

# Agenda

## Audit and governance committee

Date: **Tuesday 26 January 2021**

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Time: **10.15 am**

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Place: **Online meeting only**

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

For any further information please contact:

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

# **Agenda for the meeting of the Audit and governance committee**

## **Membership**

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

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

## Agenda

	Pages
<b>THE PUBLIC RIGHTS TO INFORMATION AND ATTENDANCE AT MEETINGS</b>	
<b>THE NOLAN PRINCIPLES</b>	
<b>1. APOLOGIES FOR ABSENCE</b>	
To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b>	
To receive details any details of members nominated to attend the meeting in place of a member of the committee.	
<b>3. DECLARATIONS OF INTEREST</b>	
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.	
<b>4. MINUTES</b>	11 - 20
To approve and sign the minutes of the meeting held on 17 November 2020.	
<b>HOW TO SUBMIT QUESTIONS</b>	
<i>Deadline for receipt of questions is 5.00 pm on 20 January 2021 (3 clear working days from date of meeting).</i>	
<i>Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a>. Questions sent to any other address may not be accepted.</i>	
<i>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 <a href="https://www.herefordshire.gov.uk/getinvolved">https://www.herefordshire.gov.uk/getinvolved</a></i>	
<b>5. QUESTIONS FROM MEMBERS OF THE PUBLIC</b>	
To receive questions from members of the public.	
<b>6. QUESTIONS FROM COUNCILLORS</b>	
To receive any questions from councillors.	
<b>7. EXTERNAL AUDIT PROGRESS REPORT</b>	21 - 56
To provide the committee with a progress update of the work being undertaken by the external auditor, Grant Thornton.	
<b>8. PROGRESS REPORT ON 2020/21 INTERNAL AUDIT PLAN</b>	57 - 86
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.	
<b>9. RE-THINKING GOVERNANCE WORKING GROUP - PROGRESS UPDATE</b>	87 - 102
To update the committee on the progress of the re-thinking governance working group.	

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|---|-----------|
| <b>10. ANTI FRAUD AND CORRUPTION ANNUAL REPORT</b>  | 103 - 128 |
| To consult with the committee on the proposed updated Counter Fraud and Corruption Strategy 2021-2024 and to give an annual report on the key risks within the council and how these are being addressed or managed.  |           |
| <b>11. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES</b>   | 129 - 230 |
| To approve the updates to the contract procedure rules, at appendix 2, the financial procedure rules, attached at appendix 4, and the financial procedure rules guidance notes attached at appendix 6. The rules were last updated and approved by the committee in January 2020. |           |
| <b>12. WORK PROGRAMME UPDATE</b>  | 231 - 234 |
| To provide an update on the work programme for the committee.   |           |

## **The public's rights to information and attendance at meetings**

### **You have a right to: -**

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

### **Public transport links**

The Shire Hall is a few minutes walking distance from both bus stations located in the town centre of Hereford.

## **Recording of this meeting**

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

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

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

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

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.

## **Fire and emergency evacuation procedure**

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

You should vacate the building in an orderly manner through the nearest available fire exit and make your way to the Fire Assembly Point in the Shire Hall car park.

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

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

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

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## Guide to Audit and Governance Committee

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

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

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

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





**The Seven Principles of Public Life  
(Nolan Principles)**

**1. Selflessness**

Holders of public office should act solely in terms of the public interest.

**2. Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

**3. Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**4. Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**5. Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**6. Honesty**

Holders of public office should be truthful.

**7. Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.



## **Minutes of the meeting of Audit and governance committee held at Online meeting only on Tuesday 17 November 2020 at 10.30 am**

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

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

**Officers:** Solicitor to the council, Chief finance officer and Interim Head of Legal Services, Head of corporate performance, Information access and records manager

### **25. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **26. NAMED SUBSTITUTES (IF ANY)**

There were no named substitutes.

### **27. DECLARATIONS OF INTEREST**

There were no declarations of interests.

### **28. MINUTES**

#### **RESOLVED:**

**That the minutes of the meeting held on 14 October 2020 be confirmed as a correct record and signed by the chairperson.**

### **29. QUESTIONS FROM MEMBERS OF THE PUBLIC (Pages 7 - 8)**

Questions received and responses given are attached as appendix 1 to the minutes.

### **30. QUESTIONS FROM COUNCILLORS**

There were no questions from councillors.

### **31. ANNUAL REVIEW OF THE COUNCIL'S INFORMATION ACCESS AND INFORMATION GOVERNANCE REQUIREMENTS**

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

- The report provided assurances that there were good operational procedures in place to deal with information requests and complaints.

- There had been a rise in the number of complaints upheld by the Social Care and Local Government Ombudsman (LGO) and training was being arranged in order to try and reduce the numbers but there had been a delay due to Covid-19.
- The Council is dealing with information requests within timescales
- There were very few referrals to the Information Commissioners Office (ICO).

During the committee's discussion of the report, the following points were raised.

- The differences between a Subject Access Request (SAR) under the Data Protection Act, Freedom of Information (FOI) and Environmental Information Regulations (EIR) were provided. It was noted that a SAR did require checks for identity as it related to personal information held by the Council on an individual.
- There had been a delay in undertaking the training in connection with the increase of upheld LGO complaints due to Covid-19. The team had been redeployed to support the Council's response to the pandemic. Training had now been arranged with the LGO and guidance for investigating officers had been produced.
- The LGO had stopped taking new cases in April 2020 and had re-started in September 2020. This may have an impact on the figures for the municipal year 2020/21
- There had been an increase in the disagreement of the decisions as a reason for complaint in connection with children's complaints. This process enabled children and young people to make complaints or for someone to make a complaint on their behalf. There were not any specific themes, it related more to individual areas. The children's directorate management team had gone through the complaints in order to learn from them.
- Approximately 50% of schools had signed up to a service level agreement (SLA) to provide professional advice and act as the school's data protection officer (DPO). A DPO was required under the General Data Protection Regulations (GDPR).
- There were regular reports to directorate management teams and management board. There were a range of reasons for mistakes happening and the directorates looked at the learning / recommendations. This could result in changes in processes or training for staff.
- It was noted that the volume of requests / complaints were stable compared to other years. However, SAR had grown significantly once those requests could be made for free.
- It was noted that the cost to the Council was primarily staff costs and that the people submitting requests did expect an answer straightaway.
- The team have been encouraging directorates to publish as much information as possible.
- It was confirmed that information held on Mosaic regarding social care was used when there was an SAR. It was further confirmed that the access controls in Mosaic had been audited by internal audit.

#### **RESOLVED that**

**the information set out in the report regarding requests for information, data protection compliance and complaints over the past year were reviewed with regard to any risks arising.**

#### **32. PROGRESS REPORT ON 2020/21 INTERNAL AUDIT PLAN**

South West Audit Partnership (SWAP) presented the report and highlighted that since the last update to the committee:

- Four audits had been completed, four audits were at report stage and there were twelve audits in progress
- Nine additional audits or grant certifications had been undertaken
- The direct payment pre-paid card audit (children and families) had been replaced with an education health and care plans – annual reviews audit. This is due to the service area not fully rolling out pre-paid cards at this time. It had been proposed to defer the original audit to the 2021/22 plan which had been agreed with the Director of Children and Families.
- The internal audit plan may continue to be revised due to the Covid-19 work required by government. There may also be disruption if officers are required to be deployed in order to support the Council's response to the pandemic.

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

- The advisory audit in connection with NMiTE was in connection with the accountable body status and this work had been concluded. A copy of the report would be sent to the committee members.
- A decision was in the process of being taken to purchase 75 additional audit days. The decision would be taken by a member of the finance team as the chief finance officer was a director of SWAP.
- It was anticipated that these additional days would be funded from the burdens grant received from government as the Council was able to recover its reasonable costs as part of the grant criteria.
- There were ongoing discussions as to the use of the 75 days but it was hoped that the additional days would enable the internal audit plan to be delivered. SWAP confirmed that there was sufficient resource within their organisation to cover the additional days.
- The next progress report was likely to show that there had been additional requests for internal audit work as grant monies were coming through to the Council.
- In relation to the loss of monies special investigation in children's, it was confirmed that money had gone astray. The money had been stored in an envelope in a safe which a number of staff members had access to. As part of the lessons learnt, money should be banked and there was a need for the Council to become a cashless organisation. It was very unlikely that the money would be recovered and that the matter had been referred to the police. The sum of money involved was £1,500.

**RESOLVED that**

**the chief finance officer and monitoring officer consider that the Hereford city centre transport governance review undertaken by internal audit be circulated to the committee.**

### **33. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS**

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

- 64% of recommendations due in the future (as set out in appendix 2) are either on track to be completed on time, or have already been completed.
- The one outstanding external audit recommendation was now completed and would be reported as part of the annual governance statement.

In discussion of the item, it was:

- Noted that there may be an inconsistency in wording between the internal audit recommendation (property maintenance schools) set out on page 64 of the agenda pack and the corporate risk CRR 50 (school assets) set out on page 80 of the agenda pack. The head of corporate performance was requested to seek clarification and provide an update to committee members.
- Queried whether the dates for continuing healthcare and brokers were realistic given Covid-19. The head of corporate performance confirmed that these dates were provided by the responsible officer but he could continue to challenge about setting appropriate dates. It was agreed that the director of adults and communities would be invited to the next committee meeting when the corporate risk register was due to be discussed [March 2020].
- Completion dates were agreed with the relevant manager and SWAP would expect that there would progress to implement recommendations if the completion dates would not be met, especially in connection with priority 1 and 2 recommendations.
- Savings targets are set by the council when agreeing the budget at the budget setting council meeting. There is monitoring throughout the year but the targets may be revisited. Any changes will be dealt with by cabinet or cabinet member. If there are significant changes, then these would be considered by Council.
- A briefing for members on Verto was requested as it was noted councillors had not yet had a formal introduction to the system. It was agreed that this would be considered by the management board.

#### **RESOLVED that**

- a) The head of corporate performance request that clarification is provided in connection with the internal audit for property maintenance for schools [page 64 of the agenda pack] and corporate risk register [CRR 50 on page 80 of the agenda pack] as there appears to be an inconsistency between the two sets of narratives.**
- b) That the director of adults and wellbeing be invited to the next committee meeting when the corporate risk register is due to be presented.**
- c) Management Board to consider an all members' briefing session on Verto.**

#### **34. CORPORATE RISK REGISTER**

The head of corporate performance presented the report and highlighted:

- The risk registers were as at 30 September 2020.
- There were 18 new risks.
- Comparisons with previous quarters had been removed due to the move to the new format. Comparative information would be added for future reports.
- Further work was required in order to embed the new framework.
- Assistant director risk management leads had now been identified and training was being arranged for them.

In discussion of the item, it was noted that:

- Any risk in connection with Public Health would be incorporated into the corporate support risk register.
- The Covid-19 risk register set out the risks to Council services in connection with the pandemic.
- Under the new framework, if there were high level risks then there must be mitigating activity which is SMART in order to reduce the risk.

- There were links in the risk register which aligned the risk to the relevant area in the County Plan.
- In the Quarter 2 budget and performance report to Cabinet, there should be consistency between the risk register and the report. As the Covid-19 risks potentially sat across all three directorates, this may be a corporate risk (rather than be replicated across the three directorates risk registers).
- Currently the public health risk register would be sat as a service risk register but risks could be escalated to the relevant risk register.
- The head of corporate performance would request a briefing note on the economy and place risk EP23 (Ash Die back [Chalara]) which would also include details of how it linked to the tree strategy which was being developed.
- It was noted that 1-2 of the risks needed to be considered in a wider context. The example of the phosphate risk was used to illustrate that it was also a risk to the environment, tourism, etc and not just the housing land supply.
- There was a need to capture the severity of risk and the impact on the council and the county. The Covid-19 risk was used as an example.
- That the mitigation in connection with CRR 04 (Human Rights Claims) appeared to have an increase in the risk score so it was queried whether the risk had changed.
- That the risk CRR31 (South Wye Transport Package) may have changed and it was queried whether the risk had now crystallised.
- There may need to be a risk in connection with animal disease given the nature of the county and because there had been an outbreak of Avian influenza.
- Risks will considered in a more holistic manner and there will be an annual comparison with the national risk register and what neighbouring councils are doing.

**RESOLVED that**

**the head of corporate performance request that a briefing note is provided in connection with EP risk 23 (ash die back) and how it sits within the overall tree strategy**

**the head of corporate performance request that a briefing note is provided in connection with EP20, in particular more detail to be provided about the local flood management plan and how it links to the riparian rights.**

**That an all members' briefing which is being organised by BBLP also includes riparian rights.**

**35. WORK PROGRAMME UPDATE**

It was noted that the reports in connection with the external audit findings, annual governance statement and statement of accounts had been deferred. The chief finance officer confirmed that the statutory deadline would be missed and that it was anticipated that the three reports would be presented to the committee at its meeting in January 2020. It was further noted that if the reports became available earlier, then a request for an additional committee meeting would be made to the chairperson.

**RESOLVED that**

**The work programme for the audit and governance committee be approved.**

The meeting ended at 12:43 pm

**Chairperson**





**PUBLIC QUESTIONS AND ANSWERS TO  
AUDIT AND GOVERNANCE COMMITTEE  
17 NOVEMBER 2020**

Mr C Barron and Ms B Vine, Ross on Wye

**Question:**

A Ross Gazette article published 28th October (<https://www.rossgazette.com/article.cfm?id=119893&headline=%E2%80%98Lack%20of%20debate%E2%80%99%20blamed%20for%20mass%20council%20resignations&sectionIs=News&searchyear=2020&cat=Planning>) reported that Herefordshire Council's Audit and Governance Committee has asked the authority to check on resignations as a way of tracking where things are going wrong.

We wish to ask the Committee what investigations are being undertaken in respect of the underlying reasons for the resignations and the unusually large number of Code of Conduct complaints registered against Walford Parish Councillors?

**Answer:**

Herefordshire Council cannot comment on specific parish councils.

However, resignations from parish councils are monitored to ensure that they remain quorate and able to fulfil their statutory functions. If a parish council falls below its quoracy number, then Herefordshire Council have a legal duty to appoint Ward councillors to the parish council until it becomes quorate again. Resignations from a parish council are not investigated.

Resignations and code of conduct complaints follow two separate processes which do not cross over. A parish council could have a large number of code of conduct complaints which may not result in resignations.

When considering code of conduct complaints, the monitoring officer will take into account the number of complaints received during the year (and, if necessary, over the last couple of years) when considering how the complaint should be dealt with and any recommendations to the parish council or councillor.

Code of conduct complaints are monitored on a six monthly basis by the standards panel and any issues are reported to the audit and governance committee on an annual basis. If there are significant issues arising from a standards panel meeting before the annual report, then these would be reported to the next available audit and governance committee.

### Supplementary question

Being aware that individuals can make Code of Conduct complaints to the Monitoring Officer, if a violation has taken place training is typically recommended. Since this is generally given by HALC how can Herefordshire Council be assured that it is effective in addressing the problems within a Parish Council? Wouldn't it be more appropriate for training to be delivered from within the monitoring authority?

### Answer

When the monitoring officer makes a recommendation for training there is usually an option of who to receive that training from. However in some circumstances I do say, it must be training from myself or my team, so we do have that option. It is important for consistency given that the principal authority is the one that makes determinations on complaints that actually it is the principal authority that provides training but obviously there are other providers out there.

Although we are the principal authority, then I think people need to recognise that the parish councils and the unitary authority are completely separate bodies and we are only joined in very limited ways. One of them is that the parish councils tend to use our code of conduct arrangements, although of course there's no obligation for them to do so they can they can do their own code of conduct procedure and a few parish councils in the county do adopt their own There are very limited options available under the code of conduct procedure as to how to proceed and i suppose just going through training reminding everybody that the Nolan Principles are to be adhered to and trying to persuade parish councillors of the importance of that is the crucial element. I know that we now append the Nolan Principles to the start of every agenda that we publish, I wonder if it's worth this committee writing to make that suggestion if it hasn't already been done that we suggest that parish councils actually do include an extra page in the each of the parish council agendas so that all parish councillors can be reminded and the public can be reminded of the principles under which we perform public office. [Monitoring officer confirmed they would write to the parish councils to request this]

Audit & Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit 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									
3.5.10	<b>Internal Audit</b>	<b>Internal Audit</b>								
a	To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements	Internal Audit Plan & Internal Audit Charter Progress Report on Internal Audit plan (see part b for timing)	2020/21 Plan & Charter				Opinion			2021/22 Plan & Charter
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary	Progress Report on Internal Audit plan		Progress Report	Progress Report	Progress Report	Progress Report	Progress Report	Progress Report	Progress Report
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services									
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale	Tracking of internal and external audit recommendations Progress Report on internal audit plan (see part b for timing)		Tracking Report				Tracking Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council	Progress Report on internal audit plan (see part b for timing)								
3.5.11	<b>External Audit</b>	<b>External Audit</b>								
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress	Annual Audit Fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Annual Audit Letter External Audit Annual Plan	Audit Fee							Annual Letter Annual Plan
b	To consider specific reports from the External Auditor	External Audit progress update		Progress Report	Progress Report	Progress Report	Progress Report			Progress Report
c	To meet privately with the External Auditor once a year if required	Not required to be scheduled on Work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council's local (external) auditor	Not required to be scheduled on 20/21 Work programme								
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	<b>Governance</b>									
a	To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption	Re-thinking Governance Update Accounting Policy Update Contract & Finance Procedure Rules		Re-thinking Governance		Re-thinking Governance		Policy Update		Procedure Rules
b	To monitor the effective development and operation of risk management and corporate governance in the council	Work programme Corporate Risk Register	Risk Register Work programme	Work programme	Work programme Risk register	Work programme	Work programme	Work programme Risk Register	Work programme	Risk register Work programme
c	To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'	Whistleblowing policy Anti-fraud & corruption strategy		Whistleblowing						Anti-Fraud & Corruption
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption	Statement of Accounts								
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement	Annual Governance Statement Annual Governance Statement Progress Report				Draft		Final		Progress Report
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance	Annual Governance Statement Progress Report								Progress Report
g	To annually review the council's information governance requirements	Information Governance Review								
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, cabcott guardian and equality and compliance manager reviews)	Annual Governance Statement Progress Report				Draft		Final		Progress Report
i	To adopt an audit and governance code									
j	To undertake community governance reviews and to make recommendations to Council.	Last completed 2018. This is on an as required basis and therefore not scheduled.								
3.5.13	<b>Waste Contract</b>									
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice	Energy from Waste Loan Update								
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable	Energy from Waste Loan Update								
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update								
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update								
3.5.14	<b>Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council</b>									
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council	Annual Code of Conduct Report								
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								Arrangements for dealing with code of conduct complaints
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment	Remuneration of independent persons Recruitment done on an ad hoc basis and not scheduled for 2020/21	Remuneration							
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report								
g	To grant dispensations under Section 33 (2)(b)(i) and (c) Localism Act 2011 or any subsequent amendment	On an ad hoc basis only and not scheduled for 2020/21								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer	On an ad hoc basis only and not scheduled for 2020/21								
3.5.15	<b>Accounts</b>									
a	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report						Statement & Report		





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>External audit progress report</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To provide the committee with a progress update of the work being undertaken by the external auditor, Grant Thornton.

The progress update shares the Interim Audit Findings for work completed to date.

## Recommendation(s)

That:

- (a) the progress update attached at appendix A be reviewed and the committee determine any recommendations it wishes to make to ensure the value of the external audit work is maximised.**

## Alternative options

1. There are no alternative recommendations. The report provides a factual update on progress against the agreed external audit annual plan in accordance with the functions of the committee.

## Key considerations

2. The external auditor's interim audit findings report attached at appendix A provides the committee with an update on progress to date. External audit of the council's draft financial statements started in July, to date all adjustments proposed to the financial statements have been agreed with Officers.
3. Grant Thornton have substantially completed the audit of the financial statements however work continues and the deadline for sharing their opinion on the Statement of Accounts and value for money conclusion by 30 November 2020 has been missed. Value for money work in relation to the capital programme continues, see page 22 in appendix A.
4. Overall Grant Thornton continue to make progress against their audit plan and of the work concluded no items have been identified that require highlighting to the committee.

## Community impact

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

## Environmental Impact

6. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
7. Whilst this is an update on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy. The external audit is being completed remotely this year reducing travel and pollution time.

## Equality duty

8. 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.

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

## **Resource implications**

10. The update has no direct resource implications. The committee approved in July 2019 the 2019/20 annual external audit fee total of £96k, the committee has previously been advised of a proposed fee increase to total £107k (£106k in 2018/19). The final fee is yet to be agreed.

## **Legal implications**

11. This update has no direct legal implications.

## **Risk management**

12. The potential risks of being unaware of the update include not producing a compliant statement of accounts; this is being mitigated by ensuring the corporate finance team maintain up to date financial knowledge and awareness and maintain open dialogue with the council's external auditors with whom there is an established, defined and detailed working paper requirements being complied for the final audit work.
13. The proposed action plan on page 26 of the attached appendix A refers to authorising journals. Grant Thornton reported in the 2018/19 Audit Findings Report that the journals process did not have appropriate authorisation. Management confirmed that this was to be implemented in Business World. This has not occurred during 2019/20. The council will revisit this recommendation; currently posting journals has restricted access and authorisation of journals occurs through email.

## **Consultees**

14. None

## **Appendices**

Appendix A Interim Audit Findings Report

## **Background papers**

None identified







# The Interim Audit Findings for Herefordshire Council

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Year ended 31 March 2020

26 January 2021



# Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Herefordshire Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council and group, including the delivery of front-line activities to the vulnerable, administration of grants to businesses and the closure of community facilities. These operation challenges have been coupled with uncertainty over future funding for the Council due to a loss of core income streams as well as additional costs introduced in delivering services in line with emerging government guidance.</p> <p>The Finance team have also faced significant challenges in continuing their day to day operations, including remote access to systems and providing support to other service areas to prioritise support for the vulnerable and local businesses.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 4 May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to develop new remote access working arrangements, including remote accessing financial systems, video calling and alternative procedures over the verification of completeness and accuracy of information produced by the entity. These have proved to allow the audit to progress but, somewhat inevitably, have extended the amount of time required for the audit.</p>
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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Herefordshire Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-January . Our findings are summarised on pages 5 to 15. We have identified disclose only adjustments to the financial statements. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> <li>• Going concern – receipt of extended cashflow forecast to support going concern</li> <li>• Pension liabilities – finalisation of our work</li> <li>• Covid-19 grant treatment – discussions on-going re grant treatment</li> <li>• PFI – agreement of payments disclosure</li> <li>• Expenditure and Funding Analysis – agreement to outturn</li> <li>• MRP – finalisation of treatment</li> <li>• Litigation and claims – review up to opinion sign off</li> <li>• Value for money – receipt of Council's final report</li> <li>• PBSE – consideration of events since balance sheet date</li> <li>• WGA</li> <li>• Final quality review</li> <li>• receipt of management representation letter; and</li> <li>• review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p>
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Our anticipated audit report opinion will be provided in the final Audit Findings Report.

## Headlines

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Herefordshire Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	Our work in this area is currently on-going.
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code but are unable to issue our completion certificate until one particular confidential issue, arising from previous years has been brought to its conclusion. In addition, our value for money work is still on-going.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed at Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required for Hoople; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Audit approach (continued)

We have had to alter our audit plan, as communicated to you on 4 May 2020, to reflect our response to the Covid-19 pandemic.

## Conclusion

We have substantially completed our audit of your financial statements and our anticipated audit report opinion will be provided in the final Audit Findings Report.

## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£6.71m	£6.7m	Materiality has been based on 1.8% of the Group and Authority's gross expenditure
Performance materiality	£4.7m	£4.7m	Our performance materiality has been set at 70% of our overall materiality.
Trivial matters	£0.3m	£0.3m	This is set a 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.

# Significant audit risks

## Risks identified in our Audit Plan

### Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

### The revenue cycle includes fraudulent transactions

Under ISA240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

## Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 26 June 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

We rebutted the risk at the planning stage of our audit. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Herefordshire Council, mean that all forms of fraud are seen as unacceptable

No circumstances arose that indicated we needed to reconsider this judgement.

