

Agenda

Audit and governance committee

Date: **Tuesday 5 May 2020**

Time: **10.30 am**

Place: **Online only meeting**

Notes: This meeting will be streamed live on the Herefordshire Council YouTube channel. A recording will be made available shortly after the meeting has concluded.

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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

THE PUBLIC RIGHTS TO INFORMATION AND ATTENDANCE AT MEETINGS

Pages

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. NAMED SUBSTITUTES (IF ANY)

To receive details any details of members nominated to attend the meeting in place of a member of the committee.

3. DECLARATIONS OF INTEREST

To receive 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.

4. MINUTES

To approve the minutes of the meeting held on 28 January 2020.

9 - 22

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

To receive questions from members of the public.

Deadline for receipt of questions is 5.00 pm on 29 April 2020 (3 clear working days from date of meeting).

Questions must be submitted to councillorservices@herefordshire.gov.uk. Questions sent to any other address may not be accepted.

Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <https://www.herefordshire.gov.uk/getinvolved>

6. QUESTIONS FROM COUNCILLORS

To receive any questions from councillors.

Deadline for receipt of questions is 5.00 pm on 29 April 2020 (3 clear working days from date of meeting).

Accepted questions and answers will be published as a supplement prior to the meeting.

7. INTERNAL AUDIT PLAN 2020-21 AND INTERNAL AUDIT CHARTER

23 - 48

To be assured that the level and range of activity within the proposed annual internal audit plan is sufficient to provide assurance over the council's corporate governance arrangements and provides appropriate coverage of key business objectives, associated risks, and risk management processes.

To approve the internal audit charter for the period 1 April 2020 to 31 March 2021.

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| 8. NMITE PROGRESS REPORT | 49 - 54 |
| 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). | |
| 9. REMUNERATION OF INDEPENDENT PERSONS FOR STANDARDS | 55 - 60 |
| To consider whether the independent persons for standards should be paid an allowance for undertaking this work | |
| 10. WORK PROGRAMME UPDATE | 61 - 68 |
| To provide an update on the work programme for the committee for 2020/21. | |

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. This meeting will be broadcast live on the Herefordshire Council's YouTube channel. Link: <https://www.youtube.com/HerefordshireCouncil>
- Inspect agenda and public reports at least five clear days before the date of the meeting via the website.
- 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 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.

Recording of this meeting

Please note that the council will be making an official 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.

Please ensure that your mobile phones and other devices are turned to silent during the meeting.

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

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 (Chairperson)	Conservative
Councillor Christy Bolderson (Vice Chairperson)	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 28 January 2020 at 10.30 am

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

Councillors: Dave Boulter, Peter Jinman and Diana Toynbee, William Wilding

Officers: Solicitor to the council, Chief finance officer and Head of Corporate Performance

410. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Bob Matthews and Councillor Yolande Watson.

411. NAMED SUBSTITUTES (IF ANY)

Councillor William Wilding attended as a named substitute for Councillor Yolande Watson.

412. DECLARATIONS OF INTEREST

There were no declarations of interest.

413. MINUTES

RESOLVED:

That the minutes of the meeting held on 19 November 2019 be confirmed as a correct record and signed by the chairman.

414. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

415. QUESTIONS FROM COUNCILLORS

There were no questions from councillors.

416. EXTERNAL AUDIT PROGRESS REPORT

The chief finance officer presented the progress report from Grant Thornton in connection with the council's accounts for 2019/20.

Grant Thornton highlighted the following points:

- An unqualified annual housing benefit subsidy certificate had been issued. This was a technical piece of work which required a lot of auditing and in order to get no errors and an unqualified certificate indicated a high standard of work by the

council's team. The committee commended the revenues and benefits team for their work.

- It was a quiet period time for the external auditors and progress was where they would expect to be.
- The Redman review was continuing and as part of that review there was a consensus that council accounts were highly complex and difficult to understand. It had also been recognised that the statutory deadline of 31 July was unrealistic but it was acknowledged that the Herefordshire Council's audit did work well within this timeframe.
- As part of the National Audit Office report which had been published the previous week, the value for money statement would be a holistic narrative report rather than a pass or fail as from next year.

As part of the discussion on the item, the following points were raised:

- The change in International Financial Reporting Standards (IFRS) treatment of S16 leases [page 30 of the agenda pack] did not appear to have been recognised in the corporate or directorate risk registers. It was also noted that this point did not appear to be reflected in the medium term financial strategy risk register which had been published as part of the agenda for cabinet on 30 January 2020 so there was uncertainty as to how any cross referencing took place in the risk registers.
- As part of the work on the value for money statement, Grant Thornton confirmed they would be looking at the decision from the Marches Local Enterprise Partnership (LEP) to terminate the funding agreement between the LEP and the council in connection with the South Wye Transport Package and to commence the clawback of £3.8m. [Decision taken by the LEP on 27 January 2020].

RESOLVED:

That the external audit progress report and sector update was reviewed.

417. 2019/20 EXTERNAL AUDIT PLAN

Grant Thornton presented the report.

As part of the discussion on this item, the following points were raised:

- The value for money statement criteria would not change for this year's audit.
- Where Grant Thornton identify key significant risk, there is tailored audit work undertaken.
- The main areas where there is a likelihood of a material financial statement error were the same presumed risks for all Grant Thornton clients and are:
 - Valuation of land and buildings
 - The valuation of the net pension funding liability
 - The management override of controls.
- Grant Thornton operate on a materiality basis and would expect accounts to be correct to a factor of millions.
- The materiality definition two years ago was based on gross expenditure. Last year as a pilot the materiality definition was based on council assets. This change in materiality definition made little difference to the testing and as such for this year's audit would revert back to gross expenditure.
- The materiality definition was set at a value of £6.7m and any materiality issues over this figure would be reported to the committee.

- The key themes which form the value for money opinion were:
 - The wider economy and political uncertainty
 - Financial report and audit
 - Governance arrangements and the new political structure of the council
- As part of the work on the value for money opinion, Grant Thornton would be looking at the forecast overspend due to an increase in looked after children, the management of the capital programme and the arrangements for policy change due to change of administration in May 2019.
- The land and buildings were valued on a rolling 5 year basis and Grant Thornton would risk assess the process to ensure that the valuations were within the materiality level.
- Higher valued assets were valued more regularly than every five years. It was noted that the council owned a complex range of assets and values them on a one-fifth basis every year.
- As part of the arrangements for policy change, one of the key things they would be looking at would be rationality of decision making which included whether officer advice was being reasonably taken into account when developing and implementing new or amending policy. This was not on the corporate risk register but it was noted that the risk would look at the risks arising rather than this contained point.

RESOLVED

That the report be noted.

418. PROGRESS REPORT ON 2019/20 INTERNAL AUDIT PLAN

The senior auditor from South West Audit Partnership presented the report and highlighted the following:

- 21 audits had been completed since the last update to the committee.
- 4 reports were at report stage and 16 audits were in progress.
- One audit had been deferred to quarter 4 at the request of the client
- 2 audits completed were assessed as substantial assurance
- 6 audits were assessed as reasonable assurance
- 2 were advisory audits
- One was a special investigation
- No high corporate risks were identified.
- All the recommendations had been accepted in connection with the special investigation into loss of monies.
- Page 78 of the agenda pack identified additional areas of added value.

The chief finance officer confirmed that as a result of the recommendations contained within the special investigation, petty cash was being removed which was held within services. There was a need for some services to be able to buy low value items and the roll out of procurement cards to relevant officers was continuing. It would not be possible for some parts of the council to go cashless, e.g. the library and the Black and White House Museum.

It was agreed that SWAP would share any cross comparison information they hold on Traffic Road Orders (TROs) with the committee.

RESOLVED

That the report be noted.

419. ANNUAL GOVERNANCE STATEMENT: ACTION PLAN

The chairperson introduced the item and as part of the discussion on the item, the following points were raised:

- Appendix 1, number 4 – review of existing governance arrangements had been marked complete but the re-thinking governance working group would be considering partnership arrangements. It was reported that adults and communities had reviewed the health governance arrangements and confirmed that this would be included in the re-thinking governance work.
- There was no assurance on the direction of travel for those actions which were either orange or time delayed. It was agreed that an arrow indicating this would be included within the next report.
- As part of the report on the annual governance statement for next year, there would be a review of the last three years would be included to check whether there was improvement.
- Appendix 1, number 6 - review of the performance, risk and opportunity management framework was marked as draft in December 2019. The solicitor to the council confirmed that it was likely to be March 2020 and that the document would be updated.
- It was confirmed that in connection with partnership arrangements, the council did have the ability to audit and inspect the partners. It was also reported that the other organisations who had arrangements with Hoople would also have a similar arrangement.
- The committee requested that for contracts there was the ability to audit them, specifically contracts on a framework which had specific costs plus margins, e.g. the contract with Balfour Beatty.
- It was confirmed that the intention was to ask Hoople to complete a partnership assurance document and then for the solicitor to the council and chief finance officer to speak to Grant Thornton.

RESOLVED

That the report be noted

420. CORPORATE RISK REGISTER

The chairperson thanked officers for the training which had been received by the committee on the corporate risk register. It was noted that whilst the risk register was not wholly transparent, it was now more understandable.

