry forward any unspent monies into the next financial year, then they must provide a business case (<https://apps.herefordshire.gov.uk/financetoolkit/SitePages/Business%20Case%20templates.aspx>) to the Chief Finance Officer.

These cases will be assessed against the relevant accounting guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Chief Finance Officer.

Overspends are not permitted to be carried forward; all known overspends where no action can take place to rebalance budgets should be corrected via service repayments and approved by the Council when setting the next financial year's budget.

3230 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates. Miscoding expenditure / income distorts the Council's financial information and, therefore, may result in disciplinary action being taken against the Officer responsible.

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer

consistent with the general directions of the Management Board and after consultation with Cabinet.

Journal transfers may only be actioned by the finance support team.

Budget holders may only charge expenditure against budgets for which they are responsible.

3331 Earmarked reserves

When establishing reserves the council needs to ensure that it is complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

A reserve is a budget amount kept to fund a future event.

A provision is recorded as a cost against a cost centre when the council has a present obligation as a result of a past event, it is probable that the cost will be paid to settle the obligation, and a reliable estimate of the value of the cost can be made.

New reserves may be created at any time, but must be approved by The Cabinet member when a reserve is established. The setting,

reporting and reviewing of reserves must be in accordance with the councils reserves policy.

The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed.

The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the Councils earmarked reserves for relevance of propose and adequacy.

Any amendments to earmarked reserves will be reported to the Cabinet ~~for approval~~.

Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another similar purpose earmarked reserve or surrendered to General Reserves.

Capital Expenditure - Control

3432 Council Approval of Capital Investment Budget

Council's approval of the Capital Investment Budget, known as the capital programme, – The Budget and Policy Framework - constitutes allocation of:

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
 - Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the Capital Strategy and Programme.
-
- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility works, new capital schemes and monitoring of those schemes.

3533 Variations to the Approved Capital Strategy and Programme

The Council's Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is agreed by Council. External grant funded schemes can be approved by the CHIEF FINANCE OFFICER, the rules for capital budgets are shown in the table in the financial procedure rules.

3634 Other Additional Expenditure Requests

Any other additions to capital budgets outside the agreed Budget and Policy Framework must be approved by Council.

3735 Official Orders

Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments (rent + rates), petty cash purchases, or such exceptions as the Chief Finance Officer or nominated Officer may approve. Orders must clearly state the quantity of the goods and nature of the work or services and whether covered by contract or an agreed price and discounts specified therein or an estimated value.

In line with the Councils no PO no pay, no payment will be made to suppliers without a purchase order having been raised. Unless payment falls within the procurement card policy.

3836 Raising a Purchase Requisition

The Head of Service / Assistant Director (or equivalent) shall nominate those Officers eligible to raise Purchase Requisitions on the Council's financial system. The Finance system converts the Purchase Requisition into a Purchase Order upon the approval of the Budget Holder or nominated Authorising Officer.

3937 Placing an Order

Unless the service has a budget an order should not be placed. Placing an order commits the Council to spending the money.

All official orders for goods and services must be raised using the Council's Financial System. Exceptions to this requirement require written approval from the Chief Finance Officer or nominated Officer. Purchases made using a Corporate Procurement Card do not require a purchase order. Requirements for use of the Corporate Procurement Card are contained within the Corporate Procurement Card Policy and should also be adhered to at all times. The Council's Finance system will generate the appropriate commitment accounting record of outstanding orders. Verbal orders must not be made except as a matter of genuine urgency and must be confirmed immediately with a written order produced through the Council's Finance System.

Other than in cases of genuine emergency, no supplier shall be asked to provide goods or services before a purchase order has been issued to them.

4038 Regular Periodic Payments

Any circumstances causing the cessation or variation of a regular periodical payment must be notified immediately to the Payments Manager.

4139 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Director. Nominations shall be set up by submitting an authorised signatory form in the financial system which will workflow for the relevant approval before the roles are allocated.

Orders can be approved in line with the approval limits detailed in the financial procedure rules.

Goods properly supplied or work done without an official order due to a genuine emergency must be covered as soon as possible by a confirmation order.

Whenever practicable the duties of requisitioning goods or services and the subsequent confirmation of their receipt (goods received note process) shall not be performed by the Officer authorising the Order.

Each Head of Service / Assistant Director (or equivalent) shall be responsible for all orders issued from their Service.

4240 Goods Received Process

The Head of Service / Assistant Director (or equivalent) or Delegated Officer shall ensure that the Corporate Finance System is promptly updated when goods or services are received. Before completing the Goods Received Note process the verifying Officer shall, save to the extent that the Chief Finance Officer or nominated Officer may otherwise determine, be satisfied:

- that the goods have been duly received examined and approved as being in accordance with the specification or match the official order and are satisfactory;
- that the works done or services rendered have been satisfactorily carried out and that, where applicable, the materials used were of the requisite standard;
- that the proper entries have been made in the inventories or stores records, where appropriate;
- that the Council's purchasing guidance has been followed.

Payment of Accounts

4341 Payment of Invoices

It is the Council's policy to pay all invoices within 30 days of invoice date. It is therefore the responsibility of all staff to assist the Payments Team in ensuring invoices can be processed for payment

as soon as possible through full compliance with all the relevant financial procedures.

4442 Other Payment Requests

Payment requests shall be prepared in accordance with the format determined by the Chief Finance Officer or nominated Officer who if satisfied, shall process and pay in accordance with a timetable prepared by them.

4543 Destination of Invoices

Invoices for payment must be sent in the first instance to the Payments Team in Plough Lane.

4644 Amendments and Deletions

Amendments to or deletions from an invoice must only be made in exceptional circumstances and must be authorised by the Chief Finance Officer or nominated officer. Where changes are required they must be made in ink of a distinctive colour and initialled by, or on behalf of the Head of Service / Assistant Director (or equivalent), and the reasons, if not obvious, briefly stated on the invoice. No

alterations to a Value Added Tax invoice may be made but a new invoice or credit note must be sought from the supplier. To avoid the possibility of duplicate payments photocopies or faxes are not accepted as valid invoices except in emergencies.

4745 Payment of Invoices

The Chief Finance Officer or nominated officer shall pay all invoices and other payment requests which they are satisfied are in order, apart from petty cash imprest accounts or Local Bank Accounts.

The Chief Finance Officer shall ensure that appropriate arrangements are in place for ensuring that invoices received by the Payments Team are matched against official orders. Payment of invoices shall only be made when:

- the ordering Service has confirmed that the goods have been duly received, examined and approved;
- the prices are in accordance with the order;
- the payment is in accordance with Council Policy and legally payable;
- the account is correct, and that VAT is properly accounted for where appropriate;
- the item has not been previously passed for payment and is a proper liability of the Council.

The normal method of payment of money due from the Council shall be by cheque, electronic transfer or other instrument drawn on the Council's bank account by the Chief Finance Officer or nominated officer. Alternatively credit cards are used to pay for goods, these transactions are uploaded onto the financial system and payment made to the card supplier in the normal process.