# Significant audit risks

## Risks identified in our Audit Plan

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our work on journals, has identified that no there is no authorisation process in place over the journals posted. The systems put in place by the Council do restrict who can post journals, but there is no authorisation once these are posted. See action plan at appendix A for recommendation. This recommendation was also raised in the prior year.

### Valuation of property, plant and equipment

The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- we challenged management about their treatment of the waste plant;
- tested revaluations made during the year to see if they had been input correctly into the group's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

No issues were identified from our audit work on the valuation of land and buildings.

We will be including an Emphasis of Matter paragraph into our audit opinion to draw the readers attention to the disclosures made around the estimation uncertainty in the valuation.



# Significant audit risks

## Risks identified in our Audit Plan

## Auditor commentary

### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk.

The Council is a statutory member of the Hereford and Worcestershire Local Government Pension Scheme administered by Worcestershire County Council. Herefordshire Council remain responsible for the accuracy of disclosures within the accounts and this will include having a clear understanding of key assumptions within the estimate.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions, including the experience item, made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- reviewed the McCloud position;
- challenged the Actuary on the experience item figures included in the IAS19 report;
- agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and
- obtained assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

No issues have been identified from our audit work on the valuation of pension fund net liability to date. Our work is not yet complete in this area. We will be including an Emphasis of Matter paragraph into our audit opinion to draw the readers attention to the disclosures made around the estimation uncertainty in the valuation.

# Other audit risks

## Risks identified in our Audit Plan

### Employee remuneration

Payroll expenditure represents a significant percentage of the Council's operating expenses.

As the payroll expenditure comes from a significant number of individual transactions throughout the year, including transactions involving new-starters, grade changes and leavers, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified occurrence of payroll expenses as a risk requiring particular audit attention.

## Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- documented our understanding of processes and key controls;
- undertaken walkthrough of key controls to assess whether those controls were in line with our documented understanding;
- obtained the year end payroll reconciliation and ensures that the amounts in the accounts reconcile to the ledger and through to payroll;
- agreed payroll related accruals (e.g. unpaid leave) to supporting documents and reviewed for reasonableness, and
- performed substantive analytical procedure for M1 to M12, disaggregated by month.

There are no issues to bring to your attention.

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of non-invoiced costs.

We identified completeness of non-pay expenses as a risk requiring particular audit attention.

We have:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- documented the accruals process and the controls management has put in place, challenging key underlying assumptions, the appropriateness of the source data used and the basis of calculations; and
- obtained a listing from the cashbook of non pay payments made in April and tested to ensure that they have been charged to the correct year and to confirm accuracy, occurrence, classification and cut off.



There are no issues to bring to your attention.

## Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.





Issue	Commentary	Auditor view
<p><b>IFRS 16 implementation has been delayed by one year</b></p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>We have reviewed the accounting policies for the Council to gain assurance that unadopted accounting standards have been appropriately disclosed within the statement of accounts</p>	<p>We noted in the draft statement of accounts that the disclosure has been appropriately dated as per the amended timeline. We continue to review the disclosures in line with the guidance and will report any findings to management</p>

# Significant findings – key estimates and judgements


Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Provisions for NNDR appeals</b> - £6.8m (£2.4m short-term, £4.4m long-term)	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the appropriateness of the underlying information used to determine the estimate;</li> <li>considered the reasonableness of increase in estimate; and</li> <li>confirmed the adequacy of disclosure of estimate in the financial statements.</li> </ul>	 (green)
<b>Investment property valuation process</b>	In accordance with IFRS 13 investment property should be measured at fair value at the reporting date.	<ul style="list-style-type: none"> <li>investment property per the financial statements note 10 totals £33.8m;</li> <li>the Council formally revalued all of its investment property as at 31<sup>st</sup> March 2020;</li> <li>we performed coverage sampling on Investment assets by testing a total amount of £27.5m of assets. The valuations were agreed to the valuer's report. We also examined the type of the property and the rental income earned to gain assurance over the property's classification;</li> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>we are satisfied that the Investment property value included within the financial statements is not materially misstated.</li> </ul>	 (green)

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## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £339.2m</b>	<p>The Council revalues its land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represent a significant estimate by management in the financial statements.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 1.48.</p> <p>The Council formally re-values its land and buildings on a rolling programme to ensure they are re-valued at least every 5 years, however in accordance with the Code all land and buildings values are reviewed annually for material changes and re-valued at 31<sup>st</sup> March if necessary. Valuations have been carried out externally by Wilks, Head and Eve. Valuations of land and buildings were carried out using the methodologies and bases of estimation set out in the professional standards of RICS.</p> <p>Surplus assets are valued at their "highest and best use". All other assets are valued at historical cost, including infrastructure and Vehicles, Plant and Equipment.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>made an assessment of the valuer;</li> <li>considered the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>we challenged management about their treatment of the waste plant; and</li> <li>reviewed the adequacy of disclosure of estimates in the Financial Statements.</li> </ul>	 <b>green</b>

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## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability	Work is on-going in this area		

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p><b>PPE Valuation material valuation uncertainty</b></p> <p>The Covid-19 pandemic commenced within the last two weeks of the 2019-20 financial year and created a large uncertainty in financial markets and the market for other assets.</p> <p>This led to the Royal Institute of Chartered Surveyors (RICS) issuing guidance identifying that all valuations will have a material valuation uncertainty as at 31 March 2020. The Council's draft statement of accounts did not include a material valuation uncertainty disclosure and it was our view, as external auditors, that such a disclosure should be included.</p>	<p>The Council formally revalues its land and buildings on a rolling five-year basis to ensure that the carrying value is not materially different from fair value.</p> <p>The Covid-19 pandemic outbreak commenced within the last two weeks of the 2019-20 financial year and created a large uncertainty in a number of markets. This led to RICS issuing guidance to its members that a material valuation uncertainty should be included within the valuer's report and subsequently in the statement of accounts. The Valuer's report and draft account reflected this material valuation uncertainty as expected.</p>	<p>It is the view of the auditor that a material valuation uncertainty for the PPE valuation should be included in the accounts to reflect the uncertainty that existed at the balance sheet date. This has been included within the Financial Statements as appropriate.</p>
<p><b>Pension Liability</b></p> <p>Experience gains included in the change in actuarial valuations.</p> <p>Experience items arise when the actuary's estimations are refined by the use of more up to date data and, consequently, are different to the previous estimates. Examples of experience items include:</p> <ul style="list-style-type: none"> <li>• actual pensionable salary increases being different to the estimate</li> <li>• actual pension increase being different to the estimate</li> <li>• actual leavers/retirements/deaths being different to the estimate</li> <li>• actual transfer values being different to the estimate</li> </ul> <p>Experience items can arise in any financial year but are expected to be greatest in the first set of financial statements produced following a triennial review.</p>	<p>The recorded gain arising from the actuary's use of roll forward annually gave a gain of £11.226m over the three years since the last triennial full valuation.</p>	<p>Work is on-going in this area</p>

# Significant findings – going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

## Auditor commentary

We have subjected the 2020/21 budget, Medium Term Financial Strategy and cash flow forecast to December 2021 to detailed scrutiny and in our consideration of the appropriateness of management's use of the going concern assumption.

The Section 151 officer has produced an assessment of the Council's use of the going concern assumption. We have reviewed this and the underlying support and concur with his opinion that the going concern basis is appropriate.

In only exceptional circumstances would we expect a local authority not to prepare its accounts on a going concern, in line with the Code and the public sector adoption of the going concern assumption.

In 2020/21 the Council expects to achieve a balanced budget and the Council's usable reserves at 31 March 2020 stood at £134m.

The Covid-19 pandemic has resulted in a reduction of income in 2020/21, some of which has been covered through government support. The Council have set a balanced budget for 2020/21, although this will require savings to be made. This position is after taking into account the Government Grant that the Council has received for Covid-19.

The auditing standards require us to consider the cash flow forecast of the Council for a period at least twelve months after the reporting date. The cashflow forecast prepared by the Council is therefore being extended to meet this requirement.



## Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures to date.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work to date.
<b>Written representations</b>	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests for Bank and Investment balances.
<b>Disclosures</b>	Our review found no material omissions in the financial statements
<b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management was provided.

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# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Certification of the closure of the audit</b>	<p>We will be unable to certify the completion of the 2019/20 audit of Herefordshire Council in our auditor’s report, as detailed in Appendix E as there remain unresolved matters from the prior years and out value for money work is still in progress. We have been updated by officers of progress on the prior year matter during the year.</p>
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue our opinion in the final Audit Findings Report.</p>

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# Value for Money

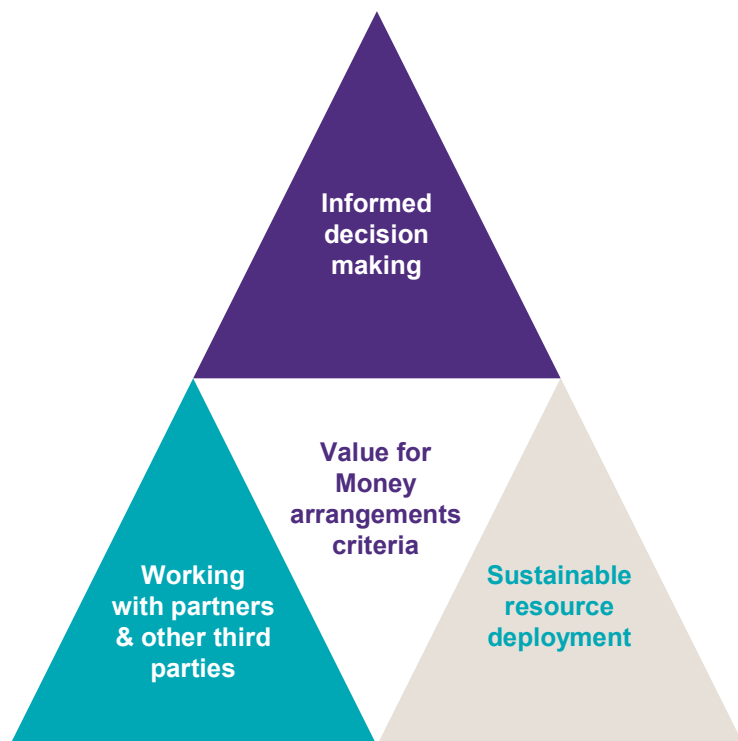
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 28 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial sustainability
- Capital programme
- Governance arrangements

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 21 to 23.

## Overall conclusion

To be confirmed – our work is currently on-going.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings
<p>The significant risk identified was financial sustainability. If the key assumptions within the Medium-Term Financial Strategy are not reasonably based, then the future financial position of the Council could be at risk.</p> <p>Audit work proposed to address this risk: we will discuss with Officers the key assumptions in the Medium-Term Financial Strategy and consider supporting evidence, particularly around looked after children as this appears to be an area where there has been consistent pressures against the budget.</p>	<p>The MTFs for 2019/20 -2021/22 was presented to Council on 15 February 2019 and a revenue budget of £151,092 was approved for the 2019/20 financial year. This MTFs included savings for 2019/20 of £3.6m which was achieved during the year.</p> <p>In June 2020, the Council reported an outturn position of £150.5m which agreed to the draft financial statements. This resulted in a small underspend against budget and the General Fund Balance increased by £5.9m to £81.4m.</p> <p>On 26 November 2020, Cabinet received a paper showing the impact that Covid-19 has had on the financial position as at September 2020. This shows that the Council are forecasting an outturn of £172m against a budget of £157m meaning a forecast year end position of an overspend of £15m, £10.8m being directly attributable to Covid-19. Officers are currently updating the MTFs and are exploring savings schemes to mitigate this overspend.</p> <p>The original budget for the Children &amp; Families Directorate was £30.8m and £18.6m specifically in relation to looked after children. The reported outturn for 2019/20 was £32.3m and £20.6m for looked after children. The overall overspend for the Directorate was £1.4m, however £1.9m was the overspend on looked after children.</p> <p>The reason for the increase is both the increase in numbers and costs associated with each case as the cases are becoming more complex.</p> <p>Ofsted undertook a focused visit in December 2019 and as a result of this, the service will require additional support to address the findings raised.</p> <p><b>Whilst the Council continues to operate under significant financial pressures, in particular due to the impact of Covid-19, it has effective arrangements in place to routinely monitor its budget and has a good track record of delivering the required savings. We therefore conclude that overall the Council has appropriate arrangements in place to manage its financial sustainability. However, the impact of Covid-19 is not yet fully known. Consequently, the Council will need to maintain and strengthen its financial monitoring arrangements to ensure that funding and spending pressures are identified and acted upon swiftly.</b></p>

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings
<p>The significant risk identified related to the Council's capital programme. There has been a number of issues identified in recent years around the capital programme. Whilst the Council is responding to the issues, we consider that this represents a significant on-going risk to our vfm conclusion.</p> <p>The audit work proposed to address this risk is that we will consider the actions that the Council is taking to respond to concerns raised around the governance of the capital programme. We will also consider the governance of capital projects in support of NMiTE.</p>	<p>To address the issues highlighted in previous years, the Council employed a Consultant to undertake a review of the governance arrangements around the capital programme. The brief provided to the Consultant was reviewed and found to be comprehensive.</p> <p>The consultant provided the S151 Officer with a series of findings and where these could be implemented immediately, were done so. Other longer term recommendations are currently being worked through by the Management team.</p> <p>In our 2018/19 Audit Findings Report, we reported that there was a delay in procurement around the by-pass however we issued an unqualified opinion based on the fact that as no contract had actually been awarded, there was no loss to the Council. A 'pause and review' process was undertaken and a review of the options surrounding the by-pass were examined. In December 2020, Cabinet agreed to formally stop the by-pass and in the Council meeting on 20 January the financial implications of this will be discussed.</p> <p>Our work in this area is currently on-going.</p>

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings
<p>The significant risk identified was governance arrangements. Following the Authority's political change, new policies will be considered and implemented. It is likely that significant political decisions will be taken and there is a consequent need to ensure that the governance arrangements supporting such decisions remains sound.</p> <p>Audit work proposed to address this risk: we will discuss with Officers the impact that the political change has had and consider how this has been reflected in the governance arrangements in place.</p>	<p>Following the 2019 elections, a three-way coalition between 'Herefordshire Independents', 'It's our County' and the Green Party were formed. This resulted in new Cabinet positions and new members now holding senior positions.</p> <p>Discussions were held with the Chief Executive, S151 Officer and Monitoring Officer to discuss the impact of the political change. The Council had procedures in place to provide training to the new Administration as this is a typical change in local government.</p> <p>Officers agreed that the new Administration appears to be working as a collective and the Cabinet Officers like the support of the full Cabinet so have been sharing information through the Cabinet briefing more than has been happening in the past.</p> <p>An on-going training programme is being developed to address training needs as they arise.</p> <p><b>Overall we would conclude that the new Administration has settled into a coalition and is accepting Officers' guidance and advice when needed.</b></p>

# Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D



# Independence and ethics


## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Education Skills Funding Agency	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is approx. £3,000 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall.
Certification of Teachers Pension Return	5,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is approx. £5,500 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall.
Certification of Housing Benefit Claim	7,000	Self-Interest (because this is a tbc recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is approx. £7,000 in comparison to the total fee for the audit of £95,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. We do not prepare the return, and do not expect material changes to arise from the work that would affect information in the financial system. We report factually, based on the instructions and any decisions on amendments to returns are for the Council to make, in discussion with the relevant government body. These factors all mitigate the perceived self-interest, self-review and management threats to acceptable levels.




# Action plan

We have identified one recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 <b>Medium</b>	<p><b>Journals authorisation</b></p> <p>We reported in the 2018/19 Audit Findings Report that the journals process did not have appropriate authorisation. Management confirmed that this was to be implemented in Business World. This has not occurred during 2019/20. We would therefore repeat our previous recommendation that the Council consider its authorisation of journals.</p>	<p>We therefore recommend that management look to increase the priority of the authorisation process or put in place mitigating controls until this process can be implemented.</p> <p><b>Management response</b></p> <p>We will reconsider this recommendation. Currently posting restrictions and authorisation outside the general ledger controls are in place.</p>

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## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Herefordshire Council's 2018/19 financial statements, which resulted in two recommendations being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals authorisation – During the course of our testing we noted that none of the journals posted to the financial system were subject to an authorisation process. The risk is that this could result in a material misstatement in the financial statements. From discussions with management we note that the financial system has restrictions in place so that only appropriate staff can post journals. We understand that management are looking to introduce an authorisation process in the future.</p> <p>We therefore recommend that management look to increase the priority of the authorisation process or put in place mitigating controls until this process can be implemented.</p>	<p>Management confirmed that this was to be implemented in Business World. This has not occurred during 2019/20. We would therefore repeat our previous recommendation that the Council consider its authorisation of journals.</p>
✓	<p>The Council now prepares group financial statements however the Annual Governance Statement appears to be focussed on the Council with limited reference to the subsidiary company, Hoople. The CIPFA accounting Code confirms that where there is a group relationship, the review of the internal control systems shall include group activities.</p> <p>We therefore recommend that management look to expand the Annual Governance Statement in future years to cover the group activities.</p>	<p>The Annual Governance Statement has been expanded to cover the group financial statements.</p>

## Assessment

✓ Action completed

X Not yet addressed

# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
None			

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

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Disclosure omission	Detail	Auditor recommendations	Adjusted?
PPE - Disposals	Disposal amount of St Weonard's primary school was incorrectly recorded by £500k in the fixed asset register as net book value less an amount in the revaluation reserve	Adjustment required	✓
Officers' Remuneration	One Officer incorrectly banded as £145-£150k instead of £150-£155k. Also, 2018/19 bandings not consistent with the published 2018/19 financial statements.	Adjustment required	✓
Exit packages	Exit packages in the financial statements did not agree to the underlying supporting workpapers. Agreed working papers show correct figures.	Adjustment required	✓
Capital Financing and Expenditure	PPE Additions of £554k was overstated in the Capital Financing and Expenditure note due to loan repayments being misclassified. An additional line was needed in the note.	Adjustment required	✓
Grant Income / Dedicated Schools Grant	Two miscodings were identified which had overstated grant income and children's expenditure by £554k (one caused overstatement by £873k and the other an understatement of £283k). The net impact on the note was nil. In addition, figures did not cast due to rounding's.	Adjustment required	✓
Audit fees	Audit fees incorrectly stated as fees for non-statutory work should be separately disclosed.	Adjustment required	✓

# Audit adjustments

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Related parties	Disclosure within the significant long term contracts section is incorrectly stated for Balfour Beatty	Adjustment required	✓
Remuneration notes	Difference in one Officer between payroll evidence and the financial statements	Adjustment required	✓
Accounting policies	Removal of policies which are no longer relevant	Adjustment required	✓
Presentation	Wording throughout the financial statements to be updated to ensure correctly and appropriately reflects Council's background and processes.	Adjustment required	✓

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
None				

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our testing of expenditure cut off discovered an accrual for Housing Benefits expenditure for 2018/19 that was paid out 2019/20 has not been made. From the items we tested this identified an error of £23,588, which when extrapolated across the population is £570,927.	(571)	(571)	(571)	As this is an extrapolated error we would not expect an adjustment
During our grants testing we identified a £25k credit to the fees and charges grants section was miscoded and should have been a credit to expenditure. Expenditure and income have therefore been overstated. The extrapolated error is £554,026.	(554)	(554)	(554)	As this is an extrapolated error we would not expect an adjustment
<b>Overall impact</b>	<b>1,125</b>	<b>1,125</b>	<b>1,125</b>	

## Appendix D

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council audit	95,792	95,792
Fee Variation	11,000	tbc
Covid-19 fee	tbc	tbc
<b>Total fee – excluding certification</b>	<b>106,792</b>	<b>tbc</b>
Grant certification	15,500	tbc
<b>Total audit fees (excluding VAT)</b>	<b>£122,292</b>	<b>tbc</b>

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The fees reconcile to the draft financial statements.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Certification of Education Skills Funding Agency	3,000	3,000
Certification of Teachers Pension Return	5,500	5,500
Housing Benefit Grant Claim	7,000	tbc
<b>Total non- audit fees (excluding VAT)</b>	<b>£15,500</b>	<b>tbc</b>



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<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>Progress report on 2020/21 internal audit plan</b>
<b>Report by:</b>	<b>Chief finance officer / head of internal audit</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan.

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

## Recommendation(s)

That:

- (a) performance against the approved plan be reviewed and any areas for improvement identified; and
- (b) consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary.

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Further information on the subject of this report is available from

Jacqui Gooding, email: [Jacqui.Gooding@swapaudit.co.uk](mailto:Jacqui.Gooding@swapaudit.co.uk)

## Alternative options

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

## Key considerations

2. The internal audit progress report is attached at appendix A. In the period covered by the report, two priority 2 recommendations have been made for the 2020-21 audit plan.
3. The internal audit progress report provides an update to members on the impact to the plan of additional audits. Since the last report to the Committee in November there have been requests for four additional audits or Grant Determinations all as a result of additional funding from Government during the COVID -19 pandemic.
4. The annual plan summary and a glossary of terms is also provided in the report. The Corporate Risks are aligned to the Risk Register presented to the July 2020 Audit and Governance Meeting.
5. The internal audit progress report also provides an update on the approach to planning for 2021-22. COVID-19 has been a catalyst for change and as such, an updated approach to internal audit work and planning has had to be implemented resulting in significant changes to the current annual plan. Building on the enforced changes in 2020-21 SWAP is proposing to move to quarterly planning for 2021-22 implementing a more flexible and agile approach to audit planning which is also recognised as best practice by the internal audit profession.

## Community impact

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

## Equality duty

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

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

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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Further information on the subject of this report is available from

Jacqui Gooding, email: [Jacqui.Gooding@swapaudit.co.uk](mailto:Jacqui.Gooding@swapaudit.co.uk)

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

## **Resource implications**

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

## **Legal implications**

10. None.

## **Risk management**

11. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.
13. Risks identified may also inform service risk registers and if appropriate escalated according to the councils' risk framework.

## **Consultees**

14. None.

## **Appendices**

Appendix A – SWAP Internal Audit plan progress report 2020-21

## **Background papers**

None identified.



In partnership with



## Appendix A

# Herefordshire Council

## Report of Internal Audit Activity

### Plan Progress 2020/21 – January 2021

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

## Our audit activity is split between:

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



## Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and the CIPFA Local Government Application Note. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 05 May 2020.

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

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

## Outturn to Date



## Internal Audit Work Programme

The schedule provided at Appendix C contains a list of all audits as agreed in the Revised Annual Audit Plan 2020/21 presented to this Committee at its meeting on 14<sup>th</sup> October 2020. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

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

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service findings (priority 1 or 2), a summary of the key audit findings is given as part of this report. In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

This is the progress report at 16 December 2020. Since my last update eleven audits have been completed, six audits are at report and there are fourteen audits in progress.

The audits completed since my last update have the following assurance:

Audit	Assurance
Staff Car Parking - Business passes	Limited
Troubled Families – monthly review – quarterly report quarter 2	Grant Certification – Reasonable
Members Expenses	Follow Up



# Internal Audit Plan Progress 2020/21

Outturn to Date



Internal Audit Work Programme

Audit	Assurance
Emergency Decisions	Reasonable
Emergency Active Travel Measures Tranche 1	Substantial
Additional Dedicated Home to School and College Transport Grant	Grant Certification – Reasonable
Test and Trace Support Payments	Advisory – Covid 19
Test and Trace Discretionary Payments	Advisory – Covid 19
Local Restrictions Support Grant	Advisory – Covid 19
Special Investigation – Gypsy and Traveller Sites	Special Investigation
Workforce Development	Substantial

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# Internal Audit Plan Progress 2020/21

## Outturn to Date



### Significant Corporate Risks

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

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

## SWAP Performance - Summary of Limited Opinions



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

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

Of the eleven audits completed this quarter one had a limited assurance (Staff Car Parking Business Permits) and one had a reasonable assurance with a priority 2 recommendation (Emergency Decisions):

#### Staff Car Parking - Business Permits – Limited Assurance -

Objective: To verify that business pass holders continue to meet the criteria of the Staff Car Parking Policy – Business Passes April 2019, once a pass is issued and non- compliance is addressed.