The head of corporate performance presented the report and highlighted the following:

- The risk register was as at 31 December 2019
- There were 32 strategic or most significant risks
- 3 risks on the corporate risk register were still extreme risks following mitigation which were:
 - CRR01 children's operational staffing / workforce
 - CRR32 South Wye transport package, scheme costs increasing as a result of changes to the programme
 - CRR33 South Wye transport package, the Marches LEP withdrawing the existing growth fund.

- The delayed transfer of care (DToc) and One Herefordshire risks had been removed.
- 3 risks had been added to the corporate risk register in connection with the South Wye transport pack.
- The children and families risk in connection with work to support a police investigation had been closed as the investigation had been completed. A new risk had replaced this which was in connection with the response to the investigation.
- Hillside had been added as a risk due to the possibility of a legal charge being invoked should there be a change of use of the building.
- The changes had been made as a result of challenges at directorate management or management board meetings.

As part of the committee's discussion on the item, the following points were raised:

- The escalation and de-escalation of risks between the registers was still not clear.
- With regard to CRR35 (phosphate pollution in the Lugg catchment), clarification was sought on where it started as it could not be seen on the directorate risk register and how it was escalated to the corporate risk register. The head of corporate performance agreed to provide a written response.
- It was noted that the phosphate pollution risk was not necessarily restricted to the Lugg catchment area but could affect the whole county.
- EP18 (5 year housing land supply / housing delivery test and element of CRR35) – this was unlikely to be resolved by April 2020 when the housing land supply was recalculated. Herefordshire may drop to below 3 years so was there a reason why it had not be escalated to the corporate risk register. The head of corporate performance agreed to provide a written response.
- With regard to CF05 (Ofsted readiness) – in light of the recent Ofsted letter the committee would like to understand why this has not been escalated to the corporate risk register. The risk of a poor Ofsted had a significant financial and reputational risk for the council. The head of corporate performance explained that there were a number of specific risks on the corporate and directorate risk registers within the children and families area which taken together could cause a poor Ofsted. The head of corporate performance agreed to consider with the director of children and families and the chief executive about how this risk is reflected.
- There were risks on the directorate risk registers which were red but were not included on the corporate risk register. There were also amber risks on the corporate risk register. The committee felt there needed to be better articulation as to why those risk were sat on those risk registers.
- There were two risks on the adults and community risk register (AC22, access to health funding [CHC and joint funding] and AC23, Herefordshire and Worcestershire CCG) which were significant and certain but were not on the corporate risk register. The head of corporate performance agreed to check with the director of adults and communities about the scoring of these two risks and whether they should be escalated to the corporate risk register.
- It was unclear on decision reports how those risks were fed into the corporate or directorate risk registers and that it would be helpful to know how those fed into appropriate risk registers.
- The risk in connection with the EU exit was viewed through a financial lens and there would be discussions about the impact of decisions taken at a national level at the end of January.

- The corporate risk register would be an agenda item for the May 2020 meeting, especially as the PROM was due to be completed in March.
- The committee requested that consideration be given to including risks which would jeopardise the achievement of corporate objectives and that where there were strategic linkages these were identified.
- In connection with CRR31 (South Wye transport package) where the inherent risk was lower than the mitigated risk, the head of corporate performance explained that the inherent risk score was at the point it was identified as a risk. This did not indicate that the mitigation was not working but that as the risk was considered in detail and as circumstances changed, the risk was scored higher.
- The committee would encourage all councillors to read the corporate risk register and speak to the relevant directors if they had queries about a specific risk.
- The head of corporate performance would provide a written response in connection with how the council's maintained schools risk in connection with data breaches was reviewed.

RESOLVED

That

- a) The chief executive ensures that the corporate risk register is at the top or near the top of senior manager agendas, especially during this period of change;**
- b) The corporate risk register is brought back to the committee's meeting in May 2020.**
- c) The directors be invited to the committee meeting in May so that committee can discuss the most significant risks and consider whether there should be recommendations to the relevant scrutiny committee following those discussions.**
- d) Clarification be provided on the escalation and de-escalation process**

421. CONTRACT AND FINANCE PROCEDURE RULES

The chief finance officer presented the report and highlighted the following:

- There were a number of changes and there were documents attached to the report which showed the tracked changes [appendices 2 and 6]
- The changes do pick up the arrangements for partnerships.
- There was a move from budget holders to project managers / capital programme director for items in the capital programme. For smaller projects, project managers would be approving expenditure and for larger projects the capital programme manager would approve.
- For the revenue side of the council, there were budget holders in place as they run the day to day operations.

Following queries from members of the committee, the following points were confirmed:

- The corporate and directorate risk registers would be amended to reflect the mitigating factors in connection with these changes.
- Grant Thornton would be looking at these arrangements as part of their audit
- An interim capital programme director had been appointed.
- There is a multi-layered approach and, if necessary, there will be further changes.
- The summary page for the financial procedure rules did not include everything.

- Portfolio holder and cabinet member were the same.
- New capital schemes are signed off by council but there will be a cabinet / cabinet member report before the spend is incurred. The reason for this was that a cabinet member could sign off a report if it sat within their portfolio area and cabinet would sign off it was across 2 or more portfolio areas.
- The petty cash and imprest elements of the financial procedure rules would be reviewed.
- Other organisations could join a framework agreement and this included sole traders or a set of providers. A framework enabled a mini tendering process to be run which made it a simpler procurement process.
- That a major project could be audited against the 13 recommendations of the Blue School House audits in order to provide assurance to the committee that these recommendations had been embedded and implemented. The chief finance officer did not believe this was unreasonable given the visibility of the audit.
- That exemptions and waivers were signed off by the solicitor to the council. This was an acknowledgement that the risk had been taken on board and was reflected in the report.
- With regard to exceeding a cost centre estimate, the director can notify the chief finance officer if they consider it to be significant. It was acknowledged that there were no parameters for what was significant as it was a judgement but the chief finance officer agreed to provide clarity on what would be considered significant.
- The council could improve visibility of contracts which local providers could tender for. A large proportion of the council spend was local but more could be done. The cabinet member for commissioning, procurement and assets was keen to further promote this.
- The council's policy was pay invoices within 30 days and the chief finance officer agreed to provide details to the committee.

RESOLVED that:

- (a) The contract procedure rules and finance procedure rules be amended to ensure consistency in referring to cabinet member or portfolio holder.**
- (b) Subject to the above amendment, the finance procedure rules at appendix 1 be approved**
- (c) Subject to the above amendment, the contract procedure rules at appendix 5 be approved**
- (d) A major project be audited against the recommendations from the Blue School House audit in order for the committee to be assured that these recommendations have been implemented and embedded within the council.**

422. NMITE PROGRESS REPORT

The chief finance officer presented the report and highlighted the following points:

- Work has not been concluded with the Department for Education (DfE) but it was expected to conclude in the next few weeks.
- The council's role as accountable body will end with the last payment be made. This would also end the committee's involvement.

As part of the discussion in connection with the item, the following points were made:

- The risk on the corporate risk register was not in relation to the accountable body status but was in connection with the risk about accommodation.
- The DfE had confirmed that they were comfortable with the arrangements that NMiTE had in place notwithstanding the issues of accountability which had been raised by SWAP.
- The DfE have indicated that they will be signing off the arrangements again
- Copies of the SWAP audit in connection with Quarters 2 and 3 would be provided to the committee.

RESOLVED that

Further reports on NMiTE be on the agenda for the committee meetings in March and May 2020.

423. PROCEDURE FOR DEALING WITH QUESTIONS AT SCRUTINY COMMITTEES AND CABINET

The solicitor to the council presented the report and highlighted the following:

- Questions to scrutiny committees were not working well and following consultation with the scrutiny chair and vice persons, there was a proposal to change these arrangements.
- If there was a question at the scrutiny committee, it was being proposed that the relevant cabinet member provide an answer. It was acknowledged that this may be mixing functions but would be better than the current arrangements which can cause frustration.

The committee were in agreement to make a recommendation to Council to change the constitution with regard to the treatment of questions to scrutiny as outlined in paragraph 3, option 2 of the report, subject to amendment with regard to the cabinet member making reasonable endeavours to attend the scrutiny committee.

The solicitor to the council also outlined that there was a proposal to change the questions to cabinet procedure so that the deadline was 9.30 am on the third working day prior to the meeting (which would mean 9.30 am on a Monday as Cabinet met on a Thursday).

The committee were in agreement to make this recommendation to amend the constitution to council.

It was noted that the issue of whether or not group leaders could ask questions at Cabinet would be considered by the re-thinking governance working group.

RESOLVED That

- (a) **Subject to the words after cabinet member “making reasonable endeavours to attend scrutiny meetings” being inserted, the committee recommend that the process for public and member questions at scrutiny be amended with effect from the council meeting on 14 February 2020;**
- (b) **The deadline for cabinet questions be amended to 9.30 am on the third working day after publication be recommended to council for approval with effect from the council meeting on 14 February 2020**
- (c) **authority be delegated to the solicitor to the council to make technical amendments (grammatical, formatting, and consistency) necessary to finalise the revised constitution;**

424. WORK PROGRAMME UPDATE

Work programme

The issue of when councillors receive reports in readiness for committee meetings was discussed and this issue would be considered by the re-thinking governance working group as the statutory requirement was to publish five working days prior to the meeting.