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on line.

Directors shall provide the CHIEF FINANCE OFFICER with a list of authorised officers showing their signing levels as specified below, with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

Authorisation limits are shown in the financial procedure rules.

4846 Examination of Accounts

The Chief Finance Officer or nominated officer may at their discretion examine the verified accounts passed for payment, as to their compliance with the minutes and Council regulations, contracts,

accepted tenders or other authorities and for this purpose shall be entitled to receive such information and explanation as may be required.

Local Bank Accounts - Imprest / Petty Cash Accounts

4947 Imprest / Petty Cash Advances

The Chief Finance Officer or nominated officer will provide imprests and petty cash advances, where appropriate, to Officers for the purpose of defraying expenses. A receipt shall be signed in respect of each advance by the Officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of floats issued to Officers.

5048 Changes to Officers

Any changes to Officers responsible must be immediately notified to the Chief Finance Officer or nominated officer. An outgoing imprest holder must reconcile the imprest to the total amount held, whilst the incoming responsible Officer should satisfy themselves that all is in order before accepting responsibility for the imprest.

5149 Disbursements

Vouchers for disbursements must be obtained, and attached to claims for reimbursement. Claims must be properly certified and forwarded for payment to the Payments Team at specified intervals, normally not exceeding one month. **5250 Security of Cash**

Heads of Service are responsible for ensuring that all cash is kept in a safe and secure place and that bank accounts are reconciled on a regular basis, not less than monthly. A bank statement must be received at least monthly for all imprest bank accounts.

5351 Use of Imprest Accounts

Imprest accounts can be used for amounts agreed by the Chief Finance Officer or nominated officer:

-
- to pay for local purchases by cheque at the time of collection or delivery;
 - to secure discounts or take advantage of special offers;
 - to reimburse staff who have purchased small value items directly; All such payments must be supported by VAT invoices or receipts.

5452 Use of Imprest Funds

Imprest funds must never be used to pay salaries, wages, or other employee expenses i.e., travel/subsistence and removal/relocation expenses, without the specific approval of the Chief Finance Officer or nominated officer. Such payments may attract liability to Income Tax or National Insurance contributions and must therefore be made via the payroll system.

5553 Examination of Local Bank Accounts

The Chief Finance Officer or nominated officer may at their discretion examine and reconcile Local Bank Accounts and for this purpose shall be entitled to receive such information and explanation as may be required.

54 54 Partnership Arrangements ~~ARTNERSHIP ARRANGEMENTS~~

Where it is intended that the Council should enter into a partnership arrangement to further the delivery of Council policy and/or services, this must comply with the council's framework for partnership governance and a supporting assurance self-assessment process must be completed.

The Council's Partnership Governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, and in all cases where the Council's financial contribution to the partnership exceeds £100,000 per annum, including any grant or external funding for which the Council would act as Accountable Body, a full assessment must be carried out using the self-assessment process.

Income

5655 Collection of Monies

The framework and regulation of the collection of all monies due to the Council shall be subject to the approval of the Chief Finance Officer or nominated officer and shall comply with these Financial Procedure Rules.

The general ledger shall be updated promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer or nominated officer shall have the right to inspect any documents or other evidence in this connection as they may decide.

5756 Invoicing for Sums Due

Each Head of Service / Assistant Director (or equivalent) shall establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

5857 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council shall contain a statement that payment must be made direct to the Chief Finance Officer or nominated officer and that cheques, money

orders, and postal orders should be made payable to Herefordshire Council.

All cheques, money orders and postal orders received in any Service Unit shall be crossed "Herefordshire Council". Personal Cheques must not be cashed out of the money held on behalf of the Council.

Our preferred payment method is though utilising the Bankers Clearing Automated System (BACS)

5958 Introduction of New Electronic Payment Facility

The Chief Finance Officer or nominated officer shall be consulted at an early stage on any proposals to introduce a new electronic payment facility. No such facility shall go live without the specific authorisation of the Chief Finance Officer or nominated officer.

The Council prohibits the use of any PayPal or any similar electronic payment facilities (unless specific authority has been obtained).

6059 Payment into Council Account

All monies received by an Officer on behalf of the Council shall, without delay, be paid to the Chief Finance Officer or nominated officer. No deduction may be made from such money save to the extent that the Chief Finance Officer or nominated officer may specifically authorise.

Officers who bank money shall enter on the paying in slip and on the reverse of each cheque a reference to the related debt (receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

The name of the originating Service/Section shall be recorded on the paying in slip.

6160 Issue of Receipts

Every sum received by a cashier or other Officer of the Council shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in the case of cheques other arrangements may only be established with the express approval of the Chief Finance Officer or nominated officer.

All official receipts, tickets, books and other cash tokens shall, except by special arrangements approved by the Chief Finance Officer, be controlled and issued by the Chief Finance Officer or nominated officer, who shall keep a register of their receipt and issue.

Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

6261 Recording Receipt of Monies

Each Officer who receives monies on behalf of the Council, or for which they are accountable to the Council, shall keep records in a form approved by the Chief Finance Officer or nominated officer.

6362 Transfer of Monies

Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

Grants and External Funding~~GRANTS AND EXTERNAL FUNDING~~

Authorisation to submit a bid for grant or other external funding, or accept an offer of such funding, must be obtained in advance of bid documents or acceptance documents being signed. This includes a situation where the Council intends to act as Accountable Body in respect of partnership funding, in which case authorisation to accept this Accountable Body status must also be obtained.

The Chief Finance Officer shall be consulted on, and certify if necessary, any application for grant or external funding.

The Chief Finance Officer shall:

(i) agree the terms and conditions of all grant offers made to the Council, and

(ii) accept such grant offers and sign appropriate documentation on behalf of the Council.

Where the application for grant, or other external funding, is being made on behalf of a partnership, for which the Council will take on the Accountable Body role, the Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and the Solicitor to the Council, shall agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the Council.

The Chief Finance Officer shall be responsible for the completion, authorisation and submission of any grant or external funding claim forms to the relevant organisation(s) and, if necessary, the Internal or External Auditor, in accordance with any guidelines applicable to the claim(s) in question.

Director(s) shall ensure that records are retained to enable **audit requirements to be met** and provide explanations, as necessary, for any matters raised **during the audit.**

Developer Contributions S106

Developer contributions continue to support investment need associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risk to the Council

that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

Write-Offs - Income

6463 Discharge of Debts

No debt due to the Council, after it has been correctly established, shall be discharged otherwise than by payment in full or by the writing-off of the debt or the unpaid portion of it, on the authority of the Chief Finance Officer or nominated officer where either:

- (a) the debt is not enforceable or that attempted recovery is likely to involve expensive litigation with limited hope of success; or
- (b) the cost of recovery would be disproportionate to the amount involved.

6564 Written-off Debts

The approval limits for debt write offs are set out in the financial procedure rules.

Budget Holders will be provided with details of those debts where write off is appropriate. Such details are to include information on recovery action already taken.