#### Findings:

A real-time live list of all business permits is not available from the Business World system.

Eleven passholders were identified as requiring review, divided into the following categories:

- Eight pass holders had claimed low mileage in the 10-month period (April 2019 to January 2020) examined,
- Two pass holders may have changed roles since the pass was issued and may not be eligible,
- One pass was issued by the Parking Service Team in error.

Eleven passholders represents 37% of the sample. If this percentage were representative of all pass holders there may be 112 staff failing to meet the criteria to be a business pass holder. Therefore, it is recommended that all existing pass holders are checked for compliance with the policy annually.

### SWAP Performance - Summary of Limited Opinions

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



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

Parking Services had intended to verify if pass holders were acting in accordance with the policy, but this activity was delayed because of the impact of COVID 19 on Council staff. Owing to this no monitoring has taken place to check if pass holders still meet the criteria to be a business pass holder. At the close out meeting it was confirmed that the eligibility of all business pass holders will be checked for compliance with the policy.

#### Recommendation:

We recommend that the Assistant Director for Technical Services ensures that:

- A solution is identified and implemented to provide a master list of active pass holders with appropriate reports to allow monitoring to be simplified,
- All existing pass holders are checked for general compliance with the Staff Car Parking Policy - Business Passes April 2019 annually.

#### Agreed Action

A solution utilising the existing parking permit management system (Chipside) is to be utilised for the issue of business permits, much like a resident permit. As this system is designed to administer permits for parking it has full capability to allow for active / live permits to be tracked, reports to be collected, and details / notes for each case to be assigned.

Business world will be reserved for the administration of applications from staff members, where details will be entered to Chipside to issue the permit, where the application will be linked via a reference ID.

## SWAP Performance - Summary of Limited Opinions

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



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

Whilst it is difficult to produce an arbitrary method to issue a business permit (i.e. linked to a certain number of miles and employee claims) due to multiple differences between employees jobs roles and employment status, some 'markers' can identify active permits which ought to be reviewed. The first marker used will be mileage, where pass holders with less than 1000 miles in a year will be flagged. Of those flagged, calendars can then be reviewed to ascertain the level of 'direct services residents /clients' being carried in their job role. The residual active permits which appear non-compliant (following the first two checks) can then be sent direct to the employee for the self-declaration process to be repeated where, following their response, this can be reviewed by the approved parking panel to make a decision on whether the employee continues to satisfy the requirements of the policy.

Target Date: 30 April 2021

### **Emergency Decisions – Reasonable Assurance**

Objective: To ensure that the emergency decision making powers in the Constitution are being applied consistently and transparently.

### Finding:

The requirement for emergency payments in advance to secure PPE was not supported by all required documentation in Finance.

The record keeping methods were in development between April and June '20, where payments in advance were required by suppliers, with authorisation of purchases being made via emails prior to orders being raised on Business World, in order for the Council to secure stocks of PPE. Payments were made via CHAPS in 20 cases between March and June 2020. These payments had to be actioned by the Corporate Finance Team, however, authorisation was required via email from the Assistant Director (All Ages Commissioning) owing to the urgency to secure vital stocks. Invoices were not available for two of the payments when these were requested from the Corporate Finance Team; they were also unable to provide evidence that all payment requests had been authorised by the Assistant Director.

### SWAP Performance - Summary of Limited Opinions

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



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

It is recognised that these CHAPS payments ceased after 17<sup>th</sup> June 2020, however, staff involved in submitting the requests and processing the payments should ensure that there are adequate records to support the receipt of goods, along with authorisation of payments.

It should be noted that Audit has found no evidence of any duplicate payments having been made to suppliers during the period under review.

#### Recommendation:

We recommend that the Accountancy Assistant (Corporate Finance) liaises with the Assistant Director: All Ages Commissioning to obtain missing invoices and authorisations in respect of the CHAPS payments for PPE that were processed between March and June 2020.

#### Agreed Action:

The Finance Team and the Assistant Director: All Ages Commissioning will contact the relevant supplier to obtain copy invoices in relation to the payments made.

Target Date: 31 December 2020

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



## Follow Up Audits

Follow Up audits are completed where the auditor could only provide limited (previously partial) assurance. The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level of risk. Evidence is obtained to demonstrate implementation and progress made in relation to all 2019/20 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. Where a key control audit received Reasonable assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audit evidence is obtained to demonstrate implementation and progress for all recommendations.

One follow up audit has been completed this quarter:

### **Members Expenses**

The follow up audit identified five of the six recommendations are complete and one recommendation is not yet due.

## Internal Audit Plan Progress 2020/2021

### Added Value

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



### Added Value

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

The following cross comparison reports have been shared across the Partnership:

#### Workforce Development

The cross-partner comparison was a fact- finding advisory evaluation, to capture responses to six questions of interest to the client.

This was an opportunity to identify ways that other councils develop their social care workforce. The cross comparison allows local authorities to see both alignment and difference in operation to other councils and where other practices may be beneficial to employ.

The report demonstrated:

- Six councils provide mandated training relevant to the social care role.
- Five councils provide care home training.
- Five councils provide multi-agency training.
- Six councils provide external development training opportunities.

The results demonstrated that there is a high level of consistency in the approach adopted between the councils.

# Internal Audit Plan Progress 2020/2021

## SWAP Performance - Summary of Audit Opinions

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

- Substantial
- Reasonable
- Limited
- No

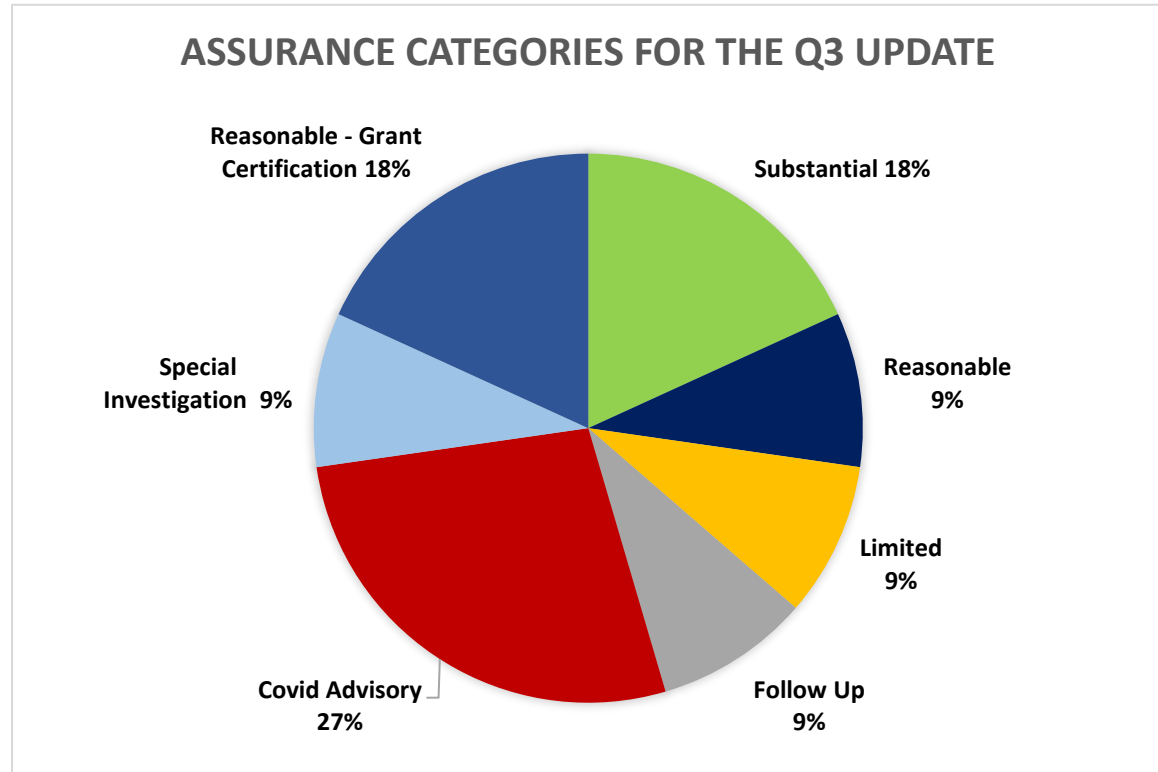
We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern.

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



## Summary of Audit Opinion

Of the eleven reviews that have a final report (at 16 December 2020), the opinions offered are summarised below.



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# Internal Audit Plan Progress 2020/2021

## SWAP Performance - Summary of Audit Opinions

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

- Substantial
- Reasonable
- Limited
- No

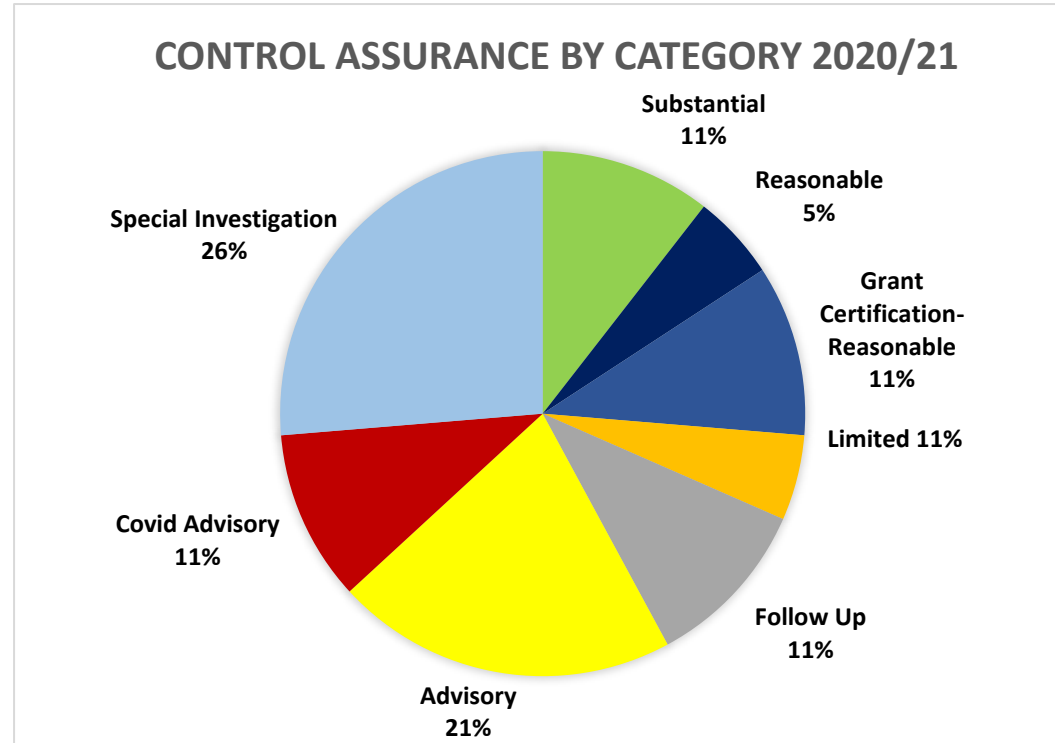
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Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



## Summary of Audit Opinion

Of the reviews that have a final report for 2020/21, the opinions offered are summarised below.



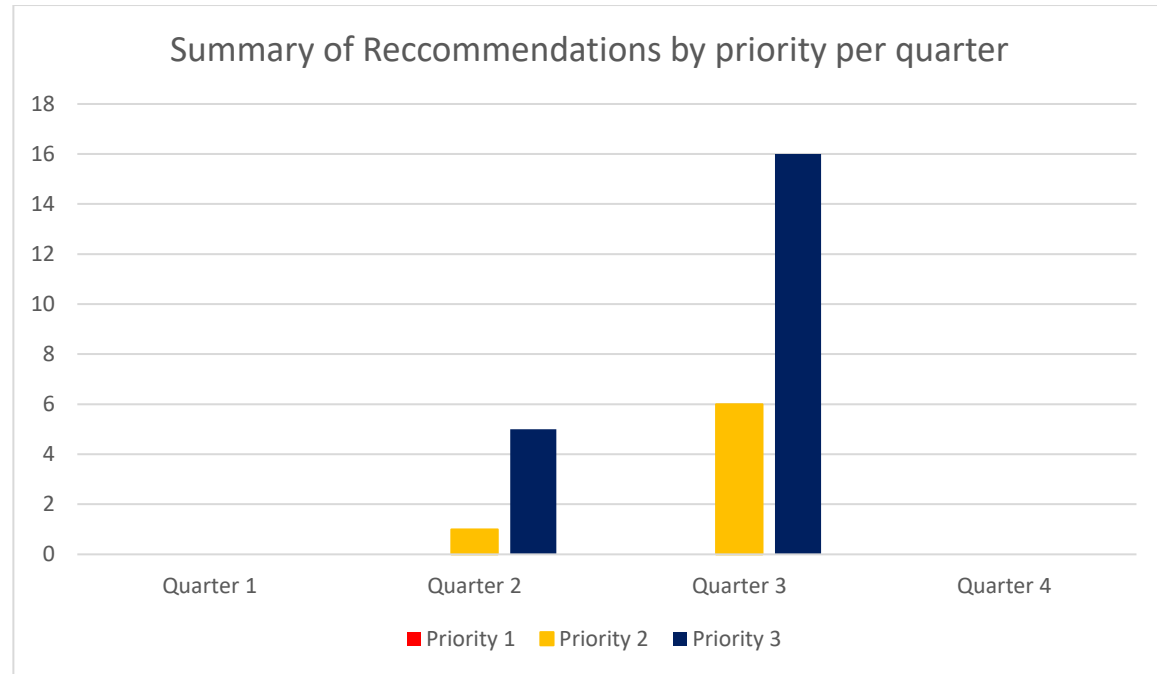
# Internal Audit Plan Progress 2020/2021

## Summary of Audit Recommendations by Priority

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



## Summary of Recommendations by priority per quarter



## Internal Audit Plan Progress 2020/2021

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



### Approved Changes to the Audit Plan

Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Chief Finance Officer (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Chief Finance Officer (Section 151 Officer) and reported to this Committee.

Since the last Internal Audit Progress report which was presented to the Committee on 17<sup>th</sup> November 2020 there have been requests for the following audits or Grant Determinations all as a result of additional funding during the COVID -19 pandemic or due to the impact of COVID-19:

- HALO Leisure Centre Financial Review 2
- Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier And Unitary Authorities Determination 2020: No 31/5216.
- Additional Dedicated Home to School and College Transport – Autumn Term  
Additional Dedicated Home to School and College Transport – Spring Term

The audits will be delivered using the additional audit days agreed with the Chief Finance Officer.

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## Internal Audit Plan Progress 2020/2021

### Update to the 2021/22 Planning Process



### Proposed Approach to the 2021/22 Annual Planning Process

#### Revised approach to Annual Planning

Internal Audit are due to present an annual internal audit plan to the Audit and Governance Committee in March 2021 as part of the annual planning process.

The last 10 months has been dominated by the impact of the COVID-19 pandemic and a lot has changed. COVID-19 has also been a catalyst for change and as such, an updated approach to internal audit work and planning has had to be implemented resulting in significant changes to the current annual plan.

Building on the enforced changes in 2020-21 SWAP is proposing to move to quarterly planning for 2021-22 implementing a more flexible and agile approach to audit planning which is also recognised as best practice by the internal audit profession.

Rather than periodically presenting the committee with a static plan and proposed changes, we are looking to provide senior management and members with an improved real-time plan that can adapt to emerging risks and issues.

A quarterly planning process will provide the same assurances as an annual plan but should better reflect the changing risk landscape.

SWAP will present a plan for each quarter to the Audit and Governance Committee. The first quarter plan will be presented to the Committee at the meeting in March 2021 and will be the quarter 1 plan for 2021-22.

Audit planning meetings will be held with relevant officers and each quarter plan agreed with the Chief Finance Officer prior to presenting to this Committee. It is inevitable that the focus of the first quarter plan will be to revisit the auditable activities removed from the 2020-21 plan as well as considering any key risk areas discussed with management.

## Internal Audit Plan Progress 2020/2021

### Conclusion



### Conclusion

Since my last update eleven audits have been completed for the 2020/21 audit plan bringing the total audits completed to twenty-one (including work completed outside of the plan). There are six audits at report stage and fourteen audits in progress.

For the eleven audits completed one audit returned a limited assurance, one was reasonable assurance, two were substantial assurance, two are Grant Certifications, one is a Follow Up, one is a special investigation and three are Covid-19 Advisory audits.

There was one significant finding identified in the Limited assurance audit which has been agreed by management with a target for completion of 30 April 2021 and a further significant finding in the reasonable assurance audit which has been agreed by management with a target for completion of 31 December 2020.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 95% would reflect the fact that the client agreed that the review was delivered to a good standard of quality, i.e. agreed with the statement in the questionnaire and satisfied with the audit process and report. For 2020/21 the feedback score is 100%.

It is important to note that the plan will continue to change as the year progresses particularly in light of the Governments continuing requirement for declaration returns on funding in response to the COVID-19 pandemic. There may also be some disruption if officers within the Council are unavailable as they continue to support the changing requirements as a result of COVID-19 pandemic.

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

- Substantial
- Reasonable
- Limited
- No
- Advisory



Audit Framework Definitions

Control Assurance Definitions

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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

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



Audit Framework Definitions

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

Definitions of Risk

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

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

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Audit Area	Corporate Risk (July 2020 Register)	Planned Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						<b>Corporate Centre (including ICT)</b>		
Accounts Payable	CRR10, CRR23	3	In Progress					
Main Accounting Follow Up	CRR10, CRR23	3	In Progress					
Payroll	CRR10, CRR23	3	In Progress					
Accounts Receivable	CRR10, CRR23	3	In Progress					
Council Tax	CRR10, CRR23	3	In Progress					
NNDR – Business rates avoidance	CRR10, CRR23	3	In Progress					
Treasury Management Follow Up	CRR10, CRR23	3	In Progress					
Housing and Council Tax Benefits	CRR10, CRR23	3	In Progress					
<i>NMITE Project (University)</i>	<i>Accountable Body Requirement</i>	1	Completed	Advisory Report	-	-	-	-
MTFS	CRR.24	4	In Progress					
Commercial Investments	CRR.21	2	Not Started					
Balfour Beatty Contract 1 year (minor to major repairs)	CRR.23	4	Not Started					
Staff Car Parking – Business passes	CRR.10, CRR.23	1	Completed	Limited	6	0	1	5
Strategic/Significant Partnerships	CRR.26	2	Draft Report					
Brexit Preparedness	CRR.09	4	In Progress					



Cyber Security Framework	CRR.13 CRR.25	3	Start Date Agreed for January					
ICT Governance Risk Review	CRR.13 CRR.25	2	Not Started					
<b>Economy and Place</b>								
Local Transport Block Funding	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Bus Subsidy Grant	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	Financial Governance	2	In Progress					
Commercial Properties/Rents	-	1	Draft Report					
S106 Agreements	CRR.10 CRR. 18 CRR.20	2	Discussion Document					
Emergency Planning	CRR.11	4	Not Started					
Capital Programme/Capital Projects	CRR.18	4	Not Started					
<b>Adults and Communities</b>								
Client Finances	CRR.10, CRR.23	2	Not Started					
West Midlands Peer Review	-	3	Draft Report					
Workforce Development	CRR.23, CRR.17, CRR.10	2	Complete	Substantial	0	0	0	0
The Quality Development Framework	CRR.23, CRR.17, CRR.10	3	Not Started					
Supervision Practices	CRR.23, CRR.17, CRR.10	3	Not Started					

Children's and Families								
Troubled Families – monthly review – quarterly report quarter 1	Financial Governance	1	Completed	Reasonable – Grant Certification	-	-	-	-
Troubled Families – monthly review – quarterly report quarter 2	Financial Governance	2	Completed	Reasonable – Grant Certification	1	0	0	1
Troubled Families – monthly review – quarterly report quarter 3	Financial Governance	3	In Progress					
Troubled Families – monthly review – quarterly report quarter 4	Financial Governance	4	Not Started					
EHCP (Education, Health and Care Plans) Annual Reviews ( <i>replaced DP Pre Paid Cards</i> )	-	3	In Progress					
Support for young people not in education, employment or training (NEET)	-	3	Not Started					
EHCP (Education, Health and Care Plans) – Process review	-	1	Not Started					
Follow Up Audits								
Members Expenses Follow Up	-	3	Completed	Follow Up	-	-	-	-
SWTP Phase 1 – Follow Up	-	4	Not Started					
SWTP Phase 2 – Follow Up	-	4	Not Started					
Acquisition of the Southern Campus of the Royal National College for the Blind (RNCB) Site – Follow Up	-	4	Not Started					
Homepoint – Follow Up	-	4	Not Started					
Additional Audits added to the plan for COVID-19								
Grant Funding Schemes – Small Business Grant Fund / Retail, Hospitality and Leisure Grant Fund	CRR.23, CRR.39	1	Completed	Advisory Work	-	-	-	-

Transport Contracts	CRR.23, CRR.39	1	Draft Report					
Procurement cards	CRR.23, CRR.39	1	Completed	Limited	6	0	1	5
HALO Leisure Centre – Financial review	CRR.23, CRR.39	1	Completed	Advisory Report	-	-	-	-
Emergency Decisions	CRR.39	1	Completed	Reasonable	4	0	1	3
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 1	CRR.23, CRR.39	2	Draft Report					
<b>Additional requests since revised audit plan approved October 2020</b>								
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 2	CRR.23, CRR.39	3	Not started					
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 3	CRR.23, CRR.39	4	Not started					
Emergency Active Travel Measures Tranche 1	CRR.23, CRR.39	3	Completed	Substantial	1	0	0	1
Emergency Active Travel Measures Tranche 2	CRR.23, CRR.39	4	Not started					
Additional Dedicated Home to School and College Transport Grant	CRR.23, CRR.39	3	Completed	Reasonable – Grant Certification	1	0	0	1
Test and Trace Support Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Test and Trace Discretionary Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Local Restrictions Support Grant	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Revenue grant determination (Ringfenced) Local Authority COVID-19 Test and Trace Service	CRR.23, CRR.39	4	Not started					

Support Grant Determination 2020/21: No 31/5075								
HALO Leisure Centre Financial Review 2	CRR.23, CRR.39	3	In Progress					
Additional Dedicated Home to School and College Transport – Autumn Term	CRR.23, CRR.39	4	Not Started					
Additional Dedicated Home to School and College Transport – Spring Term	CRR.23, CRR.39	3	Not started					
Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance And Enforcement Grant For Lower Tier And Unitary Authorities Determination 2020: No 31/5216.	CRR.23, CRR.39	4	Not started					
<b>Additional Audits approved by the Chief Finance Officer</b>								
Gypsy and Traveller Sites – Special Investigation	CRR.10	1	Completed	Advisory Report	7	0	2	5
Hereford City centre Transport Package – Governance Review	CRR.10	1	Final Report	Advisory Report	-	-	-	-
Contract Management – BBLP	CRR.38	1	Not started					
Loss of Monies – Children’s - Special Investigation	CRR.23	2	Final Report	Special Investigation	2	-	2	-
<b>Audit work requested in addition to the 2020-21 audit plan by the Chief Finance Officer</b>								
Commissioning and Value for Money (BBLP)		1	Completed	Limited	5	0	2	3

## Audits not yet started as planned or not yet completed as planned

Where audits have not yet started or have delayed completion an explanation is provided below. Please note this will only apply to audits that were due to commence in quarter 1 and 2 and 3 as quarter 4 audits are not yet due.