Action tracker

A member of the committee requested that the action tracker was included after the minutes in the agenda pack so that the actions can be discussed first rather than at the end of the meeting.

With regard to the request for details of the valuation of land, buildings and assets these were:

- Land and buildings: £612m.
- Investment assets: £34m

This action would now be closed.

A member of the committee requested that an additional column be added which indicated the proposed completion date or when they were overdue.

RESOLVED that

- (a) Subject to the addition of the Corporate Risk Register to the agenda for the May meeting and an NMiTE report being added to the March and May agenda, the work programme was approved; and**
- (b) The chair and vice chairperson work with the clerk to add two additional meetings to the committee's schedule of meetings for 2020/21 onwards.**

The meeting ended at 13.17.

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO THE 'REPORTED COMPLETE' TAB ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE								
Action Number	Meeting Date	Agenda Item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
2	19 November 2019	7	Training on the Redmond Review	Grant Thornton	Corporate Support Centre	Proposed date: 25 March 2020 @ 2.00 pm. Training postponed due to Covid-19	25-Mar-20	
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) Update: Scrutiny chairpersons meeting on 24 February postponed and meeting is being re-arranged.	24-Feb-20	
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	The Solicitor to the Council has now joined the ALARM group.	Mar-20	Yes
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 incorporated for the meeting of audit and governance committee to be held in May 2020. Due to Covid-19, this item has been moved to the provisional June 2020 meeting.	May-20	
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 October meeting	Mar-20	Yes
15	28 January 2020	9	SWAP to share any cross comparison information held on Traffic Road Orders	SWAP	N/A	Sent to members of the committee on 5 March 2020	Mar-20	Yes
16	28 January 2020	10	Direction of travel arrows on the annual governance statement (AGS)	Chief finance officer	Corporate Support Centre	To be included as part of the AGS report in September 2020	Sep-20	
17	28 January 2020	10	As part of next year's AGS report, a review of previous three years be included	Chief finance officer	Corporate Support Centre	To be reported on as part of the AGS report in September 2020	Sep-20	
18	28 January 2020	10	The deadline in the AGS for the performance, opportunity and risk framework to to be changed to March 2020	Chief finance officer	Corporate Support Centre	AGS updated.	May-20	Yes
19	28 January 2020	10	Insert into contracts the ability to audit them, specifically contracts on a framework which had specific costs plus margins.	Chief finance officer	Corporate Support Centre	To be reported on as part of the AGS report in September 2020	Sep-20	
20	28 January 2020	11	Briefing notes to be provided in connection with the following risks: • Lugg • 5 year land supply • School data breaches	Head of corporate performance	Corporate Support Centre	Details circulated to committee members	25-Mar-20	Yes
21	28 January 2020	11	Risk CF05 (Ofsted Readiness): Head of corporate performance to consider with the director of children and families and CEO how this risk is reflected in the corporate risk register	Head of corporate performance	Corporate Support Centre	Confirmation from Director of Children's and Families CS (06/03/2020) that this risk is now being included on the corporate risk register	May-20	Yes
22	18 January 2020	11	Better articulation as to why red risks are on directorate risk register and not on a corporate risk register	Head of corporate performance	Corporate Support Centre	This is being reviewed as part of the revised Performance Framework, and Risk Management approach. This will be considered by the committee at its June meeting	Jun-20	

Action Number	Meeting Date	Agenda Item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
23	28 January 2020	11	Head of corporate performance to discuss with Director of Adults and Wellbeing, the scoring of risk AC22 (access to health funding) and AC23 (Herefordshire and Worcestershire CCG) to see whether they should be escalated to the corporate risk register	Head of corporate performance	Corporate Support Centre	Changes will be reflected in the updated directorate/corporate registers	Jun-20	Yes
24	28 January 2020	11	Details on how risks on decision reports feed into the appropriate risk registers	Head of corporate performance	Corporate Support Centre	This is being reviewed as part of the revised Performance Framework, and Risk Management approach. This will be considered by the committee at its May meeting.	May-20	
25	28 January 2020	11	Corporate risk register to be added to the agenda for May 2020 meeting	Democratic services officer	Corporate Support Centre	Action completed		Yes
26	18 January 2020	11	Consideration be given to including risks which would jeopardise the achievement of corporate objectives and that there were strategic linkages these be identified	Head of corporate performance	Corporate Support Centre	This is being reviewed as part of the revised Performance Framework, and Risk Management approach. This will be considered by the committee at its June meeting.	Jun-20	
27	18 January 2020	11	Chief executive to ensure that the corporate risk register was at the top / near the top of senior managers agenda	Chief Executive	Corporate Support Centre	This is being reviewed as part of the revised Performance Framework, and Risk Management approach. This will be considered by the committee at its June meeting.	Jun-20	
28	28 January 2020	11	Directors be invited to the May committee meeting to discuss the most significant risks and to consider whether there should be recommendations to the relevant scrutiny committee	Democratic services officer	Corporate Support Centre	Invitation sent for May meeting. Due to Covid-19, this item was moved to the provisional June 2020 meeting	Jun-20	
29	28 January 2020	11	Clarification on the escalation and de-escalation process	Head of corporate performance	Corporate Support Centre	This is being reviewed as part of the revised Performance Framework, and Risk Management approach. This will be considered by the committee at its June meeting.	Jun-20	
30	28 January 2020	12	Corporate and directorate risk registers amended to reflect the mitigating factors in connection with the changes to the contract and finance procedure rules	Head of corporate performance	Corporate Support Centre	An update will be provided as part of the corporate risk report report due to be presented to the committee in June 2020	Jun-20	
31	28 January 2020	12	Contract and Finance procedure rules be updated to refer to consistently refer to cabinet member (not portfolio holder)	Democratic services officer	Corporate Support Centre	Contract and financial procedures rules updated and uploaded onto the website.	Feb-20	Yes
32	28 January 2020	12	A major project be audited against the recommendations from the Blue School House audit in order in order for the committee to be assured that these recommendations have been implemented and embedded within the council	Chief finance officer	Corporate Support Centre	To be considered as part of the internal audit plan for 2020/21	May-20	
33	28 January 2020	12	Details of payments of invoices within 30 days	Chief finance officer	Corporate Support Centre	Details circulated to committee members	Mar-20	Yes
34	28 January 2020	14	NMiTE be added to the committee's agenda for the meetings in March and May 2020	Democratic services officer	Corporate Support Centre	Added to work programme	Mar-20	Yes
35	28 January 2020	14	Copies of the SWAP audit in connection with the Q2 and Q3 NMiTE audit be circulated to the committee	SWAP	Corporate Support Centre	Q2 circulated on members of the committee on 5 March 2020	Apr-20	
36	28 January 2020	14	Recommend to council on 14 February amendments to the constitution	Solicitor to the council	Corporate Support Centre	Amendments agreed at full Council and Constitution amended.	Feb-20	Yes
37	28 January 2020	15	Action tracker after minutes so that the actions can be discussed first	Democratic services officer	Corporate Support Centre	Completed	Mar-20	Yes

Action Number	Meeting Date	Agenda Item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
38	28 January 2020	15	Additional column be added to the action tracker to include proposed completion date	Democratic services officer	Corporate Support Centre	Completed	Feb-20	Yes
39	28 January 2020	15	Chairperson and vice-chairperson work with clerk to add 2 additional meetings to the work programme for 2020/21	Democratic services officer	Corporate Support Centre	Work programme for 2020/21 attached to agenda for May 2020	May-20	Yes



Meeting:	Audit and governance committee
Meeting date:	Tuesday 5 May 2020
Title of report:	Internal Audit Plan 2020-21 and Internal Audit Charter
Report by:	Chief finance officer / internal audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

Internal Audit Plan 2020-21

To be assured that the level and range of activity within the proposed annual internal audit plan is sufficient to provide assurance over the council's corporate governance arrangements and provides appropriate coverage of key business objectives, associated risks, and risk management processes.

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

The 2020-21 internal audit programme of work will be equivalent to 900 days the same as in 2019-20.

Internal Audit Charter

To approve the internal audit charter for the period 1 April 2020 to 31 March 2021.

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

Further information on the subject of this report is available from

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

Agile Auditing

To note the approach to agile auditing.

Coronavirus – COVID-19 Impact

To note the update of the potential impact of the COVID-19 pandemic on the 2020-21 internal audit programme of work.

Recommendation(s)

That:

- (a) the proposed internal audit plan 2020-21 at appendix 1 be reviewed and the committee determine any recommendations it wishes to make regarding the level and range of activity proposed in order that the work carried out may give a satisfactory level of assurance over the council's corporate governance arrangements;**

- (b) the internal audit charter at appendix 2 be approved; and**

- (c) the agile auditing document at appendix 3 be noted.**

Alternative options

1. There is no alternative option to an internal audit plan as it is a requirement of the public sector internal audit standards (PSIAS).
2. The content of the plan may be amended; however, in doing so regard should be had to the overall prioritisation of resources, level of risk and/or evidence of control weakness.
3. The alternative option is to not approve the internal audit charter. As this is a requirement of the arrangements between Herefordshire Council and the South West Audit Partnership (SWAP) it would put us in breach of our agreement.