In exceptional circumstances Corporate Finance may recommend to the CHIEF FINANCE OFFICER that a debt should not be written off to the service budget but will be written off corporately.

Charging for Services

6665 Review of Service Charges

As per Fees and Charges Policy

<http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=2243>

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6766 Unmet Estimates

Where it appears that income targets as set out in the Council's estimates will not be met then the Head of Service / Assistant Director (or equivalent) shall either meet the shortfall from within the service budgets or apply for an additional budget.

Salaries and Wages

6867 Responsibility for Payments to Employees

The Chief Finance Officer shall be responsible for making arrangements for the payment of all salaries, wages, pensions and other payments to all current and former employees of the Council.

Travelling and Subsistence

6968 Claims for Payment

All claims for payment of officer car allowances, subsistence allowances, travelling and incidental expenses shall be made through Business World

Officer's claims should be submitted promptly at the end of each month in which the journeys were made or the expenses incurred. The Chief Finance Officer or nominated officer may refuse to make payment of claims over 2 month old.

Stocks / Stores

7069 Responsibility for Stocks

Each Head of Service / Assistant Director (or equivalent) shall ensure:

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the number of slow moving items and disposing of obsolete stock items;
- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer ;
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

7170 Surplus or Deficiency

Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Chief Finance Officer shall be advised and disciplinary action taken where necessary.

7271 Checking of Stock

The Chief Finance Officer or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

Disposal of Surplus or Obsolete Goods, Plant and Stocks

7372 Authorisation for Disposal

Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £2,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Director or Assistant Director. Where the value is between £2,001 and £10,000 the authorisation of the Deputy S151 Officer or nominated officer must also be obtained. Where the value exceeds £10,000, authorisation from the Chief Finance Officer must be obtained.

In relation to inventory items (e.g. IT equipment etc.) all items surplus to requirements should, in the first instance, be offered to other Council departments, schools etc. prior to being disposed of.

7473 Sale of Stock

Sale must be effected by public tender except when, in the opinion of the appropriate Head of Service / Assistant Director (or equivalent) concerned and the Chief Finance Officer or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

7574 Recording Disposal

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

7675 Income from Disposal

Income from disposals shall be credited to the cost centre unless a capital receipt. Capital receipts are sales of assets recorded on the asset register in excess of £10,000, either individually or cumulative. These are credited to the capital receipts reserve and used to fund the capital investment budget.

7776 VAT

Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Chief Finance Officer or nominated officer should be contacted if clarification of the VAT position is required.

77 Voluntary funds

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified

purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

77.1 The Chief Finance Officer shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

77.2 Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports.

77.3 Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and examined annually by a competent person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the Chief Finance Officer immediately after the examination. The Chief Finance Officer shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

Insurance

7877 Responsibility for Insurance

The Chief Finance Officer or nominated officer is responsible for the arrangement of risk funding on advice from Internal Audit. The administration and resolution of all losses is the responsibility of the nominated officer in consultation with other Officers where necessary by reporting to the Chief Finance Officer or nominated officer.

7978 Record of Insurances

The Chief Finance Officer will keep a permanent record of all insurances, risks covered, premiums paid and of all self-funded risks and losses paid. This includes third parties arranging insurance where the Council has an insurable interest. Documents to be permanently retained must include policy schedules and all liability insurance certificates for every period of insurance. Such responsibilities may be delegated to the nominated officer. **8079 Incident / Accident Reporting**

Every event with the potential to give rise to a financial loss, or involving injury to a member of staff, an elected Councillor or client of the Council, must be reported in accordance to the Health & Safety Arrangements Policy.

8180 Review of Risk Financing Arrangements

The Chief Finance Officer or nominated officer and Internal Auditor shall annually review the Council's risk financing arrangements and look at adequacy of provision in the light of changes in the environment including new legislation, imposed or contractual responsibilities, legal precedent, newly identified and quantified risks, or other concerns identified.

8281 Consultation

Before any indemnity requested from the Council is provided, the Head of Service / Assistant Director (or equivalent) responsible shall

obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

Security

8382 Responsibility for Security

All Heads of Services are responsible for maintaining proper security at all times for all information, buildings, stocks, stores, furniture, equipment and cash under their control. They should report to Facilities Management where they consider security is thought to be defective or where they consider special arrangements are needed.

Appropriate security controls for all assets shall be identified by the risk assessment process and by referring to security standards and procedures. Arrangements shall be agreed as above.

Maximum limits for cash holdings shall be identified by the risk assessment process and agreed with the Chief Finance Officer or nominated officer and shall not be exceeded without permission.

Key holders for safes and similar security receptacles are to be agreed by each Head of Service / Assistant Director (or equivalent) in conjunction with the Chief Finance Officer or nominated officer. The loss of keys shall be reported immediately using the security incident reporting procedures.

8483 Data Protection Legislation

The Chief Executive in conjunction with the Chief Operating Officer (Hoople Ltd) and Corporate Support, and in consultation with Heads of Service and the Data Controller, will ensure that all computer systems and written records, (including those in the possession of elected Councillors) which store sensitive personal data are operated in accordance with the Council's Data Protection Policy, Data Protection legislation, and that proper security and confidentiality is maintained.

84 84 Anti money laundering, bribery and corruption

All staff must have regard to the Council's Anti-Money Laundering Policy and Anti Bribery and Corruption Policy. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £5,000 or more of cash to the Money Laundering Officer (the Head of Corporate Finance); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Officer.

Staff should also have regard to the Council's Gifts and Hospitality Protocol. All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.

Estates

85 Responsibility of Directors in Relation to Asset Register

The CHIEF FINANCE OFFICER or nominated officer will maintain an asset register of all land and properties owned by the Council recording the purpose for which the property is held, the location, extent and plan reference(s), purchase details where available, details of interest and rents payable and particulars of tenancies of other interests granted. This register is also updated by the assets team as appropriate.

All changes to the asset register must be communicated through business world.

The Chief Finance Officer is responsible for producing an Asset Management Plan which is approved at Full Council as part of the Capital Strategy in line with the Budget and Policy Framework.

86 Valuation of Assets

The Chief Finance Officer or nominated officer shall ensure that all assets are valued (reinstatement and open market valuation) for capital accounting purposes in accordance with the latest CIPFA code.

87 Notification of Purchase or Disposal of land and / or buildings

Any purchases or disposals of property must be actioned on Business World (including requiring a valuation prior to disposal).