Link to Corporate Ambition/ Corporate Risk Register	Areas of Coverage	Planned Quarter	Status and reasons for delays.
<b>Corporate Centre (including ICT)</b>			
Environment, Community, Economy CRR.24, CRR.23, CRR.20	Commercial Investments	2	Not Started - Delay due to Covid 19 additional work taking priority.
Environment, Community, Economy CRR.13, CRR.25	ICT Governance Risk Review	2	Agreed to focus on Cyber Security Framework before commencing ICT Governance Risk Review.
	Cyber Security Framework	3	Start date agreed for January
<b>Economy and Place</b>			
Environment, Community, Economy CRR.14, CRR.27, CRR.20, CRR.10, CRR.11, CRR.18	Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	2	Initial advice provided on application forms and expression of interest for the scheme. Review of applications will take place later in the year.
<b>Adults and Communities</b>			
Community Ambition CRR.23, CRR.17, CRR.10	Client Finances	2	Not Started - Delay due to Covid 19 additional work taking priority.
Community Ambition	West Midland Peer Review	3	Draft Report – Waiting for Management Responses.
Community Ambition CRR.23, CRR.17, CRR.10	The Quality Development Framework	3	Not Started - Delay due to Covid 19 additional work taking priority.
	Supervision Practices	3	Not Started - Delay due to Covid 19 additional work taking priority.

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Children's and Families			
Community Ambition CRR.03 CRR.23	EHCP (Education, Health and Care Plans) review of process	1	Not Started - Delay due to Covid 19 additional work taking priority.
-	Support for young people not in education, employment or training (NEET)	3	Not Started - Delay due to Covid 19 additional work taking priority.
Additional requests since revised audit plan approved October 2020			
CRR.23, CRR.39	Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 2	3	Not yet required, will be completed quarter 4.



<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>Re-thinking governance working group - progress update</b>
<b>Report by:</b>	<b>Democratic Services Manager</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To update the committee on the progress of the re-thinking governance working group.

## Recommendation(s)

That:

- (a) **The committee comment on the progress to date of the working group.**

## Alternative options

1. The committee could not receive a progress update at this time. This is not recommended as the committee is due to make recommendations on changes to the Constitution to implement a hybrid Cabinet model to Council at its meeting on 21 May 2021.

## Key considerations

2. On 11 October 2019, the council resolved to review its governance arrangements to investigate and explore options for the future. The following guiding principles were set by the council:

- To maximise member engagement and participation in decision-making.
- To ensure decision-making is informed, transparent and efficient.
- To welcome public engagement.
- To enable member and officers to perform effectively in clearly defined functions and roles.
- To assess any resource implications for any proposed changes.

3. The review was undertaken by a cross-party working group, the current membership of which is:

<b>Member</b>	<b>Substitute member</b>	<b>Political Group</b>	<b>Function</b>
Councillor Bolderson		Conservatives	Audit and Governance
Councillor Bartlett	Councillor Toynbee	Green	Scrutiny
Councillor Watson	Councillor Hardwick	Herefordshire Independents	Planning and Regulatory
Councillor Seldon	Councillor Harvey	It's Our County (Herefordshire)	Cabinet
Councillor James	Councillor Andrews	Liberal Democrats	Employment Panel
Councillor Matthews		True Independents	Scrutiny

4. The Centre for Public Scrutiny (now known as the Centre for Governance and Scrutiny) (“CfGS”) was engaged to provide assistance to the working group, and to the wider membership of the council, as they considered their options. CfGS has carried out significant national research on governance change, and has provided direct support to around two dozen councils on the subject since powers became available in the Localism Act 2010 to effect such a change. CfGS has also provided assistance to a number of councils which have chosen to explore and implement hybrid models of governance. CfGS has no “preferred” model for governance and considers that there are no clear “pros and cons” of any one given system – culture, behaviour and attitudes tend to be more important than structure.
5. The working group also reviewed the governance change approaches taken by a number of other councils, in particular those councils which have chosen to adopt either the committee system or a hybrid model of governance. The working group found that while several formal governance “options” exist, governance approaches are a spectrum, from systems which concentrate decision-making power in a single individual at one end, to those where decision-making responsibility is far more distributed.
6. The working group recommended to audit and governance committee on 25 September 2020 that a hybrid model of governance, allowing for a greater degree of councillor involvement in policy development, decision-making and oversight without a break from



the legal structure of the Cabinet system should be recommended to Council at its meeting on 9 October 2020.

7. It was the view of the working group that an improved cabinet system can address all of the issues raised by members over the current cabinet system whilst taking into account members different interests and time commitments during their term in office.
8. On 9 October 2020, the Council resolved:

“having regard to the work undertaken by the Re thinking Governance working group and the recommendation of audit and governance committee, a hybrid cabinet model of governance is approved with implementation from annual council in May 2021.”
9. Since 12 October 2020, the re-thinking governance working group have continued to meet to agree lines of enquiry and to develop a timeline of activity to be undertaken between October 2020 and April 2021 in order to make recommendations to audit and governance committee on 5 May 2021 and for audit and governance committee to make a final recommendation to Council on 21 May 2021. A copy of this timeline is attached as appendix A
10. The working group have held focus group meetings as follows:
  - Scrutiny Committees 8 December 2020
  - Planning and regulatory committee 22 December 2020
  - Group Leaders 5 January 2021
  - Audit & Governance 8 January 2021
11. Following the scrutiny committee focus group the chair and vice chairpersons of the three scrutiny committee have undertaken a ‘Good Practice’ self- assessment questionnaire. Each of the three committees completed their responses by 8 January. A short report of responses is being collated.
12. Following the planning and regulatory committee focus group, an all members survey was sent out to obtain the views of all councillors on the planning functions which ran until 10 January 2021. 34 number of responses were received.
13. The issues and / or questions raised through the scrutiny committee, planning and regulatory committee, audit and governance committee and group leaders are set out in a tracking document (Appendix B). This document sets out what the issue or question was, the recommendation of the working group and whether or not a Constitutional or process change is required.
14. A focus group meeting with Cabinet Members and Cabinet Support Members is due to take place on 14 January 2021.
15. Focus group meetings are also being scheduled for licensing, planning officers, employment panel and members.

## Community impact

16. Corporate governance is the term used to describe the systems, processes, culture and values Herefordshire Council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk. Periodic reviews of the models of governance adopted by the council and the established processes and culture are valuable ways in which we can demonstrate how we uphold the code of corporate governance.
17. The council is responsible, as a corporate parent, for providing the best possible care and safeguarding for children who are looked after by the council, and as part of this must consider the impact of decision making on looked after children and care leavers. Any review of models of governance and mechanisms for stakeholder engagement in decision-making must consider how this responsibility may best be discharged.

## Environmental Impact

18. The development of a revised governance model will seek to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

## Equality duty

19. 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.
20. 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. Any review of governance models and decision making processes must ensure this duty is demonstrably upheld and promoted.

## Resource implications

21. The review is being undertaken using existing resources.

## Legal implications

22. The council is required to have a constitution. The proposed 'hybrid' model will provide the basis for changes to the current constitution to be adopted and implemented at the next annual council meeting.

## **Risk management**

23. The working group will be responsible for ensuring that timescales are met and will provide updates to the audit and governance committee as part of their work programme. There is currently sufficient time to review the constitution, consult and make the necessary proposed changes.
24. There is also a risk that all members are not engaged in the process and their views are not made known to the working group. The establishment of a cross party working group was aimed to address this but given mixed attendance additional steps may be necessary to ensure all members are aware of the work being undertaken in the group

## **Consultees**

25. All political groups are represented in the working group. The non aligned member declined to participate in the working group
26. All members will be invited to a briefing to outline the progress of the working group and obtain their feedback on the changes being considered during March / April 2021

## **Appendices**

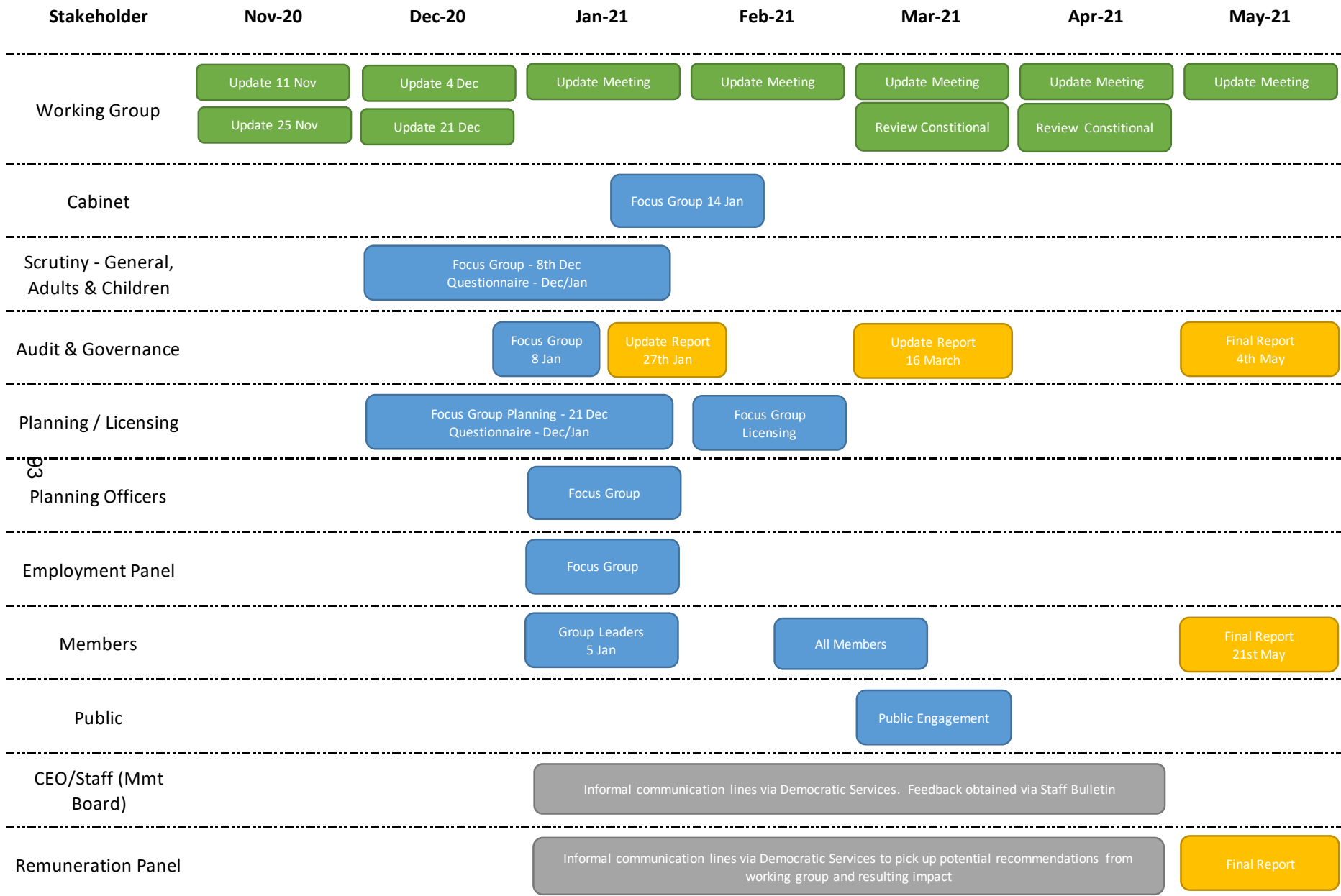
Appendix A High level timeline

Appendix B Tracking sheet of the issues being considered by the working group

## **Background papers**

None







### Re-thinking Governance Work Group

The table below summarises the key changes made to the content of the constitution or an underpinning process and the link to the relevant design principle agreed by Council. The design principles are:

- a) To maximise member engagement and participation in decision-making
- b) To ensure decision-making is informed, transparent and efficient
- c) To welcome public engagement
- d) To enable member and officers to perform effectively in clearly defined functions and roles
- e) To assess any resource implications for any proposed changes

	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
<b>Scrutiny</b>					
<b>[Focus group meeting: 8 December 2020]</b>					
S01	Identification of member capacity, skills and life experiences so that associated skills / expertise can be called upon for task and finish groups.	A process to understand and collate member capacity, skills and life experiences will be considered with a view that a 'pool' of members and their associated skills/expertise could be called upon for task and finish group activity.  Process development, maintenance and review of members skills/experiences database	N/A	Operational – member development survey to be developed in conjunction with Group Leaders.	(a)
S02	Lack of remuneration for members sitting on task and finish groups.	Re-thinking governance working group to explore the scope for the Independent Remuneration Panel (IRP) to consider changes to the basic and/or special responsibility allowances to ensure members are properly remunerated for their input in to task and finish groups. This should also feed into points 3 and 10.  Refer to independent remuneration panel for consideration	<b>6.1.1 to 6.1.3 (Councillors' allowance scheme)</b>	N/A – IPR to make recommendation to full Council and Council to decide in May 2021	(a)
S03	Scrutiny structure to be considered	The RTG group review the recommended course of action and work up firmer proposals for possible scrutiny restructuring. This should feed into actions 2, 7 and 10.  Consideration of new lines of accountability for the Health and Wellbeing Board may be required:	<b>Sections 2.6.2; 2.6.4; 3.4.5; and 4.2.2</b> <b>Sections 3.4.5</b>		(b)
S04	Awareness of scrutiny effectiveness	Consider re-instating the annual review of scrutiny effectiveness with reporting into the Annual Governance Statement and/or full Council	<b>TBC (may need amendment to Council functions if report to full Council)</b>		(a) and (b)

	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
S05	Lack of transparency of the forward plan	Ensure review of the forward plan as a standing item of the scrutiny protocol meetings and that, in addition to the leader and deputy leader, appropriate cabinet member(s) are in attendance. This should also feed into action 9.	N/A	Operational and can be actioned immediately	(a) and (b)
S06	Lack of transparency of the forward plan	Following consultation with the RTG on 21 December – Democratic Services to produce the most up to date list of forthcoming executive decisions in table format and make this available as part of scrutiny committee papers – specifically to aid the work programming standing item.	<b>Possible constitution changes:</b> if any changes to the ‘type’ of information published is required. E.g. publishing Key decisions only; or changing thresholds of RoOD trigger points. <b>Sections: 5.8.50 and 5.8.54</b>	<b>Operational:</b> this can be actioned once consultation has been undertaken.	(a) and (b)
S07	Overview and co-ordination of scrutiny work programmes	The quarterly scrutiny executive protocol is updated to take on an ‘overview and coordination’ role over the scrutiny work programmes to ensure items are brought to scrutiny at the right time and for the right type of scrutiny. This should feed into action 3.	<b>Possible constitution change:</b> if the protocol group have powers to alter scrutiny committee work programmes: <b>Section 4.5.28</b>		(a)
S08	Forward plan display is not user friendly	Democratic services review more user friendly options for presenting information on the forward plan to ensure items arrive on the plan as early as possible, contain enough information to ensure committees can judge what items come to scrutiny.	N/A	<b>Operational:</b> this can be actioned once consultation has been undertaken.	(a) and (b)
S09	Forward plan not “forward looking” enough	Democratic Services to ensure that the forward plan is populated with all of the corporate delivery plan commitments with indicative dates for delivery to ensure that scrutiny committees can plan work programmes appropriately. This should also feed into action 5.	N/A	<b>Operational:</b> this can be actioned once consultation has been undertaken.  Coordinated activity between DS and directorates to ensure officers populate the FP	(a) and (b)
S10	Should there be standing panels and more use of task and finish groups.	in conjunction with point 2 and point 3 above, RTG group members to give further thought to ‘standing panels’ / more use of T+F groups and consult further on this proposal.	<b>Constitutional change</b> required if standing panels are to be given a formally recognised policy influencing role?	Constitution currently silent on such panels. New section required to scrutiny procedure rules?  Possible wording:  <b>Standing panels:</b>	(a)



	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
				<i>Through agreement by the Scrutiny/Executive protocol arrangements, standing panels of scrutiny members will, from time to time, be put in place to provide oversight for an ongoing council process. They will be used when scrutiny is shadowing a time-limited piece of work carried out by someone else – for example, a cabinet member or the cabinet's preparation of the budget or a major NHS reconfiguration</i>	
<b>S11</b>	The political group consultation is not working as well as it could	Political Group Consultation to be reviewed in terms of its operational effectiveness, timeliness and distribution	<b>N/A</b>	Operational	<b>(a)</b>
<b>S12</b>	Work of scrutiny is not visible on the council's website	Chairs to review draft web pages and feedback to democratic services. Consideration be given to including effectiveness evaluation reports on each committee.	<b>N/A</b>	New web-pages have been developed – these web-pages will allow for a greater scrutiny profile to be developed; to communicate the work of scrutiny and how members of the public, potential co-optees and expert witnesses can get involved with the work of scrutiny in the council. See draft Scrutiny pages <a href="#">here</a> .	<b>(c)</b>
<b>Planning and regulatory committee</b> <b>(Focus group: 22 December 2020 and survey from 22 December 2020 to 10 January 2020)</b>					
<b>P1</b>	Should the planning code and rules be combined into one document?				<b>(a)</b>
<b>P2</b>	The Planning and Regulatory Meeting is held in working hours. Should Committee meetings be held out of hours?				<b>(c)</b>
<b>P3</b>	Should material and non-material considerations be put on the Council website?				<b>(b)</b>
<b>P4</b>	Is the size of the committee correct? [currently 15 members]		<b>2.8.2</b>		<b>(a)</b>
<b>P5</b>	Does the following sentence clearly outline the role of the committee: The committee determines applications for planning and listed building consents which are not decided by an officer		2.8.4		<b>(b)</b>
<b>P6</b>	Should the S106 process be made clearer, e.g. to include what the member can do to seek S106		(4.8.5b+c)		<b>(b)</b>
<b>P7</b>	Should the Ward Member's time to speak to the Committee be capped at 15-20		4.8.9		<b>(a)</b>

	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
	minutes maximum before and 15- 20 minutes after the debate)?				
<b>P8</b>	Are the rules on elected members speaking to the Committee clear and effective?		4.8.34		<b>(b)</b>
<b>P9</b>	Should all major applications allow more speakers?		4.8.35 (i)		<b>(c)</b>
<b>P10</b>	Should all major applications allow an increase in time to 4 minutes?		4.8.35 (i)		<b>(c)</b>
<b>P11</b>	At present, the Committee and other stakeholder receive <b>one week's</b> notice of the application coming to the Committee, should this be extended to <b>two weeks</b> ?		<b>4.8</b>		<b>(b)</b>
<b>P12</b>	Currently, all members are informed by e-mail of planning applications in their ward (4.8.3). Would elected members like to be kept informed by Case Officers ONLY if/when there are comments made or concerns are raised (4.8.5a)?		<b>4.8.3 and 4.8.5a</b>		<b>(b)</b>
<b>P13</b>	The rules outline a Councillor's involvement in planning applications however, should this section be made clearer and include the: <ul style="list-style-type: none"> <li>• role of the Substitute?</li> <li>• role and definition of what constitutes being an Adjoining Member?</li> </ul>		<b>4.8</b>		<b>(a)</b>
<b>P14</b>	Should the redirection process be made clearer and include a timeline?		<b>4.8.12 – 4.8.25</b>		<b>(b)</b>
<b>P15</b>	Does the role of the Legal Officer need to be stated?		<b>4.8.12 – 4.8.25</b>		<b>(b)</b>
<b>P16</b>	Is there a need to state that ward member is allowed to speak at the Redirection Committee?		4.8.30		<b>(b)</b>
<b>P17</b>	Should the 'notification period for a redirection' be extended beyond the three weeks period?		<b>4.8.12 - 4.8.25</b>		<b>(b)</b>
<b>P18</b>	Should the ' <b>who makes the decision at redirection</b> ' be made clearer?		<b>4.8.25</b>		<b>(b)</b>
<b>P19</b>	Is it necessary to define: <ul style="list-style-type: none"> <li>• what is the meaning of unusually or sensitive (4.8.18)?</li> </ul>		<b>4.8.12 – 4.8.25</b>		<b>(b) and (c)</b>

	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
	<ul style="list-style-type: none"> <li>• who determines a 'high level of public interest'?</li> <li>• how many letters or emails determines a 'high level of interest'?</li> <li>• what is a significant change in planning policy, eg. does this refer to the Core Strategy once adopted, NPPF or Guidance documents?</li> <li>• whether land use is seriously affected i.e employment, open space, intensive farming/ diversification, nursing homes, supermarkets, housing developments over 100?</li> </ul>				
<b>P20</b>	<p>Part 5, Section 6 outlines the role of Councillors who are members of the Committee. However, should it include:</p> <ul style="list-style-type: none"> <li>• the Ward Councillor presenting the planning application does not get a vote?</li> <li>• the Role of the substitute?</li> <li>• what happens when the Substitute is also member of the Committee?</li> </ul>		<b>5.6</b>		<b>(b)</b>
<b>P21</b>	Does the section on Lobbying make your responsibilities clear (5.6.10)?		5.6.10		<b>(b)</b>
<b>P22</b>	Does the Site Inspections section require any clarifications?		(5.7.12-21		<b>(b)</b>
<b>P23</b>	<p>Under the Site Inspections General Matters (5.6.20):</p> <ul style="list-style-type: none"> <li>• should it state there is no debate on site because Officers outline material planning issues only</li> <li>• should it state members can bring questions to the Committee meeting or email officer after site meeting?</li> </ul>		<b>5.6.20</b>		<b>(b)</b>
<b>P24</b>	<p>The Council would like to encourage better and more informed public participation in planning matters such as a) commenting on applications, b) engaging in Committee meetings or c) understanding the appeals process. Should there be a:</p> <ol style="list-style-type: none"> <li>a) flow diagram in the Constitution for members and the public to follow the planning process</li> </ol>				<b>(b) and (c)</b>

	Issue/Question	Action arising	Constitutional Reference	Change made	Design Principle
	<p>b) flow diagram on the Council website under Planning?</p> <p>c) simple video on the Council website to walk people through the planning process?</p>				
<b>P25</b>	Is the guidance on pre-determination clear?				<b>(b)</b>
<b>P26</b>	<p>Should a reserved list of substitutes be appointed by:</p> <p>a) Full Council; or b) Committee members?</p>				<b>(a) and (b)</b>
<b>P27</b>	The length of Case Officer reports to Committee are becoming increasingly lengthy – should a limit be set by the Committee?				<b>(b)</b>
<b>P28</b>	<p>The timing of speakers is not consistent. Should the responsibility of timing be carried out by:</p> <p>(a) the Chair? or (b) a Planning Officer? or (c) Democratic Services?</p>				<b>(d)</b>
<b>P29</b>	Should political proportionately be suspended for planning committee? [Proportionately already suspended for licensing sub committee]	Democratic services to research whether councils have suspended political proportionately for planning committees			<b>(a)</b>
<b>Group Leaders</b>					
<b>Focus group meeting: 5 January 2021</b>					
<b>G1</b>	Is the “role descriptor” set out in Part 5, Section 9 clearly defined	<p>Needs to be written in more positive terms.</p> <p>Additional points to be included are:</p> <ul style="list-style-type: none"> <li>• Support to group members to carry out their role (e.g. induction, regular meetings, supervision, identification of training needs and support)</li> <li>• Regular communication within their groups</li> <li>• Identification of membership and substitutes at committees</li> <li>• Represent their group at the group leaders meetings</li> </ul>	<b>5.9</b>		<b>(b)</b>
<b>G2</b>	Request for consideration of an officer appointed to be a political group officer.	Democratic services to research what other councils do.			<b>(e)</b>
<b>G3</b>	Role of Group Leader’s meetings to be more clearly defined / understood				<b>(a) and (b)</b>

Issues raised between reviews (and not yet part of a focus group query)					
I1	Timings in the council procedure rules to make sure there are clear as possible as potentially open to misinterpretation				(a) and b)
I2	Inconsistencies in treatment of questions esp. allowing councillor questions at an extraordinary meeting provided they relate to an item on the agenda				(b)
I3	Other items of business such as the Leader's report and any notices of motion which are 'on hand' could be considered as items of business at extraordinary meetings of Council.				(b)
I4	Call-in arrangements The pre-decision call in process needs expanding on e.g. additional clarity on who can initiate pre-decision call-in and how this is done  Should details or a summary of the call-in procedure be included in the constitution?				(b)
I5	strengthen and clarify the pre call-in part of the constitution – in particular I think we need to link it to the process set out under 4.5.54 – Members and Officers giving account. The timescales also require clarification. Suggested change to call-in provision:  Where the scrutiny committee has called-in a key decision from the forward plan before its due date, the decision cannot be called-in again after the final decision has been taken, <i>unless there have been material changes to the decision that were not recommended by the scrutiny committee.</i>				(b)
I6	Enlarging employment panel so have an appeal committee for action short of dismissal.				(b)
I7	How reports are treated in council – they are the same as a motion				(b)
I8	Political proportionality disadvantages unaligned members. Should this be suspended				(a)





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>Anti Fraud and Corruption annual report</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To consult with the committee on the proposed updated Counter Fraud and Corruption Strategy 2021-2024 and to give an annual report on the key risks within the council and how these are being addressed or managed.