Key considerations

4. The plan (appendix 1) sets out the work required for internal audit to give an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. The plan has been developed in conjunction with senior management and consideration has been given to audits deferred from 2019-20 as well as areas suggested by the audit and governance committee.
5. The internal audit charter (appendix 2) sets out the nature, role, responsibility, status and authority of internal auditing within Herefordshire Council, and to outline the scope of internal audit work.
6. Agile Auditing (appendix 3) - When delivering the 2020/21 Internal Audit Programme of work, as presented, we will be looking to embrace the concept of Agile Auditing. Agile

Further information on the subject of this report is available from

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

Auditing breaks a typical audit engagement down into several shorter stages, with us reporting any findings as we go. It involves increased communication and collaboration with stakeholders throughout the audit process, with greater speed but also transparency. It is likely to involve a team of audit staff instead of one individual.

7. Following the outbreak of COVID-19 the council has had to and will continue to adapt to dealing with the impact of COVID-19. The Internal Audit function has an important role to play to continue to provide critical assurance, help advise management on the shifting risk and controls landscape and help anticipate emerging risks. There will be disruption to the Internal Audit Plan 2020-21 outlined in appendix 1 and to audits currently in progress for 2019-20.
8. To monitor this regular meetings are being held with the chief finance officer and a meeting with each director to establish which audits in the 2020-21 audit plan could be started. An update will be provided to each audit and governance committee meeting so that the committee is kept informed of the status of the 2020-21 Internal Audit plan and the impact of COVID-19 on progress.

Community impact

9. 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.
10. The Internal Audit charter sets out the reporting arrangements to the audit and governance committee demonstrating the council's openness and transparency in providing reports that are published in the public domain.

Equality duty

11. 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.
12. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Further information on the subject of this report is available from

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

Resource implications

13. The council is a SWAP partner and the Section 151 Officer (chief finance officer) is the council's nominated director on the Board of South West Audit Partners Ltd. It is a Partnership arrangement and resources are equalised across the Partnership. The legal agreement sets out the delivery which as a minimum should be 90% of the plan. SWAP has delivered 100% of the plan since the council became a partner in 2014.
14. The council's revenue budget includes appropriate budget to fund the equivalent of 900 audit days from SWAP. There is no planned reduction in the number of audit days from previous years.

Legal implications

15. In accordance with section 5 of the Accounts and Audit (England) Regulations 2015, the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.
16. The council is under a duty to make adequate arrangements for its internal audit functions and has chosen to appoint an external partner to assist with the discharge of this function.
17. The charter forms part of the legal agreement which the council has entered into with SWAP. Both parties have committed to refreshing the charter on an annual basis to establish a clear expectation of the annual priorities and processes by which the audit service will be provided.

Risk management

18. 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.
19. 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.
20. Without an approved charter there is a risk that the SWAP will not have:
 - the support of management and the council
 - direct access and freedom to support to senior management including the chief executive and the audit and governance committee
 - access to any records, personnel or physical property of the council for audit work

Consultees

21. The views of the directors, chief finance officer and other key officers have informed development of the proposed internal audit plan.
22. The chief finance officer was consulted in the drafting of the internal audit charter.

Further information on the subject of this report is available from

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

Appendices

Appendix 1 - Internal annual audit plan report 2020 -21

Appendix 2 - Internal Audit Charter

Appendix 3 - Agile Auditing

Background papers

None identified.

Further information on the subject of this report is available from

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

Herefordshire Council

Proposed 2020-21 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

Coronavirus (COVID-19)

Delivery of the internal audit programme planned for 2020-21 will be subject to change whilst the Council adapts to dealing with the impact of COVID-19.



Introduction and Objective of the Internal Audit Plan – Coronavirus COVID-19

Following the outbreak of Coronavirus (COVID-19) organisations, their environments and their ways of working are evolving rapidly and in ways that had not been previously envisioned. Internal Audit as the third line of defence is uniquely placed to play a key role in the response to COVID-19 crisis. As the Council has had to and will continue to adapt to dealing with the impact of COVID-19 the Internal Audit function has an important role to play to continue to provide critical assurance, help advise management on the shifting risk and controls landscape and help anticipate emerging risks.

The plans the council are putting in place to respond to the outbreak are likely to be in place for a period of time. Internal Audit are prepared to adapt to adjust to this period in a sustainable way and adapt to this ‘new normal’.

There will be disruption to the Internal Audit Plan outlined in this report for 2020-21 and audits that are currently in progress for 2019-20. For those audits currently in progress we are taking a pragmatic approach and bringing each audit to a conclusion with the findings to date where there is no officer availability to complete the audit due to redeployment or critical role dealing with the impact of COVID- 19.

Internal Audit are currently working from home and utilising video conferencing for meetings. The team has been supporting the Council in the following COVID-19 activities:

- Contacting businesses for details to pay the small business grant
- Understanding of the changes to payment process controls
- Review of emergency decisions
- Review of funding for leisure facilities
- Advice on process for volunteer reimbursement
- Review of transport payments (planned for May)

Regular meetings are being held with the Chief Finance Officer and a meeting with each Director to establish which audits in the 2020-21 audit plan could be started. As stated above there will be disruption to the plan, and I will maintain regular discussion with the Chief Finance Officer and key officers throughout the COVID-19 period.

I will bring an update to each Audit and Governance Committee meeting so that you are kept informed of the status of the 2020-21 Internal Audit plan and the impact of COVID-19 on progress.

The Internal Audit Plan: Approach

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2020/21 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Management Board and the Audit and Governance Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Management Board and Audit and Governance Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Approach to Internal Audit Planning 2020/21

The factors considered in putting together the 2020/21 internal audit plan have been set out below:



Due to the pace of change within Local Authorities and now the impact of COVID -19, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning therefore reflects this. The risk-assessed work plan contains key areas of coverage, to ensure that we are auditing the right areas at the right time. The precise scope of each audit will be determined at the start of the review, in line with local risk factors at that time.

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2020/21 audit plan therefore remains flexible to respond to new and emerging risks as and when they are identified.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

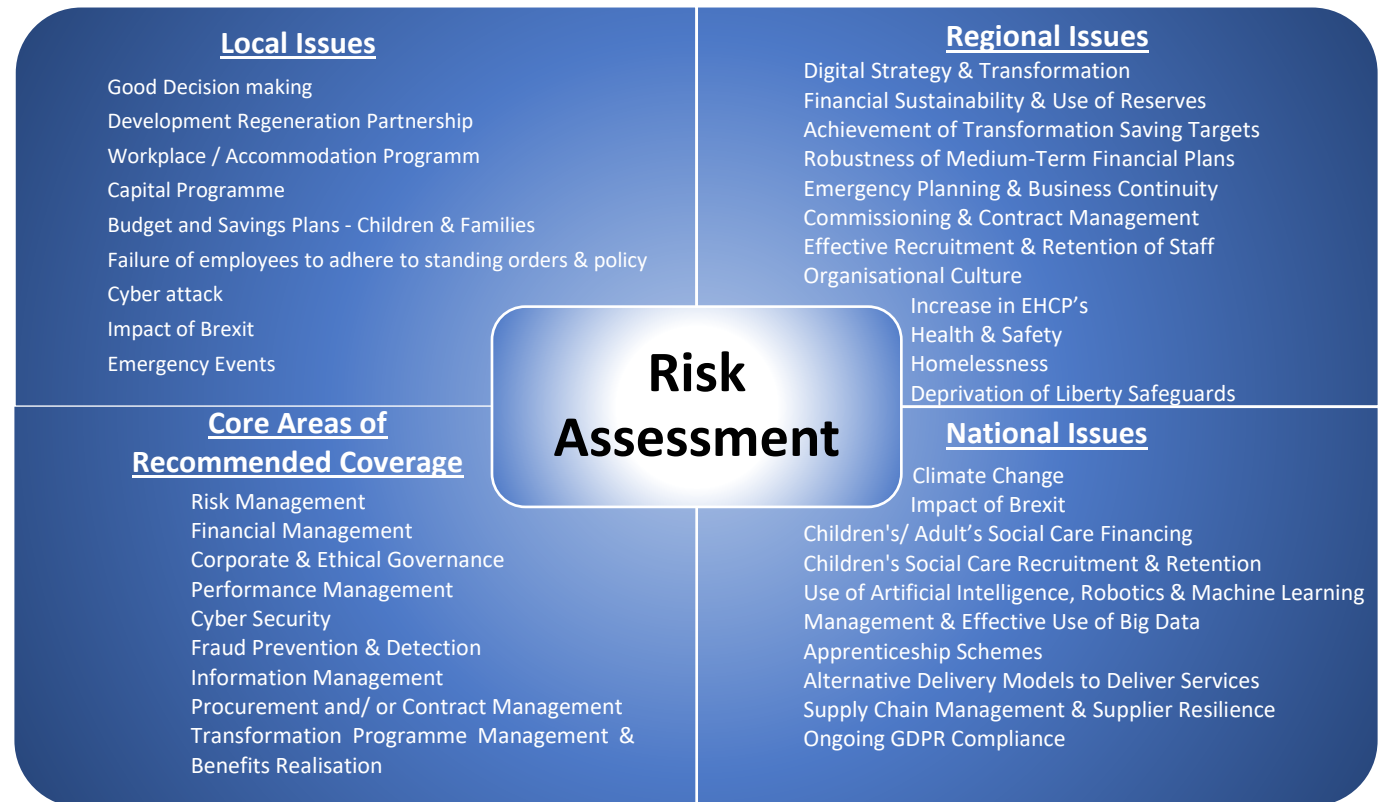
As above, it is the responsibility of the Authority's Management Board and the Audit and Governance Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