Section 6 - Contract Procedure Rules

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
Low value Below £5,000	Best value must be demonstrated	None required and the procurement process can be undertaken outside of the council's e-tendering portal	Director's delegated authority under Scheme of Delegation	Officers as authorised by the Director up to £25,000. Managers who report to heads of service may authorise payments up to £100,000
Medium Value £5,001 to £7575,000	Minimum 3 competitive quotes sought from appropriately qualified and competent suppliers. Where 3 suppliers cannot be identified, the opportunity must be openly advertised or make the purchase via a compliantly let framework agreement.	None required if obtaining 3 quotes directly. The procurement process should normally be undertaken utilising the council's e-tender portal, or another method which has been determined as more appropriate with the written consent of the relevant procurement category manager <u>the Commercial Services Team</u> . Where advertising the opportunity to all suppliers, the opportunity should be advertised and undertaken, utilising the council's e-tendering portal The opportunity should also be advertised using : <ul style="list-style-type: none"> • trade journals and other publications if appropriate (recommended); • Central Government's Contracts Finder when over £25,000 (mandatory). • make the purchase via a compliantly let <u>FrameworkUmbrella</u> Agreement. 	<u>No decision report is required for procurement under £50,000. Officers must be able to evidence compliance with Contract Procedure Rules and Finance Procedure Rules</u>	Heads of service (as defined by head of service pay grades) may authorise payments up to £250,000 Assistant directors (as defined by assistant director pay grade) may authorise procurement activity up to £500,000

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)	
<p>High Value £7575,001 to: <ul style="list-style-type: none"> • £1894,330_2 (goods and services) <li style="padding-left: 20px;">• £4,733,252 £4,551,413 (works) <ul style="list-style-type: none"> • £663,540 £615,278 (light touch regime <u>for health/ social services</u>) </p>	<p>Open tendering procedures must be followed.</p>	<p><i>*Note: framework agreements must have more than one supplier.</i></p> <p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using :</p> <ul style="list-style-type: none"> • trade journals and other publications if appropriate (recommended); and, • Central Government's Contracts Finder (mandatory); or, • make the purchase via a compliantly let <u>Umbrella-Framework Agreement</u>. <p><i>*Note: framework agreements must have more than one supplier.</i></p>	<p><u>Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.</u></p>	<p><u>Directors must authorise all payments in excess of £500,000</u> Operational decisions-Only <u>assistant director or above are authorised to award and sign a contract.</u></p> <p>Key Decisions:</p> <p><u>Only assistant director or above are authorised to award and sign a contract, subject to approval or specific delegation by cabinet/cabinet member.</u></p>	
<p>EU Tenders. Over: <ul style="list-style-type: none"> • <u>£189,330 (goods and services)</u> • <u>£4,733,252 (works)</u> £ <ul style="list-style-type: none"> • <u>663,540 (light touch regime for</u> </p>	<p>Use EU compliant procedures</p>	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using :</p> <ul style="list-style-type: none"> • OJEU advert (mandatory); and, • Central Government's Contracts Finder (mandatory); or, • make the purchase via a compliantly let <u>FrameworkUmbrella Agreement</u>. <p><i>*Note: framework agreements must have more than one supplier.</i></p>			<p>All amounts exclude VAT.</p>

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<p>health/ social services) £181,302 (goods and services) £4,551,413 (works) £615,278 (light touch regime services)</p>				<p>The following must be sealed by the council: contracts above the key decision value (£500,000); all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.</p>
<p><u>Umbrella Framework Agreements</u></p>	<p><u>New framework</u> Use one of the above procedures relative to the framework value.</p>	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:</p> <ul style="list-style-type: none"> • OJEU advert (where above EU threshold); and, • Central Government's Contracts Finder (mandatory); or, • make the purchase via a compliantly let Framework Agreement. You must follow the procedure set out in the framework agreement for direct awards and mini competitions 		<p>New frameworks must be sealed by the council</p>

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- 4.6.1 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These Contract Procedure Rules (CPRs) are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.2 The council is also subject to EU law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with EU law.
- 4.6.3 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.4 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value.
- 4.6.5 The CPRs do not apply to:
- (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this does not apply to any external professional services linked to the purchase or sale.
 - (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
 - (c) Grant agreements, where the council is giving an unconditional grant.
 - (d) Sponsorship agreements regulated by the sponsorship rules.
 - (e) Supply of Works, Goods and Services **by** the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
 - (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
 - (g) Litigation advice and services

4.6.6 ~~4.6.6~~ — Authority to conduct procurement activity.

The authority for an officer to undertake;

- (a) ~~A~~a procurement;
- (b) award a contract;
- (c) extend or vary a contract;
- (e) terminate a contract during a contract period (early contract termination).
- (d)

is provided by either of the following;

- ~~(a)~~
- (a) scheme of delegation either as an operational or non-key executive decision,
- (b) any key executive decision for example through a Cabinet or Cabinet member decision.

Operational or non-key executive decisions

4.6.7 Where the scheme of delegation provides the authority and in accordance with financial procedure rules:

- (a) officers as agreed by the director may authorise commencement of a procurement activity or commencement of a ~~activity~~, contract award /-variation activity for total aggregate contract value up to £225,000
- (b) managers who report to heads of service may authorise commencement of a procurement activity ~~activity~~ or commencement of a contract variation activity for total aggregate contract value up to £100,000, ~~contract award /-variation up to £100,000.~~
- (c) heads of service (as defined by head of service pay grades) may authorise commencement of a procurement activity, ~~or commencement of a contract variation activity for total aggregate contract value up to £250,000 ~~contract award /-variation activity up to £250,000.~~~~
- (d) assistant directors, directors or the chief executive (as defined by the requisite pay assistant director pay grade) may authorise commencement of a procurement activity ~~activity~~, or commencement of a contract variation activity for total aggregate contract value up to £500,000 ~~contract award /-variation up to £500,000~~
- (e) ~~directors or the chief executive must authorise~~ Commencement of all procurement activity, or contract ~~contract award /-variation for a contract~~ in excess of £500,000 must be authorised by directors or the chief executive (as defined by the requisite pay grade).

4.6.8 Where an award or variation of contract is above £50k, there is a requirement to publish the decision. Additionally, a decision must be sought for:

- (a) Procurement of contracts jointly with one or more other contracting authorities
- (b) Contract variations of medium, high and above EU threshold value contracts
- (c) Extension of contracts where not incorporated as part of the original contract agreement.
- (d) Price increases in contracts where the proposed price increase is either:
 - Above that provided for in the contract; or
 - Above inflation (consumer price index (CPI))

Key Executive Decisions

~~4.6.7~~4.6.9 ~~Where the authority is from a key decision taken the scope of the authority will be set out in the decision. Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a recommendation in the decision and procurement options considered must be documented as element of the report.~~

Specifications and Options appraisal

~~4.6.8~~ ~~Where an awarded or extension of contract is above £50k, there is a requirement to publish the decision. Additionally, a decision must be sought for:~~

- ~~(a) Procurement of contracts jointly with one or more other contracting authorities~~
- ~~(b) Contract variations of medium, high and above EU threshold value contracts~~
- ~~(c) Extension of contracts where not incorporated as part of the original contract agreement.~~
- ~~(d) Price increases in contracts where the proposed price increase is either:
 - Above that provided for in the contract; or
 - Above inflation (consumer price index (CPI))~~

~~4.6.9~~4.6.10 ~~At the start of any commissioning activity that will require a procurement, the commissioning officers must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identify as a minimum:~~

- ~~(a) Why is the service is being commissioned; what is the need?~~
- ~~(b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can actively participate in the designing, delivery and quality-monitoring of their service.~~
- ~~(a)(c) Which social value outcomes will be need to be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.~~
- ~~(d) Alternative options that have been considered.~~
- ~~(e) Financial implications~~
- ~~(f) Risks associated~~

~~4.6.11~~ ~~Decisions must clearly document the procurement options considered and recommendations to be taken forward.~~

Procurement Thresholds

~~4.6.10~~4.6.12 ~~Low value contracts/purchases (under £5,000) – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.~~

~~4.6.114.6.13~~ ~~4.6.11~~ **Medium value contracts/purchases (between £5001 and £7575,000)**

No contract with an estimated total cost over £5,000 shall be let, or any purchase of that value made, unless at least three written quotations have been sought from appropriately qualified and competent suppliers.