The committee agreed at its meeting on 19 November 2019 that in future there would be an annual report presented which gave an overview of the anti-fraud strategy and that the report should outline the key risks within the council and how these were being addressed or managed.

## Recommendation(s)

That:

- (a) the annual report and updated Counter Fraud and Corruption Strategy 2021-2024 attached at appendix A be reviewed and the committee determine any recommendations it wishes to make to ensure the anti-fraud work is maximised.**

## Alternative options

1. There are no alternative recommendations. The report provides a factual annual report in accordance with the functions of the committee.

## Key considerations

2. The council takes a zero tolerance approach to fraud, bribery and corruption. When offences of this nature are identified, appropriate and necessary action is undertaken, including but not limited to prosecution. The council must protect public monies. As methods of fraud change within society, so must the way in which it is countered. By adapting with new emerging technology, we can improve our response, share vital information more effectively, and better detect and recover fraud loss.
3. It is generally reported that fraud against financial institutions, government and local authorities has seen a dramatic increase in the last decade. There is a significant amount of opportunistic fraud on the simple end of the spectrum, but on the complex end, fraud seems to have become increasingly more structured and sophisticated. As prevention and detection measures have improved, so have fraudster's methods and tactics. Compounding this complexity is the use of cyber related attacks.
4. Our ambition is to manage the risk of fraud and corruption by following the best ethical practises, procedures and principles, therefore maintaining a high level of integrity throughout the council. We expect councillors and employees at all levels to lead by example to ensure the highest standards are established, maintained and adhered to. Every employee has accountability and the responsibility to be vigilant and report any suspicions of fraud or corruption through the relevant reporting channels. See page 14 of Appendix A, Fraud Response Flowchart.
5. With this in mind the Council recruited to a new post, a Counter Fraud Specialist (CFS) and they started in April 2020, one month after the first lockdown in response to the national pandemic, Covid 19, commenced. The role therefore evolved and adapted quickly in response to the support measures announced by central government, concentrating on minimising fraud and error in providing assistance to businesses affected by the pandemic, and this work continues.
6. Specifically in supporting the avoidance of fraud in providing Covid-19 business support grants the CFS has joined and used available databases to confirm eligibility to grant support. However no system can be completely effective and the council has experienced losses resulting from national scams involving fraudulent claims of occupation of business premises to obtain grant funding. The CFS has around 200 cases under investigation. A summary of the position in relation to all business support grants paid between April and December 2020 is provided in the table below:-

Detail	Amount £000
<b>Grants paid to businesses</b>	<b>62,445</b>
In relation to fraud, error and non-compliance:-	
Total amount claimed but prevented before payment	346
Total amount paid but recovered	607
Total amount of grants paid under recovery action	417
<b>Totals</b>	<b>1,370 (2%)</b>

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Further information on the subject of this report is available from  
 Josie Rushgrove, Tel: 01432 261867, email: jrushgrove@herefordshire.gov.uk



7. This local pattern of grant recovery is similar to the overall national picture presented by the Department for Business, Energy and Industrial Strategy (BEIS). The CFS is supporting the National Investigation Service (NATIS), the National Anti-Fraud Network (NAFN), the Insolvency Service and BEIS in bringing charges against the individuals involved in making fraudulent claims. Recovery work continues at both at a national and local level.
8. As part of building an anti-fraud culture within the Council, the CFS has provided bespoke fraud awareness training internally to staff members on an ad hoc basis. A more structured approach is being developed and a mandatory on line training module is about to be launched. In addition, live intelligence updates and alerts are circulated to relevant departments to pro-actively assist in fraud prevention and detection across the organisation. The communications team also regularly post fraud alerts directly to the public to raise awareness externally.
9. The CFS is currently working on an alternative fraudulent case with another council, due to the sensitive nature of the proceeding no detail can be made public at this point in time however the value involved directly by this council is minimal. Action to prevent further fraudulent claims of a similar nature has taken place and mitigation training has been cascaded. Agreed new procedures have been implemented to support senior managers and staff.
10. Going forward the CFS is advising on the potential increased risks following the EU exit. Fraudsters continually attempt to find new ways of exploiting systems especially where changes are made at speed. Having an effective strategy (see Appendix A), training, policies and procedures all compliment to minimise exposure to financial losses. Encouraging employees to utilise the whistleblowing process where appropriate is also one of the most effective ways to detect fraud. The CFS leads on this work.
11. The CFS has pro-actively assisted the Adults and Committees directorate by providing in-depth knowledge and outlining the available resources for the purpose of fraud prevention and mitigation. Further work is being undertaken and the CFS continues to assist this service area. By creating a strong anti-fraud culture, acknowledging the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes and technology; we can better deter and prevent fraud. In the instance where fraud, theft, bribery or corruption are proven, we will ensure that consistent and proportionate action is taken, which can lead to prosecution. Furthermore, the council will review and strengthen its defences so that we can protect public monies and services to local residents.
12. Organised fraud can cross with a range of organisations and services. Effective communication and joint working between local authorities and with other agencies, will be essential in the ongoing development of the Council's strategic response. The CFS is an active member of the Midland Fraud hub and regularly attends other networking opportunities to ensure efficient collaboration to minimise the risk of fraud.
13. The Council are also members of the National Fraud Initiative (NFI). NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils. The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI. The counter fraud function acts as an administration for the NFI within the authority and it will continue to utilise and develop the uses of this service.

## Community impact

14. As described in the strategy attached at appendix A a crucial element of our response to tackling fraud is to pursue fraudsters, recover monies, protect the public and mitigate against further risk. Therefore, through a multi-agency approach we will have the capacity and capability to prosecute and enforce a culture of zero-tolerance towards fraud which will have a positive community impact.
15. This also supports the code of corporate governance principle which states that:
  - 15.1. Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External and internal audit contribute to effective accountability.

## Environmental Impact

16. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
17. Whilst this is a factual annual update so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy, for example by utilising energy efficient methods of communication.

## Equality duty

18. 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.
19. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual update, we do not believe that it will have an impact on our equality duty.

## Resource implications

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Further information on the subject of this report is available from  
Josie Rushgrove, Tel: 01432 261867, email: jrushgrove@herefordshire.gov.uk

20. The cost of the CFS has already been funded by the detection and prevention of fraudulent payments and this positive cashflow effect is expected to continue as the role impacts on other parts of the council's operations. In the future it may become apparent that additional counter fraud resources are required to continue to have a positive effect on countering fraudulent activity.

## **Legal implications**

21. The council must comply with all legislative requirements, as set out within the Policy.
22. The council must also ensure that authorisations obtained under the Regulation of Investigatory Powers Act 2000 or the Investigatory Powers Act 2016 are appropriately logged, maintained and updated on its central register.
23. The Monitoring Officer has a statutory responsibility to advise the council on the legality of its decisions and to ensure that the council's actions do not give rise to illegality or maladministration. It is therefore essential for all councillors and all employees to follow the council's policies and procedures to demonstrate that the council is acting in an open and transparent manner.

## **Risk management**

24. In order for the council to understand the overall fraud risks, the CFS is working closely with the South West Audit Partnership (SWAP) to assess these risks both internally, and externally across Local Authority boundaries. This assessment is ongoing, with the aim of subsequently prioritising further assurance to service areas across the organisation, where it is most required.
25. The Counter Fraud Specialist has already completed accredited CIPFA fraud training and raises awareness of the current risks we face and the appropriate mitigation action to put in place.
26. The council undertakes a fraud risk assessment against risks and looks ahead for future potential fraud and corruption risks. All allegations of fraud and corruption will be risk assessed in determining the correct response. The council maintains an independent and up-to-date whistleblowing policy, which is monitored, and can show that suspicions have been acted upon without internal pressure. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business through the mandatory training provided. All relevant policies within the organisation are reviewed to ensure that fraud procedures are embedded.

## **Consultees**

27. None

## **Appendices**

Appendix A Counter Fraud and Corruption Strategy 2021-2024

## **Background papers**

None identified

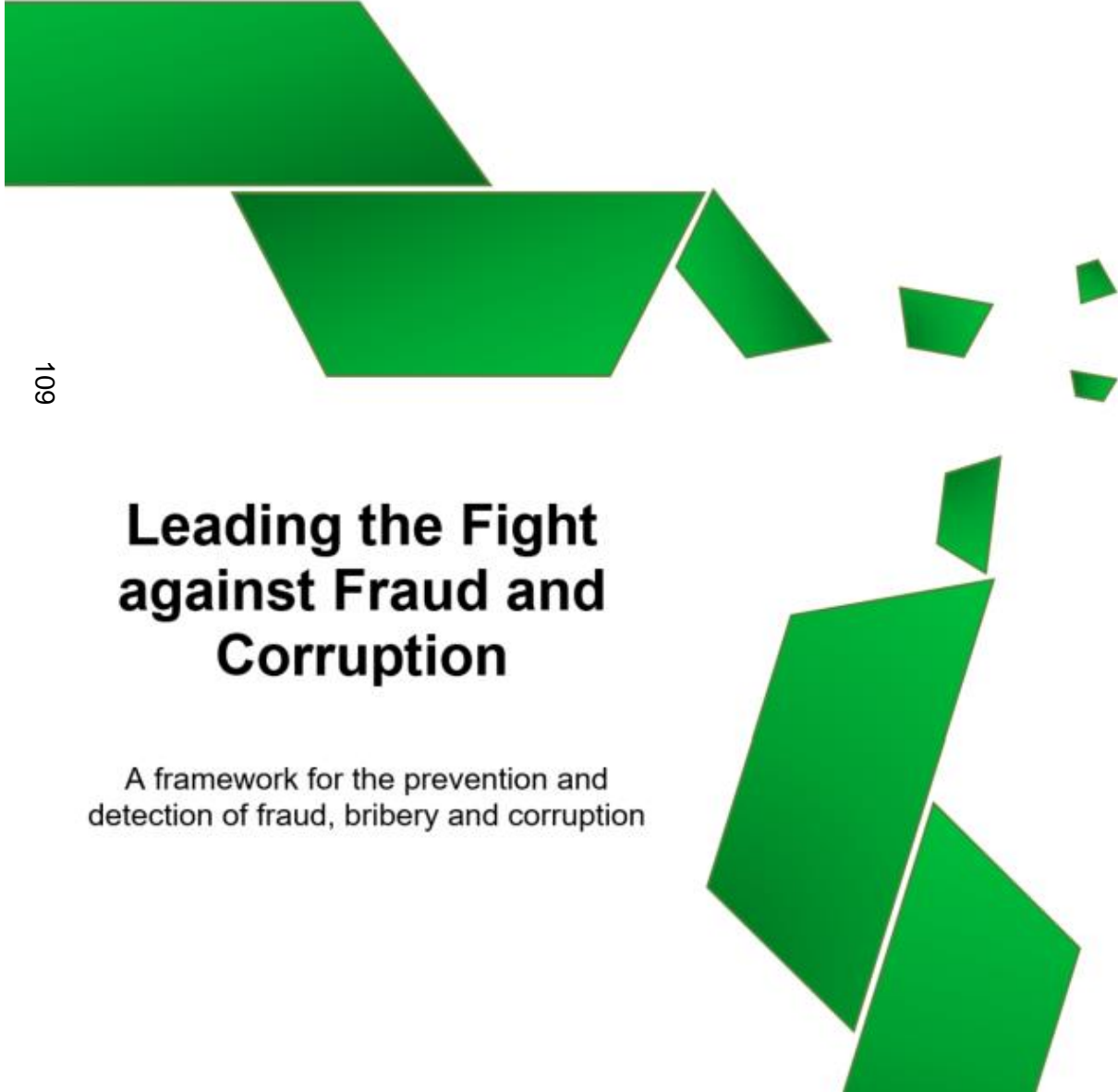


# Counter Fraud and Corruption Strategy 2021-2024

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## Leading the Fight against Fraud and Corruption

A framework for the prevention and  
detection of fraud, bribery and corruption



# Our Mission Statement

**Our mission** is for the local authority to protect its funds and vulnerable people from the risk of fraud.

**Our vision** is to undertake a corroborative and intelligence led approach, to fight against fraud and corruption.

**Our purpose** is to lead the local authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.



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## Foreword

The council acknowledges the consistent and ever changing threats of fraud and corruption. Tackling these very threats has been, and remains at the forefront of protecting council finances. Herefordshire Council are committed to adapt, deter, prevent, detect and take action.

Every pound criminally obtained by a fraudster, is a pound that cannot, and should have been, spent on essential local authority services for its residents.

Fraud and corruption are not victimless crimes and they take away valuable funding that was available for helping the public.

Despite these challenges, we are convinced that this strategy will be an important flagstone for the council. It will help us to deliver a structured and corroborated approach in confronting crime committed against the local authority, and will it further enforce the council's vision.

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**Jonathan Nelson**  
Counter Fraud Specialist

**Councillor Nigel Shaw**  
Chair of Audit & Governance Committee

**Councillor Christy Bolderson**  
Vice-chair of Audit & Governance Committee



## Executive Summary

This document outlines the strategy and core objectives for Herefordshire Council, in fighting against fraud and corruption. It is aimed at all council employees, elected members, contractors, the council's partners, and to all of the public residents that it serves.

By utilising this strategy the council aims to develop and maintain a culture in which fraud, bribery and corruption are unacceptable. We must recognise the harm that fraud can do to our community and better understand the risks that we face, in order to prevent fraud more effectively.

As methods of fraud change within society, so must the way in which it is countered. By adapting with new emerging technology, we can improve our response, share vital information more effectively, and better detect & recover fraud loss.

Our ambition is to manage the risk of fraud and corruption by following the best ethical practises,

procedures and principles, therefore maintaining a high level of integrity throughout the council.

We expect councillors and employees at all levels to lead by example to ensure the highest standards are established, maintained and adhered to. Every employee has accountability and the responsibility to be vigilant and report any suspicions of fraud or corruption, through the relevant reporting channels.

We will enforce accountability by bringing fraudsters to account more quickly and efficiently. Where fraud and corruption is identified, we have a duty to protect our residents within our community and the essential funds which help them.

By investing in the prevention and detection of fraud, and by corroborating with other councils and partner agencies, the council can better safeguard the vulnerable who are most at risk.

# What do we mean by fraud, corruption, theft and bribery?

## Fraud

The term fraud commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006. For the purposes of this document fraud can be attempted, or include actual acts, committed against the council and/or its partners.

## Corruption

Corruption is the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly. It is an offence under the Prevention of Corruption Act 1906 – as amended by subsequent Acts and section 117 (3) of the Local Government Act 1972.

## Theft

The term theft is the physical misappropriation of cash or other tangible assets. The 1968 Theft Act defines this as “a person is guilty of theft if he dishonestly appropriates property belonging to another, with the intention of permanently depriving the other of it”.

## Bribery

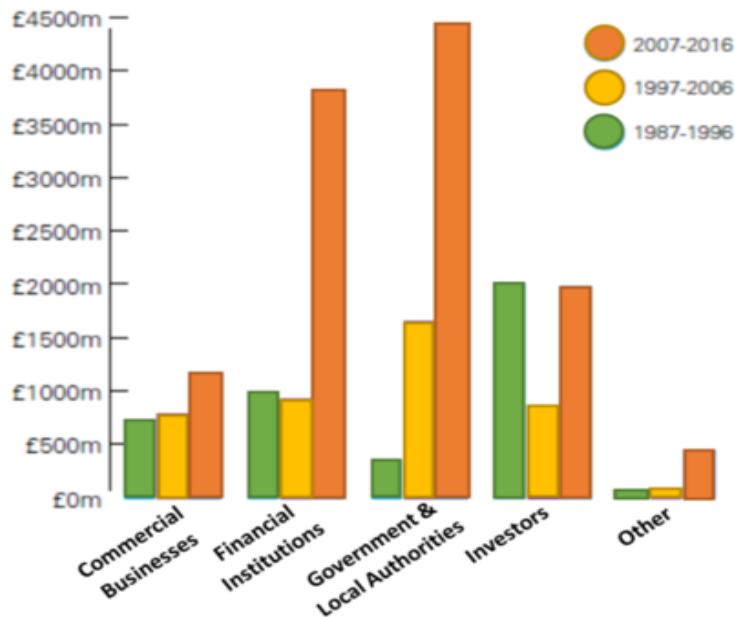
Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory, or contractual advantage. This is inclusive of active bribery (promising or giving); passive bribery (receiving or accepting); and also failure to prevent bribery (organisations).

## Nature and scale of the problem

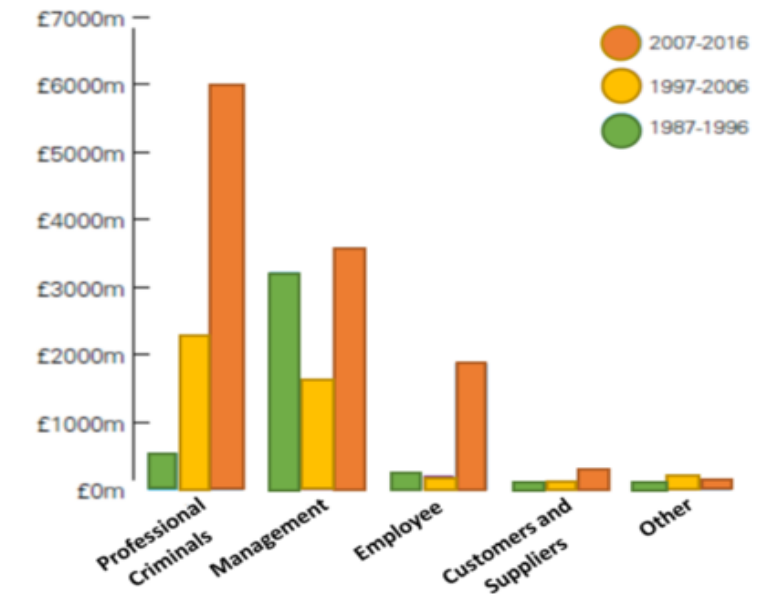
There is a significant amount of opportunistic fraud on the simple end of the spectrum, but on the complex end, fraud seems to have become increasingly more structured and sophisticated. As prevention and detection measures have improved, so have fraudster’s methods and tactics. Compounding this complexity is the use of cyber related attacks. It is difficult to quantify and measure the true extent of fraud within the UK due to the scale of the crime. The graphs below were published by KPMG Audit who are dedicated in creating an overall understanding of fraud through analysis of trends and data.

These graphs show that historically over the last three decades within the UK, fraud against financial institutions, government and local authorities has continually risen, with the UK experiencing a dramatic increase after the 2007 financial crisis. Furthermore, the largest driver of this rise, has been due to increases in the extent of crime committed by organised crime groups, and those with relevant authority, such as management and employees.

**Who are the historical victims of fraud?**



**Who are the historical perpetrators of fraud?**



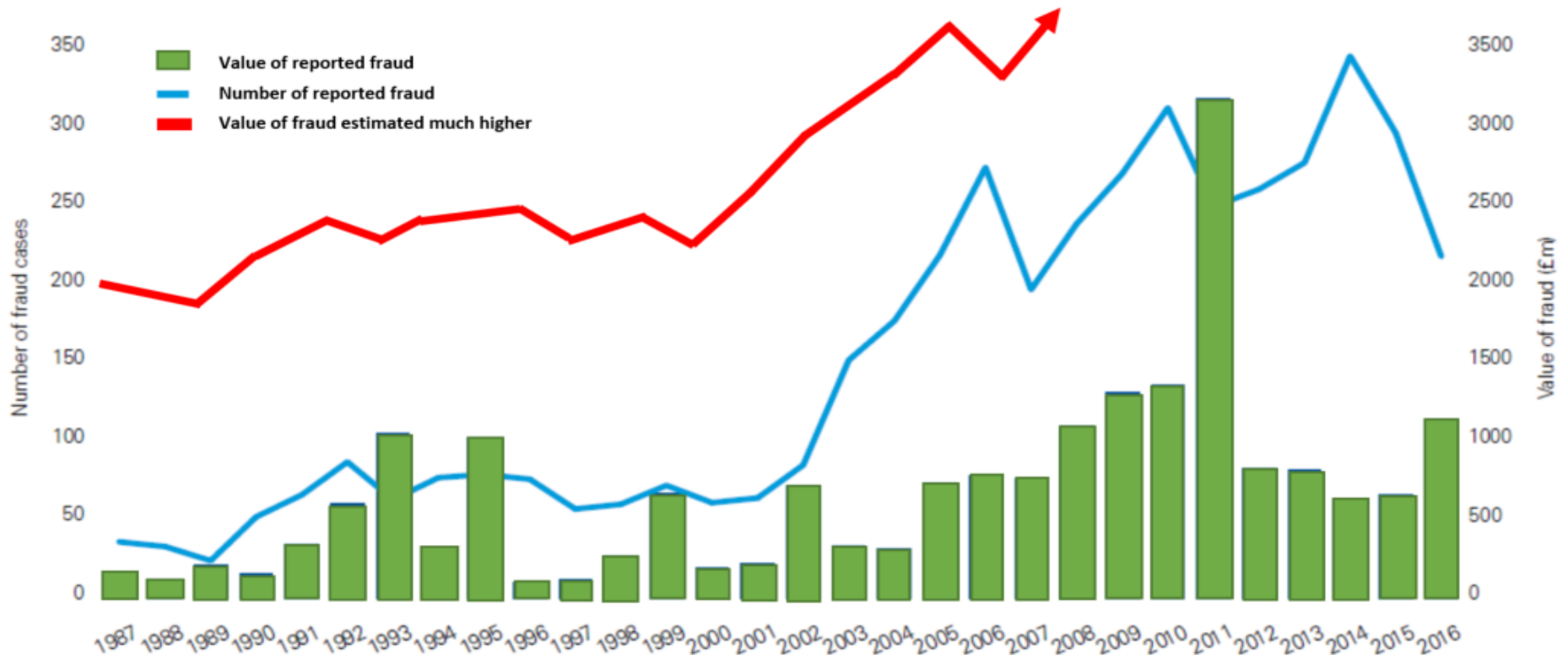
## The true extent and scale

Although KPMG data analysis helps us to understand some of the key fraud trends, it is believed that the true extent of fraud within the UK is much higher than the data reported.

The National Crime Agency (NCA) highlighted fraud as the most commonly experienced crime with 3.8 million reported instances in the National Crime Survey of England and Wales in 2019.

However, it is estimated that the true value of fraud against the UK government, costs in the region of £31 to £51 **BILLION** every year.

This number continues to grow and it is therefore imperative that the government continues to expand its capacity, resources and funding, to deal with the increasing threat of fraud within the UK.