Internal Audit Annual Risk Assessment

Our 2020/21 internal audit programme of work is based on a risk assessment, which SWAP will re-visit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Herefordshire Council pre COVID-19:



The Internal Audit Plan: Coverage

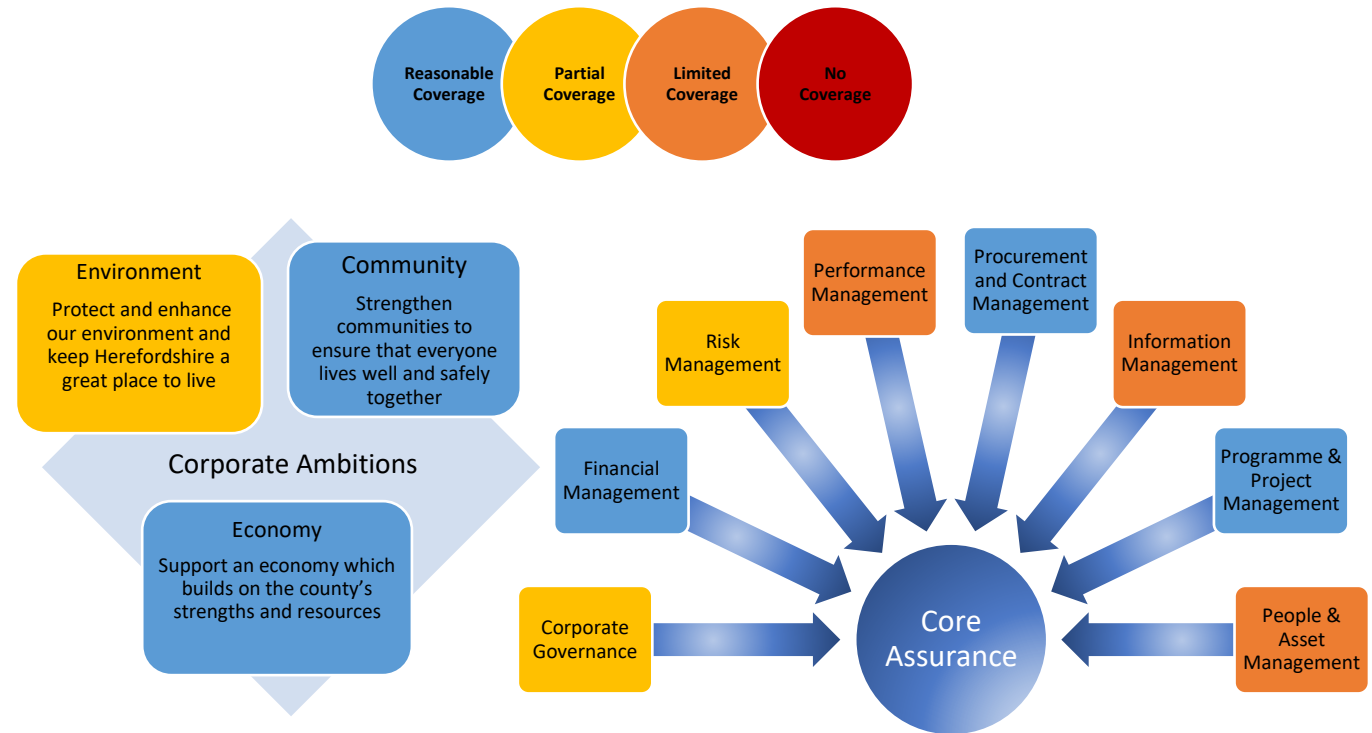
Following our SWAP Risk Assessment above, we have set out how the proposed 2020/21 plan presented in Appendix 1 provides coverage of the Authority's key corporate ambitions and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



Internal Audit Coverage in 2020/21

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate ambitions and risks, as well as our core areas of recommended audit coverage:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: Coverage

The page above sets out how our proposed 2020/21 internal audit plan provides coverage of the Authority's key corporate ambitions and risks, as well as our core areas of recommended audit coverage.

This page highlights any key risk areas where we believe internal audit coverage is currently missing.

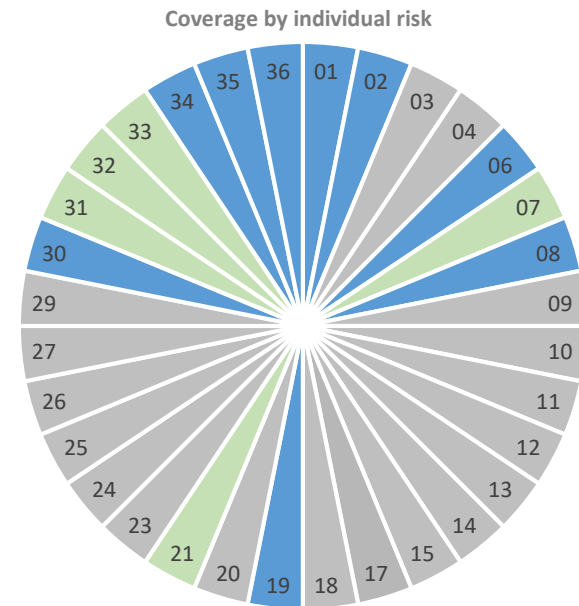
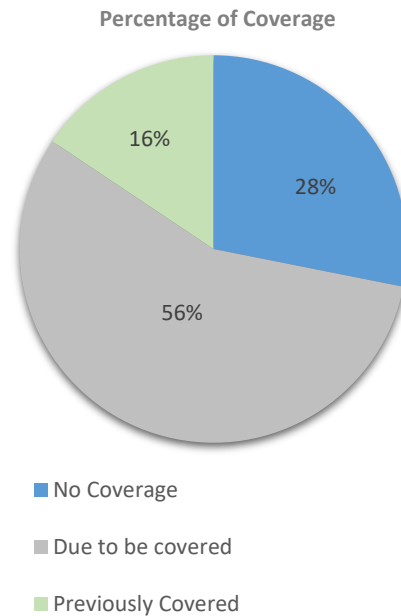


Risk Coverage Missing from Proposed 2020/21 Internal Audit Plan

Following our SWAP risk assessment and the preparation of the proposed 2020/21 audit plan, we have set out below coverage of corporate risks (December 2019 Corporate Risk Register).

Where we have highlighted no coverage, Senior Management and the Audit and Governance Committee should seek and confirm assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:

Coverage of audits in the 2020/21 audit plan against the Corporate Risk Register



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The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 24 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



Your Internal Audit Service

Audit Resources

The 2020/21 internal audit programme of work will be equivalent to 900 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Herefordshire Council are:

Jacqui Gooding, Assistant Director – Jacqui.gooding@swapaudit.co.uk, Tel: 0787250675

Amy Probert, Principal Auditor – amy.probert@swapaudit.co.uk, Tel: 01432 260492

External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF).

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the IPPF.

Conflicts of Interest

We are not aware of any conflicts of interest within Herefordshire Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption and have included some focused proactive fraud work in the plan. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

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Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit and Governance Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit and Governance Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit and Governance Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at year end</p>	>90%*
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%

*subject to impact assessment from COVID-19

Herefordshire Council Proposed Internal Audit Plan 2020/21

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Corporate Ambition/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
Corporate Centre (including ICT)			
Environment, Community, Economy CRR.10 CRR.23	Key Financial Controls Accounts Payable Main Accounting - Follow Up Payroll Accounts Receivable Capital Accounting Council Tax NNDR - Business rates avoidance Treasury Management - Follow Up Housing and Council Tax Benefits	Review of key financial system to provide assurance on effectiveness of controls and management of risks remaining with the Council. The work will assess responses to previous audit coverage and any changes to the control environment. The audit work will also include the use of data analytics.	Review of the Authority's fundamental business processes and key services.
Accountable Body Requirement	NMITE Project (University)	Final review to cover February/March 2020	Statutory requirement.
Environment, Community, Economy CRR.24 CRR.23 CRR.20	MTFS	The revenue and capital budgets are set following a robust process using sound and realistic assumptions.	Agreed with Chief Finance Officer
	Commercial Investments	The acquisition of commercial property has become a significant area of activity for some authorities in recent years. Local authorities acquire commercial property for a variety of reasons, but yield is currently an important factor.	Agreed with Chief Finance Officer
	Balfour Beatty Contract 1 year (minor to major repairs)	Review of compliance with contract.	Agreed with Chief Finance Officer