Formal tender documents must be used outlining the terms of the procurement.

The council's e-tendering portal should normally be used to obtain three quotations; other mechanisms may be used having secured written approval from the ~~relevant commercial team~~ Category Manager ~~commercial services~~ where the value of the contract is very low and/or the contract is of a specialist nature.

-For purchases where three appropriately qualified and competent suppliers cannot be identified you must either: advertise the opportunity to all suppliers using the council's e-tendering portal; or, make the purchase via a compliantly let Framework Agreement. Regard should also be given to advertisement of the opportunity within trade journals and other publications as appropriate.

Contracts with an estimated total cost of over £25,000 that are openly advertised) must also be advertised on Central Government's Contracts Finder.

~~4.6.124.6.14~~ ~~4.6.12~~ **High value contracts/purchases (between £75,75001 and up to relevant EU Limit)**

Open tendering procedures must be followed.

Formal tender documents must be used to outline the terms of the procurement.

All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal.

~~4.6.134.6.15~~ ~~4.6.13~~ **Above the relevant EU threshold limit (currently ~~££189,330~~ ~~181,302~~ for goods and services, ~~£4,733,252~~ ~~£4,551,413~~ for works and ~~£663,540~~ ~~£615,278~~ for light touch regime services)**

Contracts with a value in excess of the relevant EU threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and ~~the~~ the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under European law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

~~4.6.14~~ **Awarding a contract (signature and sealing).**

~~4.6.16~~ Where the scheme of delegation provides the authority:

(a) assistant directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract or authorise an early contract termination of a contract value up to £500,000

(b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority sign a contract or authorise an early contract

termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision

~~4.6.14~~4.6.17 Contracts can be signed by the authorized officer as set out in 4.6.16~~4.6.16~~4.6.15 ~~4.6.7~~ However contracts must be executed as deeds and are sealed by the council by affixing the common seal. In the event of a dispute, the council can make a claim under the contract for up to 12 years. The following contracts must be sealed:

- (a) contracts above the key decision value – unless agreed otherwise by legal services;
- (b) new framework agreements;
- (c) all building and works-related contracts – unless agreed otherwise by legal services;
- (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
- (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.

~~4.6.14~~4.6.18 Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.

4.6.16 ~~The commissioning officer is to~~Officers shall ensure that each contract is entered into ~~by an officer~~ in accordance with the finance procedure rules.

Exemptions (Waivers)

~~4.6.14~~ ~~from the council's contract procedure rules.~~

~~4.6.15~~4.6.19 An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value. A lack of time caused by inadequate forward planning is not a cogent reason and will not permit an exemption to the rules.

~~4.6.16~~ ~~4.6.18~~ ~~Blanket waivers may be approved in certain situations where the normal process to be followed is considered inappropriate. Such waivers must be fully supported with justifiable reasons and will only remain in force for one year from the date of approval.~~

4.6.20 Any exemption requests must evidence options considered in consultation with Commercial Services.

~~4.6.21 The normal procedure for the completion of exemption forms shall include options considered and shall be completed by officers. Officers must obtain signatory approval is for the responsible officer to obtain the signature of from their assistant director or director on the form to demonstrate their approval of the request in the first instance, and then forward the form to the commercial services team who, if satisfied, will forward and to the solicitor to the council or their deputy/ deputy for final approval and signature and retain a register of all approved exemptions.~~

~~4.6.22 Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.~~

~~4.6.23 An exemption cannot be granted for contracts over the EU threshold unless agreed with legal services that there are no cross-border competition requirements.~~

Urgent decisions

~~4.6.17~~ ~~4.6.24~~ ~~4.6.20~~ Tenders need not be invited in accordance with the provisions of the council's CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service. Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member. Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.

~~4.6.21 — An exemption cannot be granted for contracts over the EU threshold unless agreed with legal services that there are no cross-border competition requirements.~~

Training for procurement

~~4.6.4 Where appropriate any officer leading a procurement activity shall be appropriately trained or have experience commensurate with the nature of the procurement activity being undertaken.~~

~~4.6.22 — Contracts register~~

~~4.6.44~~ ~~4.6.5~~ — All contracts over £5,000 are to be entered on the council's contract register by the contract holder in order to comply with the transparency information/code. Contracts and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform work planning.



Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	NMiTE progress report
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To enable the committee to provide assurance on the adequacy with regards to the risk framework on the measures the council is taking as the accountable body for the new model in technology & engineering (NMiTE) and the milestone payments from the Department for Education (DfE).

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) **having regard to the further assurance provided and actions proposed to mitigate any risks, the committee determine any recommendations it wishes to make to secure greater assurance.**

Alternative options

1. There are no alternative recommendations; it is a function of the committee to consider if the measures taken meet the risk management framework.

Key considerations

2. On the 14 of December 2017 Cabinet agreed that the Council would act as the accountable body for public funding allocated to create the new Higher Education organisation run by, NMiTE.
3. Accountable body status means that the council will be accountable for public funding allocated to the NMiTE project by Government. The council will receive funds from Government, for onward transmission to NMiTE, ensuring those funds are allocated and spent in accordance with any conditions specified and providing reports on the expenditure.
4. The purpose of the agreement between the Council and NMiTE is to enable compliance with the terms of the grant determinations set by the Department of Education to enable the milestone payments to be passed to NMiTE. Each year a range of Milestones are agreed between the Department of Education and NMiTE, these include a range of financial and non-financial measures. As part of this agreement process the Department of Education confirm how progress is to be measured.
5. On the 13 December 2017 general scrutiny committee examined the proposal for council to act as the accountable body for the NMiTE project.
6. During the spring and summer of 2019 NMiTE reviewed and recast its business case and in October 2019 this revised business plan was agreed by the NMiTE board, this is a key requirement of the Department of Education.
7. The inspections to evaluate the progress of NMiTE in meeting the required standards for the course accreditation and for NMiTE's registration with the office for students went ahead in October and November 2019 as scheduled. The feedback from NMiTE is that these inspections went well and a range of follow up inspections are being scheduled for March and April 2020.
8. NMiTE have commenced providing a range of Continuous Professional Development (CPD) courses for a range of organisations and individuals, this is providing an income stream in line with the expectations is the revised business case and budget.