## What types of fraud risk are there for local authorities?

<b>Blue Badge</b>	Use of counterfeit or altered badges. Use when a disabled person is not present, or is deceased. Badges issued to institutions, being misused by employees.	Fraudulent applications for false occupation, exemptions and reliefs, unlisted properties, rating agent and third party refund fraud.	<b>Business Rates</b>
<b>Council Tax</b>	Discounts and exemptions, council tax support.	Enables a diverse and wide range of fraud.	<b>Cyber Crime</b>
<b>Grants</b>	Fraudulent occupation or representation of a premises to obtain a grant. Work not carried out, funds diverted, ineligibility not declared.	Misuse of direct payments/ budgets intended for the care of vulnerable individuals. Social care workers claiming hours for care not provided.	<b>Adult Social Care</b>
<b>Identity Fraud</b>	False Identity, fictitious persons applying for services or payments.	False or exaggerated claims, including slips and trips.	<b>Insurance</b>
<b>Internal Fraud</b>	Diverting council monies to a personal account. Accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, false overtime claims, selling council property for personal gain, wrongfully claiming benefit whilst working.	Fraudulent applications for housing or successions of tenancy, and subletting of the property.	<b>Tenancy</b>
<b>Money Laundering</b>	Exposure to subject transactions.	Fraudulent claims of eligibility across a variety of sectors.	<b>Public Funds</b>
<b>Pensions</b>	Deceased pension claims, overpayments, entitlements being overstated.	Use of concession of by ineligible person.	<b>Travel schemes</b>
<b>Personal Budgets</b>	Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of a claim.	Fraudulent applications for adaptations to homes aimed at the disabled.	<b>Disabled Facility Grants</b>
<b>Schools</b>	Procurement fraud in schools, payroll fraud, internal fraud.	Voluntary partnerships between local authorities and businesses, procurement and grant fraud.	<b>Local Enterprise Partnerships</b>
<b>Procurement</b>	Tendering issues, split contracts, double invoicing.	False employees, overtime claims, expenses.	<b>Payroll</b>

# Strategic Framework

## Culture, Capability, Competence, Capacity, Communication, Collaboration

The council will follow the strategic framework incorporated in the 'Fighting Fraud Locally 2020' initiative, as the control measures for managing the risk of fraud and corruption. These core pillars set an ethical standard within the organisation that focuses on the importance of high integrity from all employees, and it places responsibility on senior managers and members to demonstrate their commitment in tackling fraud.

By creating a strong anti-fraud culture, acknowledging the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes & technology; we can better deter and prevent fraud. In the instance where fraud, theft, bribery or corruption are proven, we will ensure that consistent and proportionate action is taken, which can lead to prosecution. Furthermore, the council will review and strengthen its defences so that we can continue to protect public monies and the local residents.



# Collaboration

## How will the council effectively pursue fraud and corruption?

Organised fraud can cross with a range of organisations and services. Effective communication and joint working between local authorities and with other agencies, will be essential in the ongoing development of the Council’s strategic response. The four tiers listed below show the scale of multi-agency working. Only through clear and efficient collaboration between the relevant channels, can the risk of fraud be managed.

A crucial element of our response to tackling fraud is to punish fraudsters, recover monies, protect the public and mitigate against further risk. Therefore, through a multi-agency approach we will have the capacity and capability to prosecute and enforce a culture of zero-tolerance towards fraud.

### Intelligence



### Financial



### National



### Local



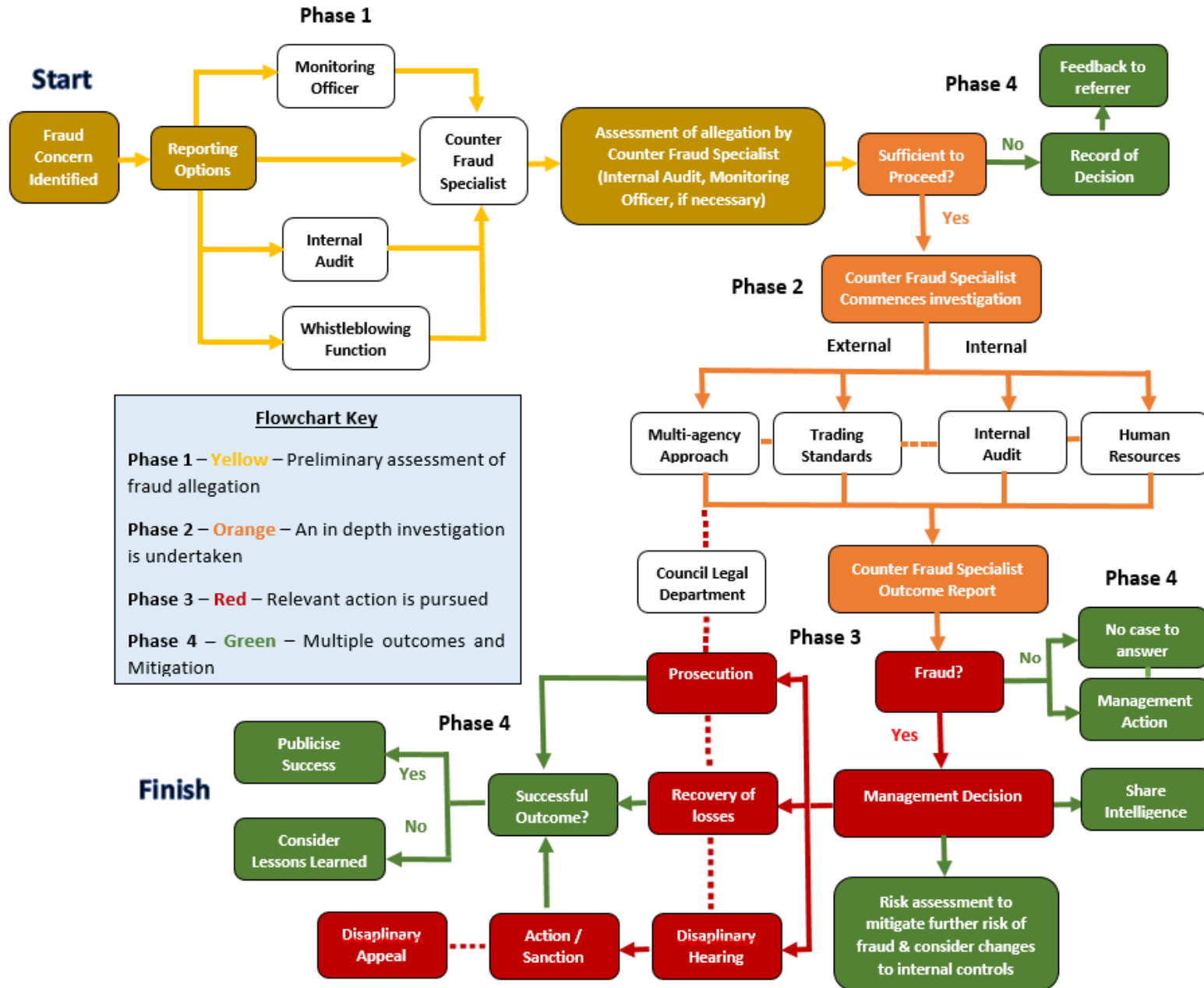
## Structure

<b>Stakeholder</b>	<b>Specific Responsibilities</b>
<b>Audit and Governance Committee</b>	To monitor and oversee the Council's strategies and policies, and consider the effectiveness of the Whistleblowing Policy, Money Laundering and Counter-Fraud and Corruption Strategy.
<b>Chief Executive</b>	The Chief Executive is ultimately accountable for the effectiveness of the Council's appetite and arrangements for countering fraud and corruption.
<b>Councillors</b>	To promote and support the Council's stance on fraud, corruption and bribery.
<b>Chief Financial Officer / Treasurer to the Fund (Section 151 Officer)</b>	To oversee that the Council has an effective Counter-Fraud and Corruption Strategy, there is an effective internal control environment and there is an effective internal audit service to provide an objective view.
<b>Monitoring Officer ()</b>	To help ensure that the Council does not act unlawfully.
<b>External Audit</b>	A statutory duty to ensure that the Council has in place sufficient arrangements for the prevention and detection of fraud, corruption, bribery and theft.
<b>Internal Audit</b>	To provide advice and reviews on the effectiveness of internal controls which are designed to reduce the risk of fraud, corruption, bribery and theft. To undertake risk assessments across the organisation and work alongside the Counter Fraud Specialist to help mitigate fraud risk.
<b>Counter Fraud Specialist</b>	To raise fraud awareness internally within the council and externally to the public. To train and educate employees about fraud and create / implement an effective strategy. To assess risk of fraud across the organisation alongside Audit and implement mitigation to help deter and prevent crime. Point of contact for fraud investigations and to actively pursue the recovery of public monies and take action, to include, but not limited to, prosecution. To function effectively with all stakeholder's in the counter fraud process.
<b>Trading Standards</b>	To function effectively with the Counter Fraud Specialist by sharing intelligence, resources and assisting in the facilitation of fraud prosecutions.



<b>Stakeholder</b>	<b>Specific Responsibilities</b>
<b>Human Resources</b>	To function effectively with the Counter Fraud Specialist by working together in relation to any internal fraud, corruption, theft or bribery investigations.
<b>Heads of Service and Service Managers</b>	To assist in promoting staff awareness and ensuring that all suspected or reported irregularities are immediately referred to Internal Audit & the Counter Fraud Specialist. To ensure that strong internal controls are in place and that these are properly implemented within their departments.
<b>Staff</b>	To comply with the Council's policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerns to management and Internal Audit and/ or the Counter Fraud Specialist, taking into consideration if necessary, the Whistleblowing Policy.
<b>Public, Partners, Suppliers, Contractors and Consultants</b>	To be aware of the possibility of fraud, corruption, theft and bribery against the Council and report any genuine concerns or suspicions.

# Herefordshire Council Fraud Response Flowchart



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## Legislation & Policy

**This strategy outlines that the council are fully compliant with the relevant legislative requirements, including but not limited to the following:**

- Fraud Act 2006
- Money Laundering Regulations 2000
- Police and Criminal Evidence Act 1984
- Bribery Act 2010
- Regulation of Investigatory Powers Act 2000
- Competition Act 1998
- Terrorism Act 2006
- Companies Act 2006
- Proceeds of Crime Act 2002
- Local Government Act 1972
- Human Rights Act 1998
- Data Protection Act 2018 & GDPR

**This strategy accompanies an established framework of internal policies, procedures and controls which provide Herefordshire Council with the core elements of its fraud and corruption prevention governance. These include:**

- Whistle-blowing Policy
- Anti-Money Laundering Policy and Procedures
- Anti-Fraud, Bribery and Corruption Policy
- Standards Committee
- Code of Conduct for Employees & Councillors
- Financial Regulations
- Guidance Procedure on Internal Investigations
- I.T. Security Policy
- HR Policies and Procedures for Managing Recruitment
- DBS, Due Diligence & Registers of Interest
- HR Policies and Procedures for Managing Performance
- Codes of Practice on Planning Matters & Local Authority Publicity
- Procurement Rules and Guidance
- Adult Safeguarding Procedures & Policy
- Business Rates Verification Policy

**Our aim is to fully integrate this strategy into our existing policies, procedures and controls, ensuring it becomes a key part of the governance and risk management framework within Herefordshire Council.**

# What we seek to deliver

## How the council will turn strategy into action

Ref	Key Aim	Action	Assigned to	Target Date
Page 10				
<b>Link to Strategy - Govern</b>				
1.1	Set the tone throughout the organisation & ensure that there is an appetite to counter fraud	<ul style="list-style-type: none"> <li>Ensure there is a Counter Fraud and Corruption Strategy applying to all aspects of the local authority's business, which has been communicated throughout the local authority, and acknowledged by those charged with governance.</li> <li>Set the tone of a zero tolerance approach to fraud and corruption, that is defined and monitored, and which is always reported to the committee.</li> <li>The audit committee supports counter fraud work and encourages the level of activity to ensure it is appropriate in terms of fraud risk and resources.</li> </ul>	Counter Fraud Specialist (All) All Audit Governance Committee	January 2021 Ongoing Ongoing
1.2	Embed counter fraud arrangements into and throughout the organisation	<ul style="list-style-type: none"> <li>The fraud response plan will be linked to the audit plan and communicated to senior management and members.</li> <li>The fraud and corruption response plan will cover all areas of counter fraud work: prevention, detection, investigation, sanctions &amp; redress.</li> <li>The local authority will have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</li> <li>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: codes of conduct including behaviour for counter fraud, anti-bribery and corruption, register of interests, register of gifts and hospitality.</li> </ul>	Internal Audit Counter Fraud Specialist (All) Human Resources Internal Audit	Ongoing (All)
1.3	Ensure effective measurement and assessment of proactive and reactive counter fraud work	<ul style="list-style-type: none"> <li>There is an annual report to the audit committee, or equivalent detailed assessment, to compare against the current counter fraud strategy.</li> <li>The relevant portfolio holders (Sec 151 Officer and Head of Corporate Finance) should be regularly briefed on the fraud risks and mitigation.</li> <li>There is an ongoing fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes.</li> <li>This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties, or voluntary sector activities.</li> </ul>	Section 151 Officer Head of Corporate Finance Counter Fraud Specialist (All)	Annual Review (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10				
<b>Link to Strategy - Acknowledge</b>				
2.1	To raise awareness and understanding of fraud activity, both internally and externally	<ul style="list-style-type: none"> <li>Implement a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team, this could be in the form of social media and newsletter publications promoting awareness.</li> <li>To raise internal knowledge, a mandatory e-learning module will be created, which council staff will be required to complete annually.</li> <li>When applicable, a face-to-face training course on fraud awareness should be provided to new employees joining the council.</li> <li>Promote the counter fraud strategy internally and externally to the public and have a dedicated counter fraud page on the council website.</li> <li>We will undertake an internal survey to assess the overall level of awareness and understanding within the organisation</li> </ul>	Communications Team Counter Fraud Specialist (All) & Software Development Communications Team Human Resources	Ongoing June 2021 Ongoing Ongoing March 2021
2.2	To assess the risk of fraud across the organisation and effectively communicate to those charged with Governance	<ul style="list-style-type: none"> <li>The council will undertake a fraud risk assessment against the risks and look ahead for future potential fraud and corruption risks.</li> <li>All allegations of fraud and corruption will be risk assessed.</li> <li>The council must have an independent and up-to-date whistleblowing policy, which is monitored, and can show that suspicions have been acted upon without internal pressure.</li> <li>Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors.</li> <li>We will review all relevant policies within the organisation to ensure that fraud procedures are embedded.</li> </ul>	Internal Audit & Counter Fraud Specialist Monitoring Officer Internal Audit Human Resources	March 2021 & Ongoing January 2021 Ongoing Ongoing
2.3	Demonstrate that the council has a robust anti-fraud response	<ul style="list-style-type: none"> <li>The council must have professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.</li> <li>The counter fraud team has adequate knowledge in all areas of the local authority, or is trained in these areas.</li> <li>Statistics will be kept and reported by the fraud team which cover all areas of activity and outcomes.</li> </ul>	Section 151 Officer, Head of Corporate Finance Counter Fraud Specialist (All)	Ongoing (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10 <b>Link to Strategy - Prevent</b>				
3.1	To develop a more effective anti-fraud culture within the organisation	<ul style="list-style-type: none"> <li>• There is a programme of work to ensure a strong counter fraud culture across all departments.</li> <li>• Internally promote fraud communications and literature, particularly during International Fraud Awareness Week.</li> <li>• Undertake service specific fraud awareness training and presentations to ensure all staff are adequately trained to spot and report fraud.</li> <li>• By achieving the 'Govern' and 'Acknowledge' sections of this strategy we will further be able to develop our anti-fraud culture within the organisation.</li> </ul>	All employees, elected members and anyone acting on behalf of the council	Ongoing (All)
3.2	The council will enhance its fraud controls and processes. Making best use of information and technology	<ul style="list-style-type: none"> <li>• The council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended to prevent potentially dishonest employees from being appointed.</li> <li>• Prevention measures and projects are undertaken using data analytics where possible, through the use of the National Fraud Initiative.</li> <li>• The counter fraud team will register with the NFI Fraud Hub and CIFAS, so that it has access to directories and other tools.</li> <li>• Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments.</li> <li>• The council's internal Cyber Security team will be regularly updated and provided with CIFAS intelligence.</li> </ul>	Human Resources  Counter Fraud Specialist (All)  Cyber Security Department	Ongoing (All)
3.3	Communicate counter fraud activity and successes to deter fraudsters	<ul style="list-style-type: none"> <li>• Successful cases of proven fraud/ corruption will be routinely publicised to raise awareness and deter fraudsters.</li> <li>• We will utilise social media, the Herefordshire Council website, and local media to publicise successful prosecutions and actions taken against fraudsters.</li> </ul>	Counter Fraud Specialist (All)  Communications Team	Ongoing (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10				
Link to Strategy - Pursue				
4.1	To corroborate effectively with other agencies and use an intelligence led approach to investigations	<ul style="list-style-type: none"> <li>The counter fraud team will work jointly with other enforcement, intelligence agencies.</li> <li>The council will share data and intelligence across its own departments and between other enforcement agencies.</li> <li>The Counter Fraud Specialist will act as a main point of contact with other agencies for external fraud investigations.</li> </ul>	Counter Fraud Specialist (All)	Ongoing (All)
4.2	Develop capability and capacity to punish offenders	<ul style="list-style-type: none"> <li>The Counter Fraud Specialist will develop functional links with both Herefordshire Trading Standards and internal Human Resources, when necessary, to undertake efficient fraud investigations.</li> <li>Fraud resources will be assessed proportionately to the risk the local authority faces and they will be adequately resourced.</li> <li>Fraud officers will have unfettered access to premises and documents for the purposes of counter fraud investigations.</li> <li>The counter fraud team will require (through partnership/ other local authorities/ or funds to buy in) to specialist staff for; surveillance, computer forensics, asset recovery &amp; financial investigations.</li> <li>The council should aim to increase the internal fraud resources accordingly.</li> </ul>	Human Resources & Trading Standards Counter Fraud Specialist (All) Section 151 Officer	Ongoing (All)
4.3	To prioritise recovery of lost assets and use both civil sanctions and also criminal prosecution, when necessary. To identify where we can mitigate further risk	<ul style="list-style-type: none"> <li>Asset recovery and civil recovery will be considered in all cases.</li> <li>The council will review its civil sanctions in areas where low level crime is being committed and which doesn't require prosecution.</li> <li>Weaknesses revealed by instances of proven fraud and corruption will be scrutinised carefully and fed back to departments to fraud-proof systems and mitigate against further risk.</li> <li>Risk assessments within the 'Acknowledge' section of this strategy, will help identify and mitigate further fraud risk.</li> </ul>	Section 151 Officer Head of Corporate Finance Counter Fraud Specialist (All)	Ongoing (All)

## Looking Ahead

The future is always difficult to determine, however from analysis of historic fraud trends we can see that in times of serious hardship and increased economic pressures, that the risk, opportunity and appetite for fraud also rises. This falls directly in line with the fraud triangle theory, in which we identify fraudsters rationalising their criminal actions, due to personal circumstance.

In the 2007 financial crises, not only did the economy suffer, but in the years aftermath the UK witnessed a dramatic surge in fraud. Criminals have become more organised, using social engineering to constructively target opportunities and we have also seen huge rises in cyber related offences. These crimes often cross borders, and even countries.

With the 2020 Covid-19 Pandemic, analysts and counter fraud professionals commonly predict that a

similar trend may occur, with cases and attempted fraud on the steep rise. The platform that the pandemic has created, of remote working, implementation of new processes, and increases in economic pressure, often create the gateways for organised cyber criminals.

The council not only acknowledges these risks, but defences have been increased, mitigation has been applied and fraud awareness is at the forefront of our strategy.

Furthermore, our belief is that with our structured strategy, we will be better prepared for the difficult times ahead. It is imperative that we continue to tackle fraud on a local level and work with multiple agencies, on a national level, in a joint collective to fight crime and to achieve our mission statement.

---

**Our mission** is for the Local Authority to protect its funds and vulnerable people from the risk of fraud.

**Our vision** is to undertake a corroborative and Intelligence led approach, to fight against Fraud and Corruption.

**Our purpose** is to lead the Local Authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>Update to Finance and Contract Procedure Rules</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To approve the updates to the contract procedure rules, at appendix 2, the financial procedure rules, attached at appendix 4, and the financial procedure rules guidance notes attached at appendix 6. The rules were last updated and approved by the committee in January 2020.

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

## Recommendation(s)

That:

- (a) The contract procedure rules at appendix 2, financial procedure rules at appendix 4 and financial procedure rules guidance notes at appendix 6 be approved.**

## Alternative options

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

## Key considerations

### Contract procedure rules

2. The 2021 proposed updates to the contract procedure rules (CPRs) includes changes to the CPRs in light of EU Exit, an update to include contract management rules following SWAP audit recommendations and updates to the competition level thresholds in response to recommendations to reduce barriers for local, small to medium enterprises (SMEs) and voluntary, community and social enterprise sector organisations (VCSE). The updated CPRs, attached with tracked changes at appendix 1, have been updated specifically as follows:
  - a) In line with national guidance on [Public-sector procurement from 1 January 2021](#), CPRs have now been updated to reflect new procedures for above UK threshold procurements and will ensure the council is compliant with new UK publication requirements.
  - b) Contract Management rules have been updated to include a requirement for all contracts to have a named contract manager and that, having regard to the updated contract management toolkit, contracts will be managed in line with the contract management framework which:
    - i. Sets out the classification of contracts by value and risk, to one of 3 categories Tier-1 “strategic”, Tier-2 “focused /leveraged” and Tier-3 “routine”.
    - ii. Sets out a series of best practice contract management activities which are either required or recommended depending on the classification of the contract.
    - iii. Requires that a formal review of the contract is undertaken a minimum of once in the life of the contract up to once per annum depending on the contract risk.

This change is recommended following a review of contract management practices and the contract management toolkit. The change seeks to firm up the council’s contract management approach by providing officers with a minimum standard of best practice activities and by so doing assist in providing assurance of good contract management practice within the organisation.

- c) Following a review of the council’s approach to social value and to support participation of local, SME and VCSE organisations in council tender opportunities, the following changes are recommended:
  - i. Uplift the low value contracts threshold from £5k up to £25k. This will relax the requirement for officers to use the councils e-tendering portal for tenders below £25k, whilst still requiring officers to use council procurement and contract templates when engaging the market where appropriate. Officers will be required to demonstrate best value, for example, by comparisons to catalogue, standard pricing or by obtaining comparable quotes using the e-tendering portal or email. Engaging organisations which are local, SME and VCSE will be actively encouraged.
  - ii. Medium value contracts threshold updated to: above £25k up to £75k a minimum of four formal quotes must be sought and where appropriate include at least two suppliers within the county. Where suitable suppliers cannot be identified, as is current practice use of a framework or open tendering must be undertaken.
  - iii. Clarified requirement for officers to factor in sufficient lead time to plan for and appropriately run procurement activity, linking to the contracting toolkit on the intranet where guidance can be found on recommended procurement timelines.
  - iv. Inclusion of the latest [Procurement Policy Note \(PPN\) 11/20](#), for reserving below UK threshold procurements to suppliers: by location; and for SME /VCSE organisations, in consultation with Commercial Services.

- d) Introduction of a new waiver format that takes into consideration the views of commercial, legal and financial services for the accountable officer (director or assistant director) to make a judgement on the validity and justification of waiver from the contractual procedure rules. This is sometimes needed because of emergency requirement or single tender supplier, but used in the exception.
- e) Additional amendments have been made as clarification or improvement following lessons learned these include:
  - i. A section introducing the CPRs.
  - ii. Update to section “Operational or non-key decisions” to provide more clarity around decisions for contract extensions and variations.
  - iii. New section “Planning a Procurement”, for sufficient lead time to be factored in for procurements and to highlight the need for officers to manage conflicts of interests where potential suppliers have provided advice on or been involved in preparation of a tender.
  - iv. Clarity in regard to the evidence of genuine emergency for urgent procurements to reflect public contract regulation requirements.
  - v. Requirement for officers with designated contract manager responsibilities to being requisitely trained.
  - vi. Mandatory introductory training for officers with procurement or contract management responsibilities.
  - vii. Clarity in regard to the signing and sealing of contracts.