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Herefordshire Council Proposed Internal Audit Plan 2020/21

	Councillor Allowances Overspend	Review of allowances with Members Expenses follow up	At the request of the Monitoring Officer.
	Voting restrictions for Members	Review of process and how this is monitored.	At the request of the Monitoring Officer.
Environment, Community, Economy CRR.10 CRR.23 CRR.15 CRR.26 CRR.09	Staff Car Parking - Business passes	Review of process.	At the request of the Assistant Director Corporate Support
	Better Ways of Working (BWOW)	Review of BWOW principles and delivery of agreed programme. Deferred from 2019-20	Review of the key risks featuring in the Authority's risk register.
	Risk Management	Last reviewed in 2014. Is the Risk Management Framework in place effective and appropriate for managing and monitoring risk?	At the request of the Monitoring Officer.
	Strategic/Significant Partnerships	Review the governance arrangements in place between the council and Significant Partners to ensure they support effective transparency and communication and there are adequate contractual or partnership arrangements in place.	At the request the Monitoring Officer.
	Brexit Preparedness	Is the council prepared for the opportunities and risks that Brexit will bring? Are the short and long term issues that matter most to communities being addressed.	Deferred from 2019/20. Agreed with the Chief Finance Officer.
Environment, Community, Economy CRR.13 CRR.25	Cyber Security Framework	This review covers 20 key controls regarding cyber security and allows senior and strategic management to assess risk from a high level and provide requirements or challenge to the ICT provider or service. This review is being undertaken across SWAP partners so can facilitate future benchmarking. A continuous audit approach will be applied to update the results of this review annually.	Agreed with the Assistant Director Corporate Support.
	ICT Governance Risk Review	A high-level holistic risk review covering ICT Governance, Infrastructure and Enterprise. This allows senior and strategic management to gain	Agreed with the Assistant Director Corporate Support.

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Herefordshire Council Proposed Internal Audit Plan 2020/21

		exposure to current ICT risks and to inform future value added ICT audit.	
Environment, Community, Economy CRR.12 CRR.23 CRR.10 CRR.29	Schools Educational visit service	Review of Health and Safety advice to Schools and process for school buy in.	Agreed with Assistant Director People – Corporate Services.
	Staff benefit scheme	Scheme has been running since July 2019. Review of scheme and accuracy of data - is the scheme delivering the benefit intended.	Agreed with Assistant Director People – Corporate Services.
	Employee Expenses	Review of automated approval process for expenses under £100. Assurance that self-certification is complying with guidance. Use of Data Analytics Proactive Fraud Work	Agreed with Assistant Director People – Corporate Services and Assistant Director Corporate Support. Use of Data Analytics Proactive Fraud Work
	Leavers Process	Review of adequacy of process. Previous weaknesses identified in process.	Agreed with Assistant Director People – Corporate Services and Assistant Director Corporate Support.
Economy and Place			
Environment, Community, Economy CRR.14 CRR.27 CRR.20 CRR.10 CRR.11 CRR.18	Development Regeneration Programme	Scope to be agreed.	Agreed with Chief Finance Officer.
	Local Transport Block Funding	Grant Certification	Requirement of grant funding.
	Bus Subsidy Grant	Grant Certification	Requirement of grant funding.
	Bellwin /Resilience Management	Grant Certification	Requirement of grant funding.
	Commercial Properties/Rents	Review of the processes and procedures in place for commercial rentals owned and managed by Herefordshire Council. Areas to review - setting of rents and payment terms; discounts; invoicing and debt recovery; write-offs; vetting; rent reviews; tenancy starts and terminations and lease contents. Last reviewed in 2015-16.	At request of Strategic Property Services Manager. Agreed at Economy & Place Directorate Management Team meeting.
	Herefordshire Waste Contract	Herefordshire Council and Worcestershire County Council waste treatment, recycling and disposal services are managed by Mercia Waste	Agreed at Economy & Place Directorate Management Team meeting.

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Herefordshire Council Proposed Internal Audit Plan 2020/21

		Management. What assurance do the council have that the contract is delivering against service expectation, contract delivery.	
	S106 Agreements	Review of expenditure against s106 agreements - Covers all aspects of s106's not just E&P so include children. Focus on delivery against commitments.	Agreed at Economy & Place Directorate Management Team meeting.
	Climate Change	Herefordshire Council has been working to reduce greenhouse gas emissions by 40% between 2008/09 and 2021, with a new aspirational target for achieving carbon neutrality by 2030. Review of the obligations and processes around carbon management.	Agreed at Economy & Place Directorate Management Team meeting.
	Emergency Planning	Review of Emergency Planning response	Agreed at Economy & Place Directorate Management Team meeting.
	Capital Programme/Capital Projects	Capital Programme - to review a sample of projects across each Directorate.	Agreed at Economy & Place Directorate Management Team meeting and with Chief Finance Officer.
Adults and Communities			
Community Ambition CRR.23 CRR.17 CRR.10	Care Providers - risk of fraud.	What assurances do the Council have care is provided as per contract/agreement and the individual annual care plan. Proactive Fraud Work	Requested by Head of Care Commissioning. Agreed at Adults and Communities Commissioning Programme Board. Proactive Fraud work
	Care Panel.	Assurance around the process – is it effective?	Agreed by Director for Adults and Communities.
	Support to self-funders.	What is the level of support provided by the Council and how does it compare to other LA's – to include cross partner comparison report.	Requested by Head of Care Commissioning. Agreed at Adults and Communities Commissioning Programme Board.
	Integrated Short-Term Support and Care Pathway - Carers Assessment	Pathway, system changes and a new contract in place. Deferred from 2019-20 to allow for implementation of new contract.	Agreed by Director for Adults and Communities.

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Herefordshire Council Proposed Internal Audit Plan 2020/21

	Integrated Short-Term Support and Care Pathway phase 4 Housing Pathway	Deferred from 2019-20. Is the Pathway prospective providing a customer journey with consideration of the system in respect of: <ul style="list-style-type: none"> • Moving at the right pace • Fit for purpose • Operating correct model of practice 	Agreed by Director for Adults and Communities
	Client Finances	Client Finance System - Interface between all systems. Deferred from 2019-20.	Agreed by Director for Adults and Communities.
	West Midlands Peer Review	Compliance to peer review and progress against recommendations.	Agreed by Director for Adults and Communities.
Children's and Families			
Community Ambition CRR.03 CRR.23	Troubled Families	Grant Certification review of claims monthly.	Requirement of grant funding
	Schools thematic audit	Scope to include elements of SFVS and Prevention of Fraud	Agreed by Children's and Families Directorate Management Team meeting.
	Schools - Off rolling.	Building upon the 19/20 schools exclusion work. Piece of work specifically on off rolling.	Agreed by Children's and Families Directorate Management Team meeting
	DP Pre Paid Cards	Review of controls for the use of and issue of pre-paid cards. Use of Data Analytics - Proactive Fraud Work.	Use of Data Analytics - Proactive Fraud Work. Agreed by Children's and Families Directorate Management Team meeting.
	Accommodation based support service for care leavers with complex needs	Approach and accommodation for 16-18-year olds.	Agreed by Children's and Families Directorate Management Team meeting.
	EHCP (Education, Health and Care Plans)	Education, Health and Care (EHC) Plans are legally binding. A request for an EHC Needs Assessment is made where a child does not make expected progress following the Assess/Plan/Do/Review cycle and the special educational provision required cannot reasonably be provided from within the resources normally available to their educational setting.	Agreed by Children's and Families Directorate Management Team meeting.

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Herefordshire Council Proposed Internal Audit Plan 2020/21

	Looked after Children and Complex Needs Children's Placements	A review of the process and the delivery of placements.	Agreed by Children's and Families Directorate Management Team meeting
	Support for young people not in education, employment or training (NEET)	Review of support available - include care leavers and looked after children.	Agreed by Children's and Families Directorate Management Team meeting
Follow Up Audits			
Follow Up Audits	Members Expenses - Follow Up	Partial assurance 19/20. The work will assess responses to previous audit coverage and any changes to the control environment.	Inclusion of audit follow up work incorporating any prior year weaknesses identified.
	CHC - Follow Up		
	SWTP Phase 1 - Follow Up		
	SWTP Phase 2 - Follow Up		
	Contingency - Follow Up		

The Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Audit and Governance Committee on 19th March 2019 and is presented to the Committee today 17th March 2020 to ensure it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Herefordshire Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

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

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

Responsibilities of Management, Audit and Governance Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the organisation; and
- direct access and freedom to report to senior management, including the Chief Executive and the Audit and Governance Committee
- notification of suspected or detected fraud, corruption or impropriety.