9. In terms of the ongoing payments to subcontractors, NMiTE have strengthened its governance arrangements including the appointment of a dedicated company secretary, the council has sought clarity and guidance from the Department of Education in respect of the treatment of the engagement and subsequent payment of subcontractors by NMiTE.
10. The Department of Education have indicated that they will be in position to agree the milestone targets with NMiTE that will apply for the next tranche of grant funding by the middle of February 2020. The agreement of the milestones will enable Department of Education to release the final tranche of grant by the end of March 2020.

Community impact

11. Acting as the accountable body is helping the establishment of NMiTE which supports the councils corporate plan priorities of giving young people a great start in life and support the growth of our economy.
12. The opportunity of attending a new university in Hereford could also help to promote the life chances of those children we, as the council, are parents to.
13. In accordance with the councils code of corporate governance effective financial management and risk management is an important element of the overall performance management system.

Equality duty

14. 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.
15. 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. This decision supports the council in fulfilling its duty as it provides assurance to the audit and governance committee that Equality issues are considered in the decision making process.

Resource implications

16. No council funds will be payable to NMiTE, however the management of the flow of funds between the accountable body and NMiTE and the discharging of the obligations of the being and accountable body requires resourcing. The staffing is provided through current

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

resources. The cost of resourcing the additional operational tasks are financed from a share of the grant allocation.

Legal implications

15. There are no legal implications from this update.

Risk management

16. Ultimately the DfE could require the council to repay the grant funding that it has received and which has been paid to NMiTE. Whilst this obligation will also be passed down to NMiTE through the flow down agreement, it is possible that NMiTE would not be able to make any required repayment, which would therefore leave the council out of pocket. The risk of any clawback is being managed / mitigated by ensuring compliance with the grant funding terms through the monitoring and reporting obligations that are in place. The Department of Education are satisfied that all of the milestones have been met for the two grant payments made by them and have indicated that they are not seeking to recover any grant, therefore the risk is currently nil.
17. As mentioned in the report the Department of Education are currently considering the milestones it will require NMiTE to reach for the third and final tranche of grant due to be paid in March 2020.
18. These risks are identified and monitored by the section 151 officer within the corporate risk register.

Consultees

19. None.

Background papers

None identified.

Please include a glossary of terms, abbreviations and acronyms used in this report.

NMiTE	New Model Institute for Technology and Engineering
DfE	Department for Education
CPD	Continuous Professional Development



Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Procedure for dealing with questions at Scrutiny Committees and Cabinet
Report by:	Solicitor to the Council

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To review the procedure in connection with questions to scrutiny committees and cabinet and, if necessary, make recommendations to Council to amend the Constitution

The changes are sought to enable increased participation of the public and councillors in asking questions at scrutiny and cabinet.

Recommendation(s)

That:

- (a) the committee determine its preferred option, as set out in paragraphs 3 and 5, regarding amendments to the process for public and member questions at scrutiny and the deadline for cabinet questions with implementation with effect from the council meeting on 14 February 2020;
- (b) authority be delegated to the solicitor to the council to make technical amendments (grammatical, formatting, and consistency) necessary to finalise the revised constitution;

Alternative options

Further information on the subject of this report is available from
 Claire Ward, Tel: 01432 260657, email: Claire.Ward@herefordshire.gov.uk

1. There are a number of options open to the committee regarding improving the process of public and member questions at scrutiny. It is also open to the committee to retain the current system.

Key considerations

2. At the last committee meeting consideration was given to improving public and member engagement at scrutiny.
3. Currently the process for public and member questions is applied equally to all public meetings of the Council at which questions are allowed. However this process when applied to the scrutiny committees, which do not have responsibility for making decisions results in a very unsatisfactory and overly bureaucratic process. To resolve this difficulty pending the recommendations from the re-thinking governance working group, the following options are open to the committee to recommend to Council:

Option 1) – Allow up to 15 minutes for public and member speaking at the start of each substantive agenda item at a scrutiny committee. This would enable members and the public to express their views, ideas, concern or support for a particular matter before it is considered by the committee. Although a formal response would not need to be given, it may provide a mechanism for people to make their views known directly to the committee and any queries they raise may be drawn out during the committee's examination of the matter.

Option 2) – Retain the existing system and where a question relates to an item on the agenda that requires a cabinet member response, request that the responsible cabinet member provide a response and attend the meeting to deal with any supplementary questions.

Option 3) – Retain the existing system for the substantive questions and answers but ensure at the end of the relevant item on the agenda that all supplementary questions have been addressed.

4. How these option two could work in the constitution are tracked as changes to the constitution in appendix 1.
5. Further in answer to a member question at cabinet on 19 December ([http://hc-mod.gov:9070/documents/b19129/Supplement%201%20-%20Councillor%20Questions%20and%20Answers%20Thursday%2019-Dec-2019%2018.30%20Cabinet.pdf?T=9&\\$LO\\$=1](http://hc-mod.gov:9070/documents/b19129/Supplement%201%20-%20Councillor%20Questions%20and%20Answers%20Thursday%2019-Dec-2019%2018.30%20Cabinet.pdf?T=9&LO=1)) the committee is asked to consider a change to the deadline for asking questions for cabinet meetings. The following options are open to recommend to council:

Option 1) Publish the papers 6 days before the meeting keeping the date the same deadline for questions

Option 2) Request that questions are asked by 9.30 am on the third working day after publication. As cabinet meets on a Thursday this would extend the time frame over a weekend extending time from 5pm on the Friday evening to 9.30 on the Monday

Option 3) Publish the papers earlier than 5pm.

How option 2 could work in the constitution are tracked as changes in appendix 2

Community impact

6. The proposal will positively affect the ability of the public to engage in the questions procedure. For cabinet it allows for extra time for a question to be submitted and for scrutiny it will resolve the frustrations felt about the inability of the scrutiny committee to answer questions.

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 proposed options provide further time for all members and the public to ask questions and further the ability to be engaged in scrutiny. We therefore believe that this supports the council in delivering its equality duty by fostering good relations and advancing equality of opportunity.

Resource implications

9. The changes proposed have no direct resource implication other than officer time which is already budgeted for.

Legal implications

10. None

Risk management

- 11.

Risk / opportunity	Mitigation
Additional time will reduce the ability to provide adequate answers	The time is extended for cabinet over a weekend so should not unduly affect the preparation of answers.
Reducing the publication day or time from the 5pm will condense time to prepare a	Officers will be advised of the new

good decision report

timescales and rearrange work accordingly.