#### **Finance procedure rules**

- a) The 2021 proposed updates to the finance procedure rules (FPRs), attached at appendix 3 with tracked changes, are to:-
  - a. Clarify the approval and need to evidence the establishment and funding of a post before advertising a vacancy to remove the potential to recruit staff before this is confirmed.
  - b. Clarify the process of registering external grant funding applications in line with external funding proceed agreement process, see appendix 7.
- 3. The 2021 proposed updates to the finance procedure rules guidance notes attached, at appendix 5 with tracked changes, are as follows:-
  - a) New paragraph 27 – to avoid underspends concealing overspends elsewhere and instead require them to be held centrally.
  - b) Expand paragraph 65 - to provide clarity on the governance requirements in relation to grant funded spend plus to ensure external funding agreements over £10,000 follow the external funding proceed agreement process, see appendix 7.
  - c) Edit paragraph 76 – to provide clarity on the disposal of IT equipment.
  - d) New paragraph 82 – to confirm the process to follow when becoming an accountable body.
  - e) Expand paragraph 89 – to confirm only IT can install IT systems.
  - f) Edit paragraph 91 – there is no longer a requirement to produce an Asset Management Plan.
  - g) Expand paragraph 93 – to confirm a Royal Institute of Chartered Surveyors (RICS) red book valuation is required before purchasing land or buildings.
  - h) New paragraph 94 – to confirm leases must be let on commercial trading terms and not a waived cost in award of contract.

## Community impact

4. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.
5. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed and supports the council's corporate plan objectives to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.

## Environmental Impact

The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

Whilst this is a procedural update and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example both procedure rules encourage the use of online facilities available rather than using a paper trail.

## Equality duty

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

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

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

## Resource implications

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

the council follows effective local financial processes which includes deliver value for money and supporting spending resources locally.

## Legal implications

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

## Risk management

9. The current regulations and standing orders are out of date, in some places, and this creates potential for confusion, errors and misunderstandings. Updating the rules will attempt to deal with these issues and problems and ensure that the council continues to have sound financial management policies in place.

Risk / opportunity	Mitigation
<p>CPRs - If local, SME and VCSE suppliers are not registering on the council's e-tendering portal, then it will limit the ability for officers to easily identify suitable suppliers to engage for procurements.</p>	<p>During 2021, market engagement sessions will be undertaken to raise awareness to the council's e-tendering portal and provide training sessions on how to bid for opportunities with the council.</p> <p>Officers will also be made aware of other sources of supplier data through Economic Development team and Talk Communities</p>
<p>CPRs- If the threshold for low value informal tendering is raised to £25k:</p> <ul style="list-style-type: none"> <li>• use of the e-procurement system to record and facilitate these tenders will no longer be mandatory, minimising management information centrally available for such procurements.</li> <li>• risk of challenge if contracts are disaggregated to keep value below competition thresholds for a preferred supplier.</li> </ul>	<p>This will be mitigated by:</p> <ul style="list-style-type: none"> <li>• CPR guidance and training which already reflects requirement for officers to retain procurement records and associated information for audit purposes.</li> <li>• Spot checks and internal audits will be carried out retrospectively based on business world order transactions or contracts register as all contracts awarded above £5k will continue to be recorded on the contracts register.</li> </ul>
<p>There is a risk that officers may be unaware of the new rules</p>	<p>this will be mitigated by communication of the changes and a training programme for relevant officers</p>

## Consultees

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Further information on the subject of this report is available from  
Samantha Birch, , email: [Samantha.Birch@hoopleltd.co.uk](mailto:Samantha.Birch@hoopleltd.co.uk)

10. None

## **Appendices**

Appendix 1	Updated contract procedure rules with tracked changes
Appendix 2	Updated contract procedure rules
Appendix 3	Updated financial procedure rules with tracked changes
Appendix 4	Updated financial procedure rules
Appendix 5	Updated financial procedure rules guidance notes with tracked changes
Appendix 6	Updated financial procedure rules guidance notes
Appendix 7	External funding proceed agreement

## **Background papers**

None identified

## Section 6 - Contract Procedure Rules

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<b>Low value</b> Below £255,000	<b>Evidence B</b> Best value <del>must be demonstrated</del>	<ul style="list-style-type: none"> <li><u>Best value must be demonstrated.</u> <ul style="list-style-type: none"> <li><u>This might be a comparison of costs for services that you have procured previously and where you understand and can evidence the costs.</u></li> <li><u>Or, where you have been able to compare costs with information published such as catalogues or framework pricing.</u></li> </ul> </li> <li><u>Consider local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector interest.</u></li> <li><u>Otherwise, identify at least three suppliers to obtain a simple quote.</u></li> <li><u>The procurement process can be undertaken outside of the council's e-tendering portal. <del>None required and the procurement process can be undertaken outside of the council's e-tendering portal</del></u></li> </ul>	Director's delegated authority under Scheme of Delegation	<p><b>Operational decisions</b>-Only assistant director or above are authorised to award and sign a contract.</p> <p><b>Key Decisions:</b></p> <p>Only assistant director or above are authorised to award and sign a contract, subject to approval or specific delegation by cabinet/cabinet member.</p> <p>All amounts exclude VAT.</p> <p>The following must be sealed by the council: contracts</p>
<b>Medium Value</b> £255,001 to £75,000	<p><u>4 quote process</u></p> <p><u>Minimum 3 competitive quotes sought from appropriately qualified and competent suppliers.</u></p> <p><u>Where 3 suppliers cannot be identified,</u></p>	<ul style="list-style-type: none"> <li><u>A minimum of 4 competitive quotes sought from appropriately qualified and competent suppliers.</u></li> <li><u>Include at least two suppliers within the county and/or local VCSE and /or SME sector interest where appropriate.</u></li> <li><u>Where 4 suppliers cannot be identified, the opportunity must be:</u> <ul style="list-style-type: none"> <li><u>Openly advertised using the councils e-tendering portal, or</u></li> <li><u>Procured via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</u></li> </ul> </li> </ul>	<p><u>Director's as per delegated authority under Scheme of Delegation and FPR authorised spend levels</u></p>	

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Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
	<p>the opportunity must be openly advertised or make the purchase via a compliantly let framework agreement.</p>	<ul style="list-style-type: none"> <li>The procurement process for both scenarios must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</li> <li>Where the opportunity is being openly advertised and is above £25,000, the opportunity must also be advertised on Central Government's Contracts Finder.</li> <li>Advertising in None required if obtaining 3 quotes directly. The procurement process should normally be undertaken utilising the council's e tender portal, or another method which has been determined as more appropriate with the written consent of the Commercial Services Team.</li> <li>Where advertising the opportunity to all suppliers, the opportunity should be advertised and undertaken, utilising the council's e tendering portal. The opportunity should also be advertised using:               <ul style="list-style-type: none"> <li>trade journals and other local publications if appropriate (recommended);</li> <li>Central Government's Contracts Finder when over £25,000 (mandatory).                   <ul style="list-style-type: none"> <li>make the purchase via a compliantly let Framework Agreement.</li> </ul> </li> </ul> </li> <li>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</li> </ul>	<p>No decision report is required for procurement under £50,000. Officers must be able to evidence compliance with Contract Procedure Rules and Finance Procedure Rules</p> <p>Procurement above £50,000. Decision must be recorded as operational or non-key officer decision</p> <p>Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.</p>	<p>above the key decision value (£500,000);</p> <p>all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.</p>

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Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<p><b>High Value</b> £75,001 to:</p> <ul style="list-style-type: none"> <li>• £189,330 (goods and services)</li> <li>• £4,733,252 (works)</li> <li>• £663,540 (light touch regime for health/ social services)</li> </ul>	<p>Open tendering <del>procedures must be followed.</del></p>	<ul style="list-style-type: none"> <li>• <del>Open tendering procedures must be followed.</del></li> <li>• <del>The opportunity must be advertised using the Invitation to Tender template to the open market or</del></li> <li>• <del>Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</del></li> <li>• <del>The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</del></li> <li>• <del>The opportunity must also be advertised on Central Government's Contracts Finder.</del></li> <li>• <del>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:</del> <ul style="list-style-type: none"> <li>• <del>trade journals and other publications if appropriate (recommended); and,</del></li> <li>• <del>Central Government's Contracts Finder (mandatory);</del></li> </ul> </li> <li>• <del>or,</del></li> <li>• <del>make the purchase via a compliantly lot Framework Agreement.</del></li> </ul> <p><del>*Note: framework agreements must have more than one supplier.</del></p> <ul style="list-style-type: none"> <li>• <del>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</del></li> </ul>		

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Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<p><b>EU-UK Tenders.</b></p> <p>Over:</p> <ul style="list-style-type: none"> <li>£189,330 (goods and services)</li> <li>£4,733,252 (works)</li> </ul> <p>£663,540 (light touch regime for health/ social services)</p>	Use <b>EU-UK</b> compliant procedures	<ul style="list-style-type: none"> <li>Open tendering procedures must be followed, or</li> <li>Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</li> <li>The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</li> <li>The opportunity must also be advertised on Central Government's Contracts Finder and the UK Find a Tender service (FTS). Contract award notices must also be published on these portals.</li> <li>Seek advice and support from the Commercial eServices Team before progressing the procurement.</li> </ul> <p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:-</p> <ul style="list-style-type: none"> <li>OJEU advert (mandatory); and,</li> <li>Central Government's Contracts Finder (mandatory); or,</li> <li>make the purchase via a compliantly let Framework Agreement.</li> </ul> <p>*Note: framework agreements must have more than one supplier.</p>		
<b>Framework Agreements</b>	New framework Use one of the above procedures relative to the framework value.	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:</p> <ul style="list-style-type: none"> <li>OJEU-FTS advert and contract award notice (where above EU UK threshold); and,</li> </ul>		New frameworks must be sealed by the council

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Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
		<ul style="list-style-type: none"> <li>• Central <a href="#">Gg</a>overnment's Contracts Finder (mandatory); or,</li> <li>• <a href="#">M</a>ake the purchase via a compliantly let <a href="#">fr</a>ramework <a href="#">A</a>greement. You must follow the procedure set out in the framework agreement for direct awards and mini competitions.</li> </ul>		

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## **INTRODUCTION**

### **What are Contract Procedure Rules?**

4.6.1 The Contract Procedure Rules (CPRs) provide the policy for procurement activity across the cCouncil, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. They apply to all services across the cCouncil.

4.6.2 The Contract Procedure Rules CPRs should not be seen in isolation, but rather as part of the overall regulatory framework of the cCouncil as set out in the Constitution.

4.6.3 The content of these CPRs is supported by additional guidance and documentation contained in the Commercial Services section of the cCouncil intranet.

### **Why are CPRs Needed?**

~~4.1.1~~ The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These ~~Contract Procedure Rules (CPRs)~~ are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.

#### ~~4.1.2~~ 4.6.4

~~4.1.3~~ The council is also subject to ~~EU-UK~~ law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with ~~EU-UK~~ law.

#### ~~4.1.4~~ 4.6.5

~~4.1.5~~ 4.6.6 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties and associated council policies. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.

~~4.1.6~~ The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value.

[4.1.74.6.7](#) The CPRs do not apply to:

- (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this does not apply to any external professional services linked to the purchase or sale.
- (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
- (c) Grant agreements, where the council is giving an unconditional grant.
- (d) Sponsorship agreements regulated by the sponsorship rules.
- (e) Supply of works, goods and services by the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
- (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
- (g) Litigation advice and services.

[4.1.94.6.8](#) **Authority to conduct procurement activity**

The authority for an officer to undertake;

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

is provided by either of the following;

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

**Operational or non-key executive decisions**

[4.1.104.6.9](#) Where the scheme of delegation provides the authority and in accordance with financial procedure rules:

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

commencement of a contract variation activity for total aggregate contract value up to £500,000.

- (e) Commencement of a procurement activity, or contract -variation for a contract in excess of £500,000 must be authorised by directors or the chief executive (as defined by the requisite pay grade).

~~4.1.144.6.10~~ Where an award of a contract is above £50,000k, a decision will be required and will need to be published~~there is a requirement to publish the decision, including the financial amount in the decision / recommendation.~~ Additionally, a decision will be required~~must be sought~~ for procurements of contracts jointly with one or more other contracting authorities.

~~4.6.11~~ Where a contract extension is incorporated in the original contract agreement and the aggregate value of the contract is under £500,000 there is no need for a new decision, if the original decision to procure/award the contract authorised the extension.

A decision will be required for:

- (a) Contract extensions where the aggregate value of the contract is above £50,000, if the original decision did not authorise the extension.  
(b) All contract extensions where the aggregate value of the contract is £500,000 or above.  
(c) Contract extension where the extension was not incorporated as part of the original contract agreement, as this is deemed to be a contract variation.

For contract variations where the aggregate value of the contract is above £50,000, a decision will be required and must be published.

Additionally, a decision will also be required for variations where:

- (a) Extension of contracts where the extension was not incorporated as part of the original contract agreement.  
(b) Price increases in contracts where the proposed price increase is either:
- Above that provided for in the contract; or
  - Above inflation (consumer price index (CPI))

~~4.6.12~~ Officers must give due regard to the CPR Guidance which sets out the required approval process for contract variations, extensions and exemptions to the CPRs.  
~~4.6.4~~ Where an award or variation of contract is above £50k, there is a requirement to publish the decision. Additionally, a decision must be sought for:

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

## Key Executive Decisions

4.1.124.6.13 Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a recommendation in the decision and procurement options considered must be documented as an element of the report.

### **Planning a Procurement**

4.6.14 Sufficient planning time must be built into any procurement activity to allow for adequate pre-tender market engagement /testing where relevant, development of good quality specifications and tender documentation, and a reasonable time for the market to respond to the tender paying due regard to the recommended procurement timescales which can be found on the commercial services intranet pages.

4.6.15 When engaging with potential suppliers, the Council must not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from anyone who may have a commercial interest in them, and where this may prejudice the equal treatment of all potential bidding organisations or distort competition.

### **Specifications and Options appraisal**

4.1.134.6.16 At the start of any commissioning activity that will require a procurement, the commissioning officer must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identifies at a minimum:

- (a) Why the service is being commissioned; what is the need?
- (b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can actively participate in the designing, delivery and quality-monitoring of their service.
- (c) Which social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
- (d) Alternative options that have been considered.
- (e) Financial implications.
- (f) Risks associated.

4.1.144.6.17 Decisions must clearly document the procurement options considered and recommendations to be taken forward.

### **Procurement Thresholds**

4.6.18 **Low value contracts/purchases (under £255,000)** – no requirement for formal quotations or tender processes but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.

Officers must use appropriate council templates for quotation requests and contracts when engaging suppliers for goods/services where appropriate. These can be found on cCommercial sServices intranet pages.

4.4.15 Consideration must be given as to whether the procurement would be of interest to local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector, who should be engaged to provide quotations where appropriate to do so.

#### 4.4.16 4.6.19 Medium value contracts/purchases (between £25,5001 and £75,000)

No contract with an estimated total cost over £25,001 shall be let, or any purchase of that value made, unless at least ~~three~~ four written quotations have been sought from appropriately qualified and competent suppliers, suppliers within the county and/or local VCSE and /or SME sector where appropriate.

Formal tender documents must be used outlining the terms of the procurement. Tender must be advertised for a minimum of 15 working days.

For closed competitions up to £25,000, e-mail can be used to obtain quotes. T: above £25,000, T the council's e-tendering portal should normally be used to obtain three quotations with a value above £25,000. ~~other mechanisms may be used having secured written approval from the commercial services where the value of the contract is very low and/or the contract is of a specialist nature. Other mechanisms may be used having secured written approval from the Ceommercial Sservices Team~~ where the value of the contract is very low and/or the contract is of a specialist nature.

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

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

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £25,000.

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

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

#### 4.4.18 4.6.20 High value contracts/purchases (between £75,001 and up to relevant EU UK Limit)

Open tendering procedures must be followed.

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Formal tender documents must be used to outline the terms of the procurement. All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal. Contract award notices must also be published on Contracts Finder.  
Tender must be advertised for a minimum of 15 working days

4.1.194.6.21 **Above the relevant EU-UK threshold limit (currently £189,330 for goods and services, £4,733,252 for works and £663,540 for light touch regime services)** Contracts with a value in excess of the relevant EU-UK threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under European-UK law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

#### **Reserving below UK threshold procurements**

4.6.22 In line with Procurement Policy Note 11/20, on a case by case basis, supplier participation in procurements below the UK threshold may be reserved:  
(a) By supplier location - this means being able to run a competition and specify that only suppliers located in a geographical area can bid; and  
(b) For Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.

4.6.23 Specific considerations and criterion must be met when using the provision of 4.6.22, therefore officers must engage with Commercial Services for further guidance and written approval to use this provision.

#### **Awarding a contract (signature and sealing).**

4.1.204.6.24 Where the scheme of delegation provides the authority:

- (a) assistant directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value up to £500,000
- (b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority to sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision.

4.1.214.6.25 Contracts can be signed by the authorised officer as set out in 4.6.244.6.224.6.224.6.16 However contracts must be executed as deeds and are sealed by the council by affixing the common seal of the council in the following circumstances:- In the event of a dispute, the council can make a claim under the contract for up to 12 years. The following contracts must be sealed:

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- (a) contracts above the key decision value – unless agreed otherwise by legal services;
- (b) new framework agreements;
- (c) all building and works-related contracts – unless agreed otherwise by legal services;
- (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
- (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.

~~4.1.224.6.26~~ Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.

~~4.1.234.6.27~~ ~~4.6.16~~ Officers shall ensure that each contract is entered into in accordance with the finance procedure rules.

#### Exemptions (Waivers)

~~4.6.28~~ An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value.

~~4.1.244.6.29~~ ~~A lack of time caused by inadequate forward planning is not a cogent reason. Exemptions from the contract procedure rules should be by exception and not standard practice. Exemptions should not be considered for administrative convenience or because of lack of time caused by inadequate forward planning, and will not permit an exemption to the rules.~~

~~4.1.25~~ ~~An "Exemption to Contract Procedure Rules" form must be completed by the officer seeking the exemption. Any exemption requests must evidence options considered in and consultation with Commercial Services.~~

~~4.6.30~~ ~~Exemption forms must provide evidenced reasons as to the legitimate need for the exemption to be granted. shall include options considered and shall be completed by officers.~~

~~4.6.31~~ ~~The waiver exemption form must to be produced completed in consultation with for comment by services within commercial, finance and legal services, and the completed form with those comments considered by the assistant director or director as the accountable officer. Based on this judgement the assistant director or director will agree or not, the validity of the waiver exemption.~~

~~4.1.26~~4.6.32 All exemptions must be supported by a decision, the ~~The~~ reasons for the exemption, appointment of the supplier and value for money justification of that appointment information ~~to~~ must be published as part of the ~~record of officer decision to award the contract.~~ Officers must obtain signatory approval from their assistant director or director in the first instance, the ~~Commercial Services team Team and the solicitor to the council or their deputy.~~

~~4.1.27~~4.6.33 -Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.

~~4.1.28~~ An exemption cannot be granted for contracts over the ~~EU UK~~ threshold unless agreed with legal services that there are no cross-border competition requirements.

### **Urgent decisions**

4.6.34 Tenders need not be invited in accordance with the provisions of the council's CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service, ~~-if in the opinion of the relevant Director it is considered to be in the cCouncil's interests or necessary to meet the council authority's obligations under relevant legislation.~~

4.6.35 The ~~c~~Council must be able to evidence that it is a genuine emergency, that the events causing extreme urgency were unforeseeable, that is impossible to comply with the usual timescales for a procurement including through a framework or accelerated procurement, that the situation is not attributable to the ~~council~~ (contracting authority).

4.6.36 Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member.

4.6.37 Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.

4.6.38 A formal record of the decision to award a contract must be published for contract values above £50,000 and financial value included within the decision.

### **Contract Management**

#### **Contracts register**

4.6.39 Every contract entered into by the ~~c~~Council will have a contract manager appointed by the relevant Director or Assistant Director in the Corporate Centre to manage that contract.

4.6.40 All contracts over £5,000 are to be entered on the council's contract register by the contract holder in order to comply with the transparency information/code. [This](#)

updated information should be updated if there is a change in the contract value.  
Contracts and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform subsequent tenderwork planning.

4.6.41 The contract manager shall manage the contract throughout its life cycle in accordance with the Council's Contract Management Framework and in particular shall:

- a) Classify the contract as Tier-3 "routine", Tier-2 "focused /leveraged", "and Tier-1 "strategic" by value and risk;
- b) Undertake a series of activities for each stage of the contract's life cycle – set up, delivery and exit; and
- c) Undertaking a formal contract review in accordance with the framework

4.6.42 The contract manager shall manage the contract throughout its life cycle having regard to the Council's Contract Management Toolkit and good contract management practices.

#### **Training ~~for procurement~~**

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

4.1.314.6.44 Where appropriate any officer designated contract management responsibilities shall be appropriately trained or have experience commensurate with the nature of the contract management activity being undertaken.

4.6.45 Completion of the Council's introductory finance and procurement module shall be mandatory for all officers with designated contract management or procurement responsibilities.

## Section 6 - Contract Procedure Rules

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<u>Low value</u> Below £25,000	Evidence best value	<ul style="list-style-type: none"> <li>• Best value must be demonstrated.               <ul style="list-style-type: none"> <li>○ This might be a comparison of costs for services that you have procured previously and where you understand and can evidence the costs.</li> <li>○ Or, where you have been able to compare costs with information published such as catalogues or framework pricing.</li> </ul> </li> <li>• Consider local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector interest.</li> <li>• Otherwise, identify at least three suppliers to obtain a simple quote.</li> <li>• The procurement process can be undertaken outside of the council's e-tendering portal.</li> </ul>	Director's delegated authority under Scheme of Delegation	<p><b>Operational decisions</b>-Only assistant director or above are authorised to award and sign a contract.</p> <p><b>Key Decisions:</b></p> <p>Only assistant director or above are authorised to award and sign a contract, subject to approval or specific delegation by cabinet/cabinet member.</p> <p>All amounts exclude VAT.</p>
<u>Medium Value</u> £25,001 to £75,000	4 quote process	<ul style="list-style-type: none"> <li>• A minimum of 4 competitive quotes sought from appropriately qualified and competent suppliers.</li> <li>• Include at least two suppliers within the county and/or local VCSE and /or SME sector interest where appropriate.</li> <li>• Where 4 suppliers cannot be identified, the opportunity must be:               <ul style="list-style-type: none"> <li>○ Openly advertised using the councils e-tendering portal <b>or</b></li> <li>○ Procured via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</li> </ul> </li> </ul>	<p>Director's as per delegated authority under Scheme of Delegation and FPR authorised spend levels</p> <p>Procurement above £50,000. Decision</p>	

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
		<ul style="list-style-type: none"> <li>The procurement process for both scenarios must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</li> <li>Where the opportunity is being openly advertised and is above £25,000, the opportunity must also be advertised on Central government's Contracts Finder.               <ul style="list-style-type: none"> <li>Advertising in trade journals and other local publications if appropriate (recommended).</li> <li>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</li> </ul> </li> </ul>	<p>must be recorded as operational or non-key officer decision</p> <p>Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.</p>	<p>The following must be sealed by the council: contracts above the key decision value (£500,000);</p> <p>all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.</p>
<p><b>High Value</b> £75,001 to:</p> <ul style="list-style-type: none"> <li>£189,330 (goods and services)</li> <li>£4,733,252 (works)</li> <li>£663,540 (light touch regime for health/ social services)</li> </ul>	Open tendering	<ul style="list-style-type: none"> <li>Open tendering procedures must be followed.</li> <li>The opportunity must be advertised using the Invitation to Tender template to the open market <b>or</b></li> <li>Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</li> <li>The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</li> <li>The opportunity must also be advertised on Central government's Contracts Finder.               <ul style="list-style-type: none"> <li>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</li> </ul> </li> </ul>		
<p><b>UK Tenders.</b> Over:</p>	Use UK compliant procedures	<ul style="list-style-type: none"> <li>Open tendering procedures must be followed, <b>or</b></li> </ul>		

Whole contract period total Value	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
<ul style="list-style-type: none"> <li>• £189,330 (goods and services)</li> <li>• £4,733,252 (works)</li> </ul> £663,540 (light touch regime for health/ social services)		<ul style="list-style-type: none"> <li>• Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier).</li> <li>• The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services.</li> <li>• The opportunity must also be advertised on Central government's Contracts Finder and the UK Find a Tender service (FTS). Contract award notices must also be published on these portals.</li> <li>• Seek advice and support from the Commercial Services Team before progressing the procurement.</li> </ul>		
<b><u>Framework Agreements</u></b>	<u>New framework</u> Use one of the above procedures relative to the framework value.	The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using: <ul style="list-style-type: none"> <li>• FTS advert and contract award notice (where above UK threshold); and,</li> <li>• Central government's Contracts Finder (mandatory); or,</li> <li>• Make the purchase via a compliantly let framework agreement. You must follow the procedure set out in the framework agreement for direct awards and mini competitions.</li> </ul>		New frameworks must be sealed by the council

## INTRODUCTION

### What are Contract Procedure Rules?

- 4.6.1 The Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. They apply to all services across the council.
- 4.6.2 The CPRs should not be seen in isolation, but rather as part of the overall regulatory framework of the council as set out in the Constitution.
- 4.6.3 The content of these CPRs is supported by additional guidance and documentation contained in the Commercial Services section of the council intranet.