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

Audit and Governance Committee

The Audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

¹ In this instance Management refers to the Management Board and Statutory Officers.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

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

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

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

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

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

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

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;

- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined, and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

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

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

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

A Move to Agile Auditing

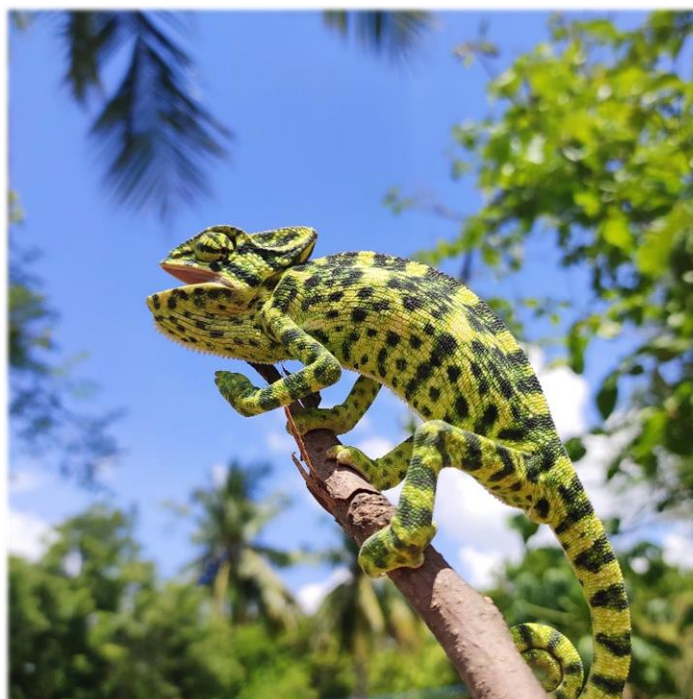
When delivering the 2020/21 Internal Audit Programme of work, as presented, we will be looking to embrace the concept of Agile Auditing.

What is Agile Auditing?

Agile Auditing breaks a typical audit engagement down into several shorter stages, with us reporting any findings as we go. It involves increased communication and collaboration with stakeholders throughout the audit process, with greater speed but also transparency. It is likely to involve a team of audit staff instead of one individual.

Why the move to it?

- We recognise that the speed of change (and subsequent risk) is increasing within our Partners. As auditors we therefore need to adapt in order to be able to react and respond quicker.
- We constantly seek ways in which we can add value to our Partners, in order to help them succeed. Increased communication and collaboration through Agile Auditing will support this.
- We also want to move towards shorter and more impactful audit reports; Agile Auditing will facilitate this.



What will it involve?

As above, an Agile audit engagement is likely to involve a small team of audit staff as opposed to one individual. This will ensure that the audit proceeds and concludes with greater pace.

Although we are likely to require more frequent interaction with staff in the area we are auditing, the interaction will be quicker and more focussed. We are confident that the overall time required from staff will actually be less than through a traditional audit approach.

We will look to discuss any audit findings with staff throughout the stages of the audit. This will ensure that by the time we come to report, we already have agreement to any proposed actions required, and even provide the opportunity for any findings to be actioned prior to the completion of our audit.

What will be the benefits?

- Ability to provide faster assurance
- Enhanced ability to add value
- Audit observations resolved more quickly
- Shorter, more impactful audit reports
- Reduced negotiations at audit report start

We hope you support our move towards Agile Auditing.

If you would like to discuss the concept in more detail, please speak to your SWAP contact.



Meeting:	Audit and governance committee
Meeting date:	Tuesday 5 May 2020
Title of report:	NMiTE update report
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

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:

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

- 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 14 December 2017 cabinet agreed that the council would act as the accountable body for public funding allocated to create the new Hereford University, NMiTE.
3. Accountable body status means that the council will be accountable for public funding allocated to the new university 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 (DfE) and NMiTE, these include a range of financial and non-financial measures. As part of this agreement process the DfE confirm how progress is to be measured.
5. On 13 December 2017 general scrutiny committee examined the proposal for council to act as the accountable body for the NMiTE project.
6. Due to the current Covid19 crisis the final 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 have been postponed.
7. On 27 March 2020 the senior responsible officer at the DfE confirmed that the funding agreement would end on 31 March 2020 as planned. The ending of the funding agreement concludes the end of the requirement for an accountable body, so the council's role as accountable body for the DfE's grant ceased on 31 March 2020. The senior responsible officer, on behalf of the DfE thanked the council for carrying out its role as accountable body.
8. The final tranche of grant funding was received by the council on 15 April 2020, and as the DfE was satisfied that NMiTE had meet all of its milestones this was transferred the same date to NMiTE.

Community impact

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

9. 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.
10. 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.
11. 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

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. 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

14. 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 resources. The cost of resourcing the additional operational tasks are financed from a share of the grant allocation.
15. The receipt of the final tranche of grant on 15 April 2020, and its onward transmission to NMiTE on the same day ensures that the whole grant from the DfE has been received by the council as accountable body and it has been fully transferred to NMiTE.

Legal implications

16. There are no legal implications.

Risk management

17. The letter from the Senior Responsible Officer of the Department of Education on 27 March 2020 confirmed the end of the council’s role as accountable body from 31 March 2020.

Consultees

18. None

Appendices

Appendix A – Letter from Department of Education.

Background papers

None identified.

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

NMiTE	New Model Institute for Technology and Engineering
DfE	Department for Education



Department for Education
Sanctuary Buildings, London

Tel: 0370 000 2288

www.gov.uk/df

Email enquiry form:

www.education.gov.uk/contactus/df

Date: 27 March 202

To:

Elena Rodriguez-Falcon

CEO, NMiTE

Andrew Lovegrove,

Section 151 Officer, Herefordshire Council

By email

Dear Elena and Andrew,

I am writing to outline the final arrangements for NMiTE as the project end and funding administered by Herefordshire Council concludes. I have been specifically asked to give a view on the use of consultants during the project this is also covered below.

The Department's role as funding body and the Council's involvement as the Section 31 body ends formally on 31 March 2020, though we expect the final payment now to be made in early April. DfE have received assurance that Herefordshire Council will transfer this final payment to NMiTE immediately after transfer. The Department's relationship with NMiTE will change but it remains important that the public investment is monitored and evaluated so the link with the Department does not cease altogether.

I hope that this letter will be useful in allowing the project to move forward and lead to a strong partnership with Herefordshire Council to be sustained beyond the end of the period of DfE funding and the Council's stewardship of it.

The Department considered the employment of consultants by NMiTE to be essential to the business plan given the high risk associated with this project we recognised it needed skilled professionals to undertake some vital work. There have been delays throughout the project due to a series of unforeseeable events such as the departure of the former CEO, protracted negotiations over the LEP funding, the many options to be considered in the property portfolio and validation concerns. This has resulted in multiple roles taken by many in the management team. A large amount of specialist knowledge was needed in the organisation and the work was required at pace given the agreed DfE milestones. This meant the employment of consultants was crucial to the continuation of the project and meeting the overall goals that are well in train. In addition the project has enjoyed overall good management of finances guided by the NMiTE Financial team and the Council Section 151 officer in these challenging circumstances.

I note the Council's concerns and NMiTE's response regarding a particular work area. I know a permanent member of staff has been recruited and this means the use of consultants in this area is ending. I do not believe, in these exceptional circumstances that any further action on this matter is necessary now that it has been resolved. I can confirm that these matters do not constitute a reason for DfE to withhold any part of the grant monies.

As this part of the DfE project comes to an end. I would like to thank all at NMiTE and Herefordshire Council for their joint work on this unique and challenging project and wish it every success. Please let me know if the Department can be any further help.

Yours Sincerely,

Anne Rimmer
Head of HE Quality and Regulation Division

Cc
Dame Fiona Kendrick, NMiTE
Alistair Neill, CEO, Herefordshire Council



Meeting:	Audit and governance committee
Meeting date:	Tuesday 5 May 2020
Title of report:	Remuneration of Independent Persons for Standards
Report by:	Solicitor to the Council

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To consider whether the independent persons for standards should be paid an allowance for undertaking this work

Recommendation(s)

That:

- (a) **The committee considers whether to recommend to Council that independent persons for standards should be paid an allowance**

Alternative options

1. There are no alternative options as the committee on 23 January 2019, requested that a report on potentially paying the independent persons for standards an allowance be added to the committee's work programme after they had been in post for one year.

Key considerations

Further information on the subject of this report is available from
 Claire Ward, Tel: 01432 260657, email: Claire.Ward@herefordshire.gov.uk

2. Under Section 28 (7) of the Localism Act 2011 (“the Act”) the council must appoint at least one independent person as part of the arrangements under which allegations about a failure to comply with the code of conduct can be investigated and decisions on allegations made.
3. Their role is set out in the role description at appendix 1.
4. Although payment of an allowance can be made, this council has never paid an allowance. On the last recruitment exercise held in November / December 2018 the council was able to attract and recruit a further 7 appointees.
5. The workload has increased since their appointment and the introduction of the standards panel now includes chairing panels. It is right to consider that the increase in work and complexity of the matters might require an allowance to be paid to reflect the amount of time spent on the role.
6. A survey of the IPs indicates that their current time commitments is hard to quantify and range from either 5 minutes to 1 hour per complaint. The number of complaints in the municipal year as at 3 March 2020 is 32 and these are split during the year on rotation so on average each IP has seen 16 complaints during the last year.
7. The work involved in standards panels are on an as required basis. There have been panels convened in the last year in the period 1 May 2019 to 3 March 2020. The time taken for these hearings again vary but do include 1 hour for training, 1- 2 hours reading time and the length of time for the panel meeting which is between 1-3 hours.
8. The views of our independent persons were sought on whether or not an allowance should be paid. Four independent persons responded and indicated that they do not wish to be paid an allowance as it may be perceived that they are not independent of the council. They did however indicate that an annual meal would be appreciated. No other responses have been received.
9. Other councils were contacted in order to ascertain whether or not they paid an allowance to their independent persons and the details that were able to be are:

Council	Amount paid	Notes
Bath and North East Somerset Council	£500 pa plus expenses	Unitary
Cornwall County Council	£1,606.45	
Shropshire Council	£NIL – expenses only	Unitary
Worcestershire County Council	£200 pa plus expenses	County Worcestershire pool of independent persons also support the standards process for a number of other relevant public bodies.
Wiltshire County Council	£2,406 pa plus expenses	County Wiltshire also cover parish

		council complaints
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10. If the committee are minded to recommend that an allowance is payable, then the independent remuneration panel (IRP) could be asked to recommend to council an allowance. An IRP is due to be convened following the decision at full Council in October 2020 on the governance model for the council.