Consultees

12. The chair and vice chairpersons of scrutiny have been consulted on the concerns about the answering of questions at scrutiny and support option 2.
13. The leader and cabinet have been consulted on additional time for asking questions at cabinet and support option 2

Appendices

Appendix 1 - Scrutiny questions options

Appendix 2 - Cabinet question deadline

Background papers

None

Section 5 - Scrutiny rules

4.5.97 Public questions

- 4.5.98 A period of up to 15 minutes will be allocated for questions and supplementary questions from members of the public who live or work in Herefordshire. This period may be varied at the discretion of the chairperson.
- 4.5.99 A question may only be asked if notice has been given by delivering it in writing to the monitoring officer, Herefordshire Council, County Offices, Plough Lane, Hereford, HR4 0LE or by email (councillorservices@herefordshire.gov.uk) to the monitoring officer no later than 5.00pm three clear working days before the day of the meeting (e.g. 5.00pm on a Monday where the meeting is on a Friday). Each question must give the name and address of the questioner (although only the name and town will be published) and identify who the question is addressed to. Copies of all accepted questions and answers shall be published on the council website before the start of the meeting and shall be made available to the public attending the meeting.
- 4.5.100 Questions will be answered in the order in which they are received.
- 4.5.101 A member of the public may submit only one question at any meeting of the council.
- 4.5.102 The monitoring officer is authorised to reject a question in accordance with the following criteria:
- (a) it is longer than 140 words;
 - (b) it is in multiple parts;
 - (c) it is not about a matter for which the council has a responsibility or which affects Herefordshire
 - (d) where a question is asked at a meeting other than full Council not relating to the function of the committee or an item of the agenda;
 - (e) it is defamatory, frivolous or offensive;
 - (f) it is substantially the same as or similar to a question which has been put at a meeting of Council, a committee of council, or cabinet in the past six months;
 - (g) it requires the disclosure of confidential or exempt information or relates to an identifiable individual;
 - (h) it is from a council employee and the question is connected to their employment; or
 - (i) it relates to a planning application or licensing application.
- 4.5.103 If a question is rejected, the person who submitted it will be notified in writing before the meeting and given the reasons for the rejection.

- 4.5.105 Where a question is accepted but it is directed at the incorrect meeting because of criteria (d) above. The Monitoring Officer is authorised to direct the question to the correct meeting.
- 4.5.106 A questioner who is present at the meeting may, at the discretion of the chairperson, also put one supplementary question without notice. A supplementary question must arise directly out of the original question or the reply. The chairperson may reject a supplementary question on any of the grounds in 4.4.102 above, or if the question takes the form of a statement or more than a minute to ask.
- 4.5.107 Where more than one person wishes to raise the same issue or question, they shall be asked to agree a spokesperson to speak on that issue. If they cannot reach such an agreement, the chairperson may restrict the number of questions on that issue.

4.5.108 Answers to public questions

- 4.5.109 Answers to accepted questions will be published before the start of the meeting. An answer to a supplementary question will be provided by either the chairperson or the cabinet member to whom the question was put or his/ her nominee.

If the question is asking for an item to be considered for future inclusion in the work programme the questioner will be advised by the chairperson that they will be informed of the outcome of the committee's consideration of the request once it has been considered as part of the overall work programme prioritisation.

If the question is asking for a substantive answer to a question the cabinet member for the area will be invited to attend the scrutiny meeting, if the questioner confirms that they wish to ask a supplementary question at the meeting.

The answer from the cabinet member may be either a direct oral answer, a referral to an existing publication, or if the question requests service information a referral to an officer to respond in writing. If the reply cannot conveniently be given orally, if the cabinet member to whom the question is put is absent, or the time allowed for public questions has expired, a written answer will normally be provided within ten working days of the meeting. A record of all questions, supplementary questions and answers provided whether orally or in writing will be published on the website as an appendix to the minutes of the meeting.

- 4.5.110 Unless the chairperson decides otherwise, no discussion will take place on any question or a supplemental question

4.5.111 Questions from members

- 4.5.112 A period of up to 15 minutes will be allocated for questions and supplementary questions from members of the council who are not members of the committee. This period may be varied at the discretion of the chairperson.

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- 4.5.113 A member may ask the chairperson a question relating to a matter of the agenda or otherwise within the remit of the committee only if notice has been given by delivering it in writing or by email (councillorservices@herefordshire.gov.uk) to the monitoring officer no later than 5.00pm three clear working days before the day of the meeting (e.g. 5.00pm on a Monday where the meeting is on a Friday); or.
- 4.5.114 The monitoring officer is authorised to reject a question in accordance with the following criteria:
- (a) it is longer than 140 words;
 - (b) it is in multiple parts;
 - (c) it is not about a matter for which the council has a responsibility or which affects Herefordshire
 - (d) where a question is asked at a meeting other than full Council not relating to the function of the committee or an item of the agenda;
 - (e) it is defamatory, frivolous or offensive;
 - (f) it is substantially the same as or similar to a question which has been put at a meeting of Council, a committee of council, or cabinet in the past six months;
 - (g) it requires the disclosure of confidential or exempt information or relates to an identifiable individual;
 - (h) it is from a council employee and the question is connected to their employment; or
 - (i) it relates to a planning application or licensing application.
- 4.5.115 If a question is rejected, the member who submitted it will be notified in writing before the meeting and given the reasons for the rejection.
- 4.5.116 A member who has put a question in person may, at the discretion of the chairperson, also put one supplementary question without notice. ~~The same [pre-ide procedure for public questions will be followed](#), to the member who has replied to the original question. A supplementary question must arise directly out of the original question or the reply. The chairperson may reject a supplementary question on any of the grounds in 4.5.114 above, or if the question takes the form of a statement, or more than a minute to ask.~~
- ~~4.5.117 An answer to an accepted question will be published prior to the meeting. The answer to a supplementary question will be provided by the member to whom the question was put or their nominee. The answer may be either a direct oral answer, a referral to an existing publication, or if the question requests service information a referral to an officer to respond in writing. If the question is asking for an item to be considered for future inclusion in the work programme the questioner will be advised that they will be informed of the outcome of the committee's consideration of the request once it has been considered as part of the overall work programme prioritisation. If the reply cannot be conveniently given orally, if the questioner or the member to whom the question is put is absent, or the time allowed for councillors' questions has expired, a written answer will normally be provided within ten working days of the meeting. A record of all questions, supplementary questions and answers provided whether orally or in writing will be published on the website as an appendix to the minutes of the meeting.~~

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Section 4 - Cabinet rules

4.4.28 Questions from the public

4.4.29 A period of up to 15 minutes will be allocated for questions and supplementary questions from members of the public who live or work in Herefordshire. This period may be varied at the discretion of the chairperson.

4.4.30 A question may only be asked if notice has been given by delivering it in writing to the monitoring officer, Herefordshire Council, County Offices, Plough Lane, Hereford, HR4 0LE or by email (councillorservices@herefordshire.gov.uk) to the monitoring officer no later than ~~9.30 am~~~~5.00pm on the third~~~~three clear~~ working days ~~before the day of the meeting~~~~after publication~~ (e.g. ~~9.30am~~~~5.00pm~~ on a Monday where the meeting is on a ~~Friday~~~~Thursday~~). Each question must give the name and address of the questioner (although only the name and town will be published) and identify who the question is addressed to. Copies of all accepted questions and answers shall be published on the council website before the start of the meeting and shall be made available to the public attending the meeting.



Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Work programme for 2019/20
Report by:	Democratic services officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To provide an update on the work programme for 2019/20 and comment on the action tracker for the committee.

Recommendation(s)

That:

- (a) Subject to any updates made by the committee, the work programme for 2019/20 (appendix 1) for the audit and governance committee be agreed; and**
- (b) Review and comment on the progress of actions in the tracker attached at appendix 2**

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.

2. The committee could chose not to have an action tracker but at the meeting held on 28 November 2019 decided that one should be implemented in order to assure themselves that actions were being progressed.

Key considerations

3. The work programme is recommended as the committee is required to define and make known its work. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
4. The committee is asked to consider any further adjustments.
5. The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.
6. The action tracker is to ensure that actions are progressed in a timely fashion.

Community impact

7. 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

8. This report does not impact on this area.

Resource implications

9. There are no resource implications

Legal implications

10. The work programme reflects any statutory or constitutional requirements.

Risk management

11. 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

12. The chief finance officer and monitoring officer have contributed to the work programme.

Appendices

Appendix 1 – 2019/20 Work Programme

Appendix 2 – Action Tracker

Background papers

None identified.

**Audit and Governance Work Programme
2019/20**

Function area	Report	Purpose
July 2019		
Governance	Annual governance statement	To approve the annual governance statement
Accounts (Annual)	Statement of account	To approve the statement of account and includes the signing of the letter of representation
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 financial year.
Internal audit (Annual)	SWAP Internal audit annual opinion 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
Governance (Annual)	University Report	To act as the accountability body for the Department for Education funding for the University
Governance (Annual)	Accounting policies update	To approve any amendments to the accounting policies
Internal audit	Progress report on 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 (every meeting)	Work programme	To note the current work programme of the committee
September 2019		
Code of conduct (Annual)	Code of Conduct complaints Annual Report	To receive the annual code of conduct report
Internal audit	Progress report on 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
Waste contract (Annual)	Energy from waste (EFW) Loan Update	To provide assurance to the audit and governance committee on the status of the

**Audit and Governance Work Programme
2019/20**

Function area	Report	Purpose
Governance	NMiTE update report	energy from waste (EfW) loan arrangement. To provide the committee with a progress update report (requested at meeting held on 30 July 2019)
Governance (every meeting)	Work programme	To note the current work programme of the committee
November 2019		
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.
External audit (annual)	Annual audit letter	To review the annual audit letter
Governance (Every two years)	Anti-fraud and corruption strategy	To maintain an overview and approve changes to the strategy
Governance	Biennial review of constitution	To agree the arrangements for the review of the Constitution due in 2020.
Governance (six monthly)	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
Internal and external audit (Six monthly)	Tracking of internal and external audit recommendations	To monitor implementation of action plans agreed in response to recommendations made by internal and external audit
Governance (every meeting)	Work programme	To note the current work programme of the committee
January 2020		
Internal audit	Progress report on 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)	Annual governance statement progress	Review of the effectiveness of the council's governance process and system of internal control. Update on the progress of the annual governance statement

**Audit and Governance Work Programme
2019/20**

Function area	Report	Purpose
External audit	Annual Certification Letter	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	Review of procedure rules and approve any amendments to the rules.
Internal and external audit (Every six months)	Tracking of internal and external audit recommendations	Monitor implementation of action plans agreed in response to recommendations made by internal and external audit
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
Governance (every meeting)	Work programme	To note the current work programme of the committee
March 2020		
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 2020/21	To consider the internal audit plan for 2020/21.
Internal audit	Progress report on 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.
Internal audit (annual)	Internal audit charter	To approve the internal audit charter
Code of Conduct	Remuneration of independent persons	To consider whether or not the appointed independent persons should be remunerated
Governance	Update on progress of the Re-Thinking Governance Working Group	To review and comment on the progress of the Re-Thinking Governance Working Group
Governance (Annual)	Future work programme for 2020/21	To note the work programme for 2020/2021.

COMPLETED ACTIONS WILL BE MOVED TO THE 'REPORTED COMPLETE' TAB ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE							
Action Number	Meeting Date	Agenda Item	Action	Owner	Directorate	Progress Update	Reported complete
1	19 November 2019		7 Circulate to committee members the current value of land and assets held by the council	Chief finance officer	Corporate Support Centre	This is being progressed as we are waiting for some updated valuations for some of the land and assets to be included in the figure	
2	19 November 2019		7 Training on the Redmond Review	Democratic services officer	Corporate Support Centre	To be arranged for February / March 2020	
3	19 November 2019		7 Report on proposed amendments to constitution in connection with questions at Scrutiny	Solicitor to the council	Corporate Support Centre	Report on agenda for January 2020.	Yes
4	19 November 2019		7 Report on the recommendations of the working group on Re-Thinking Governance to be added to the work programme for September 2020 for recommendations to council in October 2020	Solicitor to the council	Corporate Support Centre	Item added to the work programme for 2020/21 for the September meeting	Yes
5	19 November 2019		8 Report on progress of Re-Thinking Governance to be added to the work programme	Democratic services officer	Corporate Support Centre	Now on work programme for March 2020.	Yes
6	19 November 2019		8 Details of strategic partnerships and outside bodies to be circulated to committee members	Solicitor to the council	Corporate Support Centre	Circulated on 27 November 2019	Yes
7	19 November 2019		9 Further report on NMITE for January 2020 meeting	Chief finance officer	Corporate Support Centre	Report on agenda for January 2020.	
8	19 November 2019		11 Report on corporate risk register to be added to agenda for January 2020 committee meeting	Head of corporate performance	Corporate Support Centre	Report on agenda for January 2020.	Yes
9	19 November 2019		11 Workshop on the Performance, Risk, Opportunities and Management Framework / Corporate Risk Register	Head of corporate performance	Corporate Support Centre	Arranged for 21 January 2020	Yes
10	19 November 2019		11 Meeting between chairpersons of audit and governance and the chairpersons of the three scrutiny committees to discuss items on the corporate risk register.	Statutory scrutiny officer	Corporate Support Centre	To be considered as part of the next quarterly scrutiny protocol meeting. Date of next meeting 24 February (10.00 am to 11.30 am)	
11	19 November 2019		11 Written response on whether any council staff were members of the Association of Local Authority Risk Managers	Head of corporate performance	Corporate Support Centre	There are no council staff who are members of the Association of Local Authority Risk Managers (ALARM). The benefits are being investigated and consideration will be given as to whether the the annual subscription represents value to the authority	
12	19 November 2019		12 Totality of the recommendations outstanding in relation to internal / external audit reports and a traffic light system developed so that was an understanding of whether the recommendations would be completed on time	Head of corporate performance	Corporate Support Centre	To be developed for meeting of audit and governance committee to be held in March 2020	
13	19 November 2020		Annual report on Anti-Fraud Bribery, Corruption and Anti-Money Laundering Policies	Chief finance officer	Corporate Support Centre	To be added to the work programme for 2020/21 for the November meeting	

Action Number	Meeting Date	Agenda Item	Action	Owner	Directorate	Progress Update	Reported complete
14	19 November 2020		13 Start time of meetings to be changed to 10.30 am as from 28 January 2020 committee.	Democratic services officer	Corporate Support Centre	Start times have been updated on the website.	Yes