Community impact

11. In accordance with the code of corporate governance Herefordshire Council is committed to behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all our activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of law.
12. Ensuring that there are sufficient numbers of Independent Persons to facilitate an effective and robust standards process, and that the appointment of those Independent Persons has been carried out in an objective, transparent and lawful way assists us in upholding the principles of the code of corporate governance and the council's values

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.
15. The IP recruitment process observes equality legislation and whether to pay an allowance would not affect the process though it might affect who would apply.

Resource implications

16. There is currently no budgetary provision made for allowances to be paid to any appointed independent persons.

Legal implications

17. The Localism Act 2011 created the role of ‘independent persons’. The Act requires all councils to adopt a code of conduct for elected members and to appoint at least one independent person to assist the council in dealing with complaints that the code of conduct may have been breached.
18. Section 28 (8) (d), of the Act states “a person appointed ... does not cease to be independent as a result of being paid any amounts by way of allowances or expenses in connection with performing the duties of the appointment.”

Risk management

19. There is a reputational risk to the council if it is unable to manage effectively its standards complaints process. There is also a risk to councillors in Herefordshire if there are no independent mechanisms in place to support them in their responsibilities towards good governance and adhering to the members’ code of conduct.

Consultees

20. The 7 independent persons views were sought and they have been incorporated into the report.

Appendices

Appendix 1 – Role descriptor for IP for Standards

Background papers

None identified.

ROLE DESCRIPTION FOR INDEPENDENT PERSON FOR STANDARDS

Responsible to: The Council

Liaison with: Monitoring Officer, members of the Standards Panel, officers and members of Herefordshire Council and Town and Parish Councillors within the Herefordshire.

- a) To assist the Council in promoting high standards of conduct by elected and co-opted members of Herefordshire Council and town and parish councillors and in particular to uphold the Code of Conduct adopted by the Council and the seven principles of public office, namely selflessness, honesty, integrity, objectivity, accountability, openness and leadership.
- b) To be consulted by the Council through the Monitoring Officer before it makes a decision on an investigated allegation and to be available to attend meetings of the Standards Panel, if necessary.
- c) To be available for consultation by the Monitoring Officer before a decision is taken as to whether to investigate a complaint or to seek local resolution of the same.
- d) To be available for consultation by any elected member, including town and parish councillors, who is the subject of a standards complaint.
- e) To develop a sound understanding of the ethical framework as it operates within Herefordshire Council and its town and parish councils.
- f) To participate in training events to develop skills, knowledge and experience and in networks developed for Independent Persons operating outside the council's area.
- g) To act as advocate and ambassador for the Council in promoting ethical behaviour.
- h) To form part of an investigating and disciplinary panel in relation to disciplinary action being considered against the head of paid service, the monitoring or the S151 officers.



Meeting:	Audit and governance committee
Meeting date:	Tuesday 5 May 2020
Title of report:	Future work programme for 2020/2021
Report by:	Democratic services officer

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To provide an update on the Committee's work programme for 2020/2021.

Recommendation(s)

THAT:

Subject to any updates made by the committee, the work programme for 2020/21 for the audit and governance committee be agreed.

Alternative options

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

Reasons for recommendations

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

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

Key Considerations

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

Community impact

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

Equality duty

- 6 This report does not impact on this area.

Financial implications

- 7 There are no financial implications.

Legal implications

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

Risk management

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

Consultees

- 10 The chief finance officer, monitoring officer, chairperson and vice-chairperson have contributed to the work programme.

Appendices

Appendix 1 – draft audit and governance work programme 2020/21.

Background papers

- None identified.

**Audit and Governance Work Programme
2020/21**

Function area	Report	Purpose
May 2020		
External audit 3.5.11 (a)	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.
External audit 3.5.11(a)	Annual audit fee letter	To note the annual audit fee
Internal audit (Annual)	Internal audit plan for 2020/21	To consider the internal audit plan for 2020/21.
Internal audit (annual)	Internal audit charter	To approve the internal audit charter
Governance	NMiTE update report	To provide the committee with a progress update report
Code of Conduct	Remuneration of independent persons	To consider whether or not the appointed independent persons should be remunerated
Governance	Work programme	To comment on the 2020/21 work programme
June 2020 [NEW MEETING PROPOSED]		
Governance 3.5.12 (c)	Whistleblowing policy	To review and approve the whistleblowing policy
Internal and external audit 3.5.10 (d)	Tracking of internal and external audit recommendations	Monitor implementation of action plans agreed in response to recommendations made by internal and external audit
Governance 3.5.12 (b)	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 audit 3.5.10 (b)	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 3.5.12 (a)	Health and Wellbeing Board Review and suggested amendment to the constitution	To consider recommending changes to the constitution to council in relation to the Health and Wellbeing Board
Governance	Work programme	To note the current work programme of the committee
July 2020		
Waste contract 3.5.13	Energy from waste (EFW) Loan Update	To provide assurance to the audit and governance

**Audit and Governance Work Programme
2020/21**

Function area	Report	Purpose
External audit 3.5.11 (a)	External audit progress update	committee on the status of the energy from waste (EfW) loan arrangement. 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.
Internal audit 3.5.10 (a)	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
Internal audit 3.5.10 (b)	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	Work programme	To note the current work programme of the committee
September 2020		
External audit 3.5.11 (a)	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.
Internal audit 3.5.10 (b)	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 3.5.12 (e)	Annual governance statement	To consider the draft annual governance statement.
Code of conduct 3.5.14	Code of Conduct complaints Annual Report	To receive the annual code of conduct report
Governance 3.5.12 (a)	Re-thinking Governance (Constitution review)	To make recommendations to Council on the governance model.
Governance	Work programme	To note the current work programme of the committee
October 2020 [NEW MEETING PROPOSED]		
External audit 3.5.11 (a)	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

**Audit and Governance Work Programme
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Function area	Report	Purpose
Internal audit 3.5.10 (b)	Progress report on internal audit plan	value for money and includes interim audit findings. 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 3.5.12 (b)	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 3.5.10 (e)	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 3.5.12 (c)	Anti-fraud and corruption strategy	To receive an update on the anti-fraud and corruption strategy.
Governance 3.5.12 (g)	Information governance review	To review the council's information governance requirements to include all complaints (inc. children's social care), information requests, breaches of Data Protection Act, corporate governance and Regulation of Investigatory Act.
Governance	Work programme	To note the current work programme of the committee
November 2020		
Accounts 3.5.15	Statement of account	To approve the statement of account and includes the signing of the letter of representation
Accounts 3.5.15	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.

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Function area	Report	Purpose
Governance	Accounting policies update	To approve any amendments to the accounting policies, if needed
Governance 3.5.12 (h)	Annual governance statement	To approve the annual governance statement
Internal audit 3.5.10 (b)	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	Work programme	To note the current work programme of the committee
January 2021		
External audit 3.5.1 (a)	Annual audit letter	To review the annual audit letter
Internal audit 3.5.10 (b)	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
External audit 3.5.11 (a)	External auditors annual plan	Review and agree the external auditors annual plan, including the annual audit fee and annual letter.
Governance 3.5.12 (a)	Contract procedure rules, finance procedure rules	Review of procedure rules and approve any amendments to the rules.
Governance	Work programme	To note the current work programme of the committee
March 2021		
Governance 3.5.12 (e) and (f)	Annual governance statement progress	Review of the effectiveness of the council's governance process and system of internal control.
Governance 3.5.12 (b)	Corporate risk register	Update on the progress of the annual governance statement 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 3.5.10 (e)	Tracking of internal and external audit recommendations	To monitor implementation of action plans agreed in response to recommendations made by internal and external audit
External audit 3.5.11 (a)	External audit progress update	Update on progress to date in order to comment on the scope

**Audit and Governance Work Programme
2020/21**

Function area	Report	Purpose
Internal audit 3.5.10 (a)	Internal audit plan for 2021/22 and internal audit charter	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. To consider the internal audit plan for 2020/21 and approve the internal audit charter.
Internal audit 3.5.10 (a)	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	Future work programme for 2021/22	To note the work programme for 2021/22.