### Why are CPRs Needed?

- 4.6.4 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These CPRs are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.5 The council is also subject to UK law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with UK law.
- 4.6.6 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties and associated council policies. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.7 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value. The CPRs do not apply to:
- (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this



does not apply to any external professional services linked to the purchase or sale.

- (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
- (c) Grant agreements, where the council is giving an unconditional grant.
- (d) Sponsorship agreements regulated by the sponsorship rules.
- (e) Supply of works, goods and services by the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
- (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
- (g) Litigation advice and services.

#### 4.6.8 **Authority to conduct procurement activity**

The authority for an officer to undertake;

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

is provided by either of the following;

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

### **Operational or non-key executive decisions**

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

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

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- 4.6.10 Where an award of a contract is above £50,000, a decision will be required and will need to be published, including the financial amount in the decision / recommendation. Additionally, a decision will be required for procurements of contracts jointly with one or more other contracting authorities.
- 4.6.11 Where a contract extension is incorporated in the original contract agreement and the aggregate value of the contract is under £500,000 there is no need for a new decision, if the original decision to procure/award the contract authorised the extension.

A decision will be required for:

- (a) Contract extensions where the aggregate value of the contract is above £50,000, if the original decision did not authorise the extension.
- (b) All contract extensions where the aggregate value of the contract is £500,000 or above.
- (c) Contract extension where the extension was not incorporated as part of the original contract agreement, as this is deemed to be a contract variation.

For contract variations where the aggregate value of the contract is above £50,000, a decision will be required and must be published.

Additionally, a decision will also be required for variations where:

- (a) Extension of contracts where the extension was not incorporated as part of the original contract agreement.
  - (b) Price increases in contracts where the proposed price increase is either:
    - Above that provided for in the contract; or
    - Above inflation (consumer price index (CPI))
- 4.6.12 Officers must give due regard to the CPR Guidance which sets out the required approval process for contract variations, extensions and exemptions to the CPRs.

### **Key Executive Decisions**

- 4.6.13 Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a recommendation in the decision and procurement options considered must be documented as an element of the report.

### **Planning a Procurement**

- 4.6.14 Sufficient planning time must be built into any procurement activity to allow for adequate pre-tender market engagement /testing where relevant, development of good quality specifications and tender documentation, and a reasonable time for the market to respond to the tender paying due regard to the recommended procurement timescales which can be found on the commercial services intranet pages.
- 4.6.15 When engaging with potential suppliers, the council must not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from anyone who may have a commercial interest in them, and where this may prejudice the equal treatment of all potential bidding organisations or distort competition.

## Specifications and Options appraisal

4.6.16 At the start of any commissioning activity that will require a procurement, the commissioning officer must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identifies at a minimum:

- (a) Why the service is being commissioned; what is the need?
- (b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can actively participate in the designing, delivery and quality-monitoring of their service.
- (c) Which social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
- (d) Alternative options that have been considered.
- (e) Financial implications.
- (f) Risks associated.

4.6.17 Decisions must clearly document the procurement options considered and recommendations to be taken forward.

## Procurement Thresholds

4.6.18 **Low value contracts/purchases (under £25,000)** – no requirement for formal quotations or tender process but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.

Officers must use appropriate council templates for quotation requests and contracts when engaging suppliers for goods/services where appropriate. These can be found on commercial services intranet pages.

Consideration must be given as to whether the procurement would be of interest to local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector, who should be engaged to provide quotations where appropriate to do so.

4.6.19 **Medium value contracts/purchases (between £25,001 and £75,000)**

No contract with an estimated total cost over £25,001 shall be let, or any purchase of that value made, unless at least four written quotations have been sought from appropriately qualified and competent suppliers, suppliers within the county and/or local VCSE and /or SME sector where appropriate.

Formal tender documents must be used outlining the terms of the procurement. Tender must be advertised for a minimum of 15 working days.

For closed competitions up to £25,000, e-mail can be used to obtain quotes. The council's e-tendering portal should normally be used to obtain quotations with a value above £25,000. Other mechanisms may be used having secured written approval

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from the Commercial Services Team where the value of the contract is very low and/or the contract is of a specialist nature.

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

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

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £25,000.

**4.6.20 High value contracts/purchases (between £75,001 and up to relevant UK Limit)**

Open tendering procedures must be followed.

Formal tender documents must be used to outline the terms of the procurement.

All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal. Contract award notices must also be published on Contracts Finder.

Tender must be advertised for a minimum of 15 working days

**4.6.21 Above the relevant UK threshold limit (currently £189,330 for goods and services, £4,733,252 for works and £663,540 for light touch regime services)**

Contracts with a value in excess of the relevant UK threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under UK law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

**Reserving below UK threshold procurements**

4.6.22 In line with Procurement Policy Note 11/20, on a case by case basis, supplier participation in procurements below the UK threshold may be reserved:

- (a) By supplier location - this means being able to run a competition and specify that only suppliers located in a geographical area can bid; and
- (b) For Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.

4.6.23 Specific considerations and criterion must be met when using the provision of 4.6.22, therefore officers must engage with Commercial Services for further guidance and written approval to use this provision.

**Awarding a contract (signature and sealing).**

4.6.24 Where the scheme of delegation provides the authority:

- (a) assistant directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value up to £500,000
  - (b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority to sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision.
- 4.6.25 Contracts can be signed by the authorised officer as set out in 4.6.24 however contracts must be executed as deeds by affixing the common seal of the council in the following circumstances::
- (a) contracts above the key decision value – unless agreed otherwise by legal services;
  - (b) new framework agreements;
  - (c) all building and works-related contracts – unless agreed otherwise by legal services;
  - (d) where there is no consideration (i.e. money or money’s worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
  - (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.
- 4.6.26 Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.
- 4.6.27 Officers shall ensure that each contract is entered into in accordance with the finance procedure rules.

### **Exemptions (Waivers)**

- 4.6.28 An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value.
- 4.6.29 Exemptions from the contract procedure rules should be by exception and not standard practice. Exemptions should not be considered for administrative convenience or because of lack of time caused by inadequate forward planning.

- 4.6.30 An “Exemption to Contract Procedure Rules” form must be completed by the officer seeking the exemption, and must provide evidenced reasons as to the legitimate need for the exemption to be granted.
- 4.6.31 The exemption form must be completed in consultation with commercial, finance and legal services, and the completed form considered by the assistant director or director as the accountable officer. Based on this judgement the assistant director or director will agree or not, the validity of the exemption.
- 4.6.32 All exemptions must be supported by a decision, the reasons for the exemption, appointment of the supplier and value for money justification of that appointment must be published as part of the decision to award the contract.
- 4.6.33 Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.

### **Urgent decisions**

- 4.6.34 Tenders need not be invited in accordance with the provisions of the council’s CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service, if in the opinion of the relevant Director it is considered to be in the council’s interests or necessary to meet the council’s obligations under relevant legislation.
- 4.6.35 The council must be able to evidence that it is a genuine emergency, that the events causing extreme urgency were unforeseeable, that is impossible to comply with the usual timescales for a procurement including through a framework or accelerated procurement, that the situation is not attributable to the council (contracting authority).
- 4.6.36 Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member.
- 4.6.37 Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.
- 4.6.38 A formal record of the decision to award a contract must be published for contract values above £50,000 and financial value included within the decision.

### **Contract Management**

- 4.6.39 Every contract entered into by the council will have a contract manager appointed by the relevant Director or Assistant Director in the Corporate Centre to manage that contract.
- 4.6.40 All contracts over £5,000 are to be entered on the council’s contract register by the contract holder in order to comply with the transparency information/code. This information should be updated if there is a change in the contract value. Contracts

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and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform subsequent tender planning.

4.6.41 The contract manager shall manage the contract throughout its life cycle in accordance with the council's Contract Management Framework and in particular shall:

- a) Classify the contract as Tier-3 "routine", Tier-2 "focused /leveraged", "and Tier-1 "strategic" by value and risk;
- b) Undertake a series of activities for each stage of the contract's life cycle – set up, delivery and exit; and
- c) Undertaking a formal contract review in accordance with the framework

4.6.42 The contract manager shall manage the contract throughout its life cycle having regard to the council's Contract Management Toolkit and good contract management practices.

## **Training**

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

4.6.44 Where appropriate any officer designated contract management responsibilities shall be appropriately trained or have experience commensurate with the nature of the contract management activity being undertaken.

4.6.45 Completion of the Council's introductory finance and procurement module shall be mandatory for all officers with designated contract management or procurement responsibilities.





# Section 7 - Financial Procedure Rules

(alternative arrangements must obtain chief finance officer approval)

<b>Approving revenue payments – post securing spend authority - with an order</b>		
<b>Value (before VAT)</b>	<b>Approval level</b>	
Up to £25,000	Officers as agreed by the director	
Between £25,001 and £100,000	Managers that report to Head of Service (up to and including HC12 pay grade)	
Between £100,001 and £250,000	Head of Service (HC13 pay grade)	
Between £250,001 and £500,000	Assistant Directors (HoS1 and HoS2 pay grade)	
Above £500,001	Directors or chief finance officer (pay in excess of HoS2)	
<b>Approving capital payments – post securing spend authority - with an order</b>		
<b>Value (before VAT)</b>	<b>Approval level</b>	
Up to £500,000	Corporate Project Manager or the Corporate Capital Programme Manager	
Between £500,001 and £1,000,000	Director or chief finance officer direct reports (being deputy S151 officers and strategic capital finance manager)	
Above £1,000,001	Chief finance officer	
<b>Approving payments without an order – due to the nature of the spend, for example periodic payments to HMRC and the pension fund</b>		
<b>Value (before VAT)</b>	<b>Approval level</b>	
Up to £500,000	Chief finance officer direct reports (being deputy S151 officers and strategic capital finance manager)	
Over £500,001	Chief finance officer	
<b>Budget movements ( revenue virements)</b>		
<b>Value</b>	<b>Approval required</b>	<b>Required to obtain consent from</b>
Up to £100,000 – within a directorate	Spend Manager(s)	Finance Manager
Up to £100,000 – across directorates	Director / assistant director or head of service receiving budget	Both directorate finance managers
Between £100,001 & £250,000 – within a directorate	Budget holder	Deputy S151
Between £100,001 & £250,000 – across a directorate	Director / assistant director or head of service receiving budget	Chief finance officer and director / assistant director or head of service reducing budget
Between £250,001 & £500,000 – within a directorate	Director / assistant director or head of service	Chief finance officer
Over £250,001 – across directorates	Director and Cabinet member receiving budget	Chief finance officer, director and Cabinet member reducing budget
Over £500,001 – within a directorate	Director	Chief finance officer and Cabinet memembr
<b>Sales of goods</b>		
<b>Value (before VAT)</b>	<b>Approval level</b>	
Up to £2,000	Director or assistant director	
Between £2,001 and £10,000	Deputy S151 officer	
Over £10,001	Chief finance officer	
<b>Use of reserves to fund spend</b>		
<b>Value</b>	<b>Approval required</b>	<b>Reported to</b>
All	Chief Finance Officer	Cabinet
<b>Staffing appointments</b>		
<b>Value</b>	<b>Approval required</b>	<b>Comments</b>
All	Chief Finance Officer prior to advertisement	Must be recruited through BW following evidence of reoccurring base budget and within BW staffing establishment

<b>Debt write off approval</b>		
<b>Value</b>	<b>Approval required</b>	<b>Reported to</b>
Up to £20,000	Deputy S151	
Over £20,001	Chief Finance Officer	Cabinet
<b>Bids for external grant funding</b>		
<b>Value</b>	<b>Approval required</b>	<b>Comment</b>
Up to £ <del>105</del> ,000	Director	Expected savings to be held centrally
Over £ <del>105</del> ,001	Chief Finance Officer (in consultation with Management Board) & relevant Cabinet member	Expected savings to be held centrally <a href="#"> &amp; record of officer decision required</a>
<b>Amendments to the approved capital programme</b>		
<b>Change required</b>	<b>Approval required</b>	<b>Comment</b>
New capital scheme (includes spend funded by S106 agreement where spend incurred before funds received)	Council	Cabinet / Cabinet member report post Council approval required before spend can be incurred
New 100% funded externally scheme	Chief finance officer	
Revenue contributions to capital schemes	Chief finance officer	

## Introduction

### 7.1 Procedures

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

### 7.2 Purpose of Financial Procedure Rules

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

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

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

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

### 7.3 Emergency situations

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

### 7.4 Non-compliance with rules

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

### 7.5 Approval of Chief Finance Officer or Nominated Officer

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

### 7.6 Approval changes

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

## Internal audit and internal control

### 7.7 Regulations

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

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

## **7.8 Financial irregularities with regard to council functions**

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

## **Treasury management**

### **7.9 Activities of treasury management**

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

## **Banking Arrangements**

### **7.10 Arrangements with council's bankers**

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

### **7.11 Officer Involvement**

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

## **Revenue Expenditure - Control**

### **7.12 Budgetary Control**

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

### **7.13 Role of Directors**

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

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## Financial Procedure Rules- Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at:  
<http://www.opsi.gov.uk/legislation/uk>

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## **1 Scope of Financial Procedure Rules**

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

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

## **2 Approval of Chief Finance Officer or Nominated Officer**

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

## **The Legal Framework**

### **3 Current Regulations**

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

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

### **4 Review of the Systems of Internal Control – Regulation 4**

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



## 5 Accounting Records - Regulation 5

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

In particular this means that accounting records must contain:

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

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

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

## 6 Internal Audit – Regulation 6

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

## 7 Local Government Finance Act 1988 – Section 114

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

- a. has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
- b. has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to

cause loss or deficiency on the part of the Authority, or

- c. is about to enter an item of account the entry of which is unlawful.

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

## Accounting and System Development

### 8 Accounting Procedures

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

### 9 Responsibility of Chief Finance Officer or Nominated Officer

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

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

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

### 10 Allocation of Accounting Duties

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

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

## Internal Audit and Internal Control

### 11 Role of Internal Audit

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

### **12 Accounts and Audit Regulations required by the Secretary of State**

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

### **13 Powers of Internal Audit (SWAP)**

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

### **14 Financial Irregularities with Regard to Council Functions**

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

## **Treasury Management**

### **15 Chief Finance Officer Decisions Involving Finance**

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

## **Banking Arrangements**

### **16 Arrangements with Council's Bankers**

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

### **17 Funds Held on Behalf of Others**

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

### **18 Value Added Tax**

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

### **19 Investment**

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

## **Financial Planning 'Accounting' and the Budget Process**

### **20 Financial Strategy**

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

### **21 Capital and Revenue Budgets**

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

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

### **22 Capital Programme**

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

## 23 Approval of Estimates

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

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

## Revenue Expenditure - Control

### 24 Role of Directors

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

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

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

### 25 Moving Budgets between Cost Centres

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

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

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

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

### 26 Unauthorised Overspend

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

### **27 Unexpected underspends**

Underspends are not to be used to conceal overspends elsewhere. Budget virements must follow the financial procedure rules. Unexpected underspends must be clearly identified and made available to be held centrally.

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### **2728 Monthly Forecasting**

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

### **2829 Cash Limited Budgets**

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

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

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

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

### **2930 Exceeding Cost Centre Estimate**

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

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

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

### **3031 Carry Forward of Under and Overspends**

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

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

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

### **3132 Coding of Expenditure and Income**

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

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

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

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

### **3233 Earmarked reserves**

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

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

A provision is recorded as a cost against a cost centre when the

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

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

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

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

The annual budget report to Council will include:

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

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

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

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

## Capital Expenditure - Control

### **3334** Council Approval of Capital Investment Budget

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

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
- Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the



#### Capital Strategy and Programme.

- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility works, new capital schemes and monitoring of those schemes.

### **3435 Variations to the Approved Capital Strategy and Programme**

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

### **3536 Other Additional Expenditure Requests**

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

### **3637 Official Orders**

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

### **3738 Raising a Purchase Requisition**

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

### **3839 Placing an Order**

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

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

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

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

### **3940 Regular Periodic Payments**

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

### **4041 Approval of Order**

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

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

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

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

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

### **4142 Goods Received Process**

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

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

## **Payment of Accounts**

### **4243 Payment of Invoices**

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

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

#### **4344 Other Payment Requests**

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

#### **4445 Destination of Invoices**

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

#### **4546 Amendments and Deletions**

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

#### **4647 Payment of Invoices**

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

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

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

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

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by

the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on line.

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

Authorisation limits are shown in the financial procedure rules.

#### **4748 Examination of Accounts**

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

### **Local Bank Accounts - Imprest / Petty Cash Accounts**

#### **4849 Imprest / Petty Cash Advances**

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

#### **4950 Changes to Officers**

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

#### **5051 Disbursements**

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

#### **5152 Security of Cash**

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

#### **5253 Use of Imprest Accounts**

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

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

#### **5354 Use of Imprest Funds**

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

#### **5455 Examination of Local Bank Accounts**

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

#### **5556 Partnership Arrangements**

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

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

## **Income**

#### **5657 Collection of Monies**

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

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

#### **5758 Invoicing for Sums Due**

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

establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

#### **5859 Payment of Amounts Due**

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

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

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

#### **5960 Introduction of New Electronic Payment Facility**

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

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

#### **6061 Payment into Council Account**

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

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

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

#### **6162 Issue of Receipts**

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

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

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

### **6263 Recording Receipt of Monies**

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

### **6364 Transfer of Monies**

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

### **6465 Grants and External Funding**

The acceptance and spend of grants may be recorded as record of officer decisions as long as they are part of an approved strategy of the council and there is a delegation in place in either a scheme of delegation or a bespoke delegation from Cabinet or Cabinet Member. The relevant strategy and delegation will need to be stated in the record of officer decision. If neither of these are in place, then an executive decision will need to be taken before the grant can be accepted. Any grants awarded above £500k are treated as key decisions

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

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

The Chief Finance Officer shall:

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

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

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

~~Director(s)~~Senior responsible officers shall ensure that records are

retained to enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

[For funding request over £10k the agreement to be sourced from Management Board in advance of submission of grant application using the set template "External Funding Proceed Agreement".](#)

[That Grants and Programmes team are given a copy of the "External Funding Proceed Agreement" along with Management Board to view potential across funding streams and to keeps a register of external funding received.](#)

[A record of officer decision published on acceptance of the external funding, making clear the amount awarded and its purpose.](#)

### **6566 Developer Contributions S106**

Developer contributions continue to support investment need associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risk to the Council that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

## **Write-Offs - Income**

### **6667 Discharge of Debts**

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

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

### **6768 Written-off Debts**

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

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

In exceptional circumstances Corporate Finance may recommend to the chief finance officer that a debt should not be written off to the service budget but will be written off corporately.



## Charging for Services

### **6869** Review of Service Charges

As per Fees and Charges Policy (<http://hc-modgov:9070/documents/s50005729/Cabinet.pdf>)

### **6970** Unmet Estimates

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

## Salaries and Wages

### **7071** Responsibility for Payments to Employees

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

## Travelling and Subsistence

### **7172** Claims for Payment

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

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

## Stocks / Stores

### **7273** Responsibility for Stocks

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

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the

number of slow moving items and disposing of obsolete stock items;

- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer ;
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

#### **7374 Surplus or Deficiency**

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

#### **7475 Checking of Stock**

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

### **Disposal of Surplus or Obsolete Goods, Plant and Stocks**

#### **7576 Authorisation for Disposal**

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

In relation to inventory items (e.g. desk and chairs) with a potential value but (e.g. IT equipment etc.) all items surplus to requirements be items with a likely internal value to requirements should, in the first instance, be offered to other Council departments, schools etc. considered for reuse within different part of the organisation prior to being disposed of for reuse or recycled. For sale bBest value or price should be consideration (balanced with cost of disposal). Options should also be considered for release to voluntary sector organisations and schools on a fair and equitable basis. A records of options retained and decision of disposal agreed at head of service level or above.

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

#### **7677 Sale of Stock**

Sale must be effected by public tender except when, in the opinion of the appropriate Head of Service / Assistant Director (or

equivalent) concerned and the Chief Finance Officer or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

### **7778 Recording Disposal**

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

### **7879 Income from Disposal**

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

### **7980 VAT**

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

### **8081 Voluntary funds**

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

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

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

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

### **82 Accountable body status**

Where it is intended that the Council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

The Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and Monitoring

Officer, will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the Council.

Unless there is explicit agreement to the contrary, which must be documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow both the Financial and Contract Procedure Rules agreed by the Council.

In all cases, where the partnership funding includes grants or other external funding, then the provisions contained in the Financial Procedure Rules will apply.

Approval must be obtained by the relevant Cabinet member and full Council.

## Insurance

### **8183 Responsibility for Insurance**

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

### **8284 Record of Insurances**

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

### **8385 Incident / Accident Reporting**

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

### **8486 Review of Risk Financing Arrangements**

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

### **8587 Consultation**

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

contract that would not otherwise be imposed by common law or statute.

## Security

### **8688** Responsibility for Security

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

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

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

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

### **8789** Data Protection Legislation

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

### **8890** Anti money laundering, bribery and corruption

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

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

## Estates

### **8991** Responsibility of Directors in Relation to Asset

## **Register**

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

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

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

### **9092 Valuation of Assets**

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

### **9193 Notification of Purchase or Disposal of land and / or buildings**

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

Acquisitions of land and / or properties must follow the completion of an independent Royal Institute of Chartered Surveyors (RICS) red book valuation.

### **94 Leases to external organisations (excluding non-maintained schools)**

All leases must be provided on commercial terms and not included in waived terms of contract award. To be agreed in consultation with the Head of Programme Management Officer.

# Financial Procedure Rules- Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at:  
<http://www.opsi.gov.uk/legislation/uk>

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## **1 Scope of Financial Procedure Rules**

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

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

## **2 Approval of Chief Finance Officer or Nominated Officer**

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

## **The Legal Framework**

### **3 Current Regulations**

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

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

### **4 Review of the Systems of Internal Control – Regulation 4**

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

## 5 Accounting Records - Regulation 5

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

In particular this means that accounting records must contain:

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

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

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

## 6 Internal Audit – Regulation 6

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

## 7 Local Government Finance Act 1988 – Section 114

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

- a. has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
- b. has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to

- cause loss or deficiency on the part of the Authority, or
- c. is about to enter an item of account the entry of which is unlawful.

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

## **Accounting and System Development**

### **8 Accounting Procedures**

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

### **9 Responsibility of Chief Finance Officer or Nominated Officer**

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

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

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

### **10 Allocation of Accounting Duties**

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

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

## **Internal Audit and Internal Control**

### **11 Role of Internal Audit**

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

## **12 Accounts and Audit Regulations required by the Secretary of State**

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

## **13 Powers of Internal Audit (SWAP)**

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

## **14 Financial Irregularities with Regard to Council Functions**

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

## **Treasury Management**

### **15 Chief Finance Officer Decisions Involving Finance**

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

## **Banking Arrangements**

### **16 Arrangements with Council's Bankers**

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

### **17 Funds Held on Behalf of Others**

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



## **18 Value Added Tax**

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

## **19 Investment**

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

## **Financial Planning ‘Accounting’ and the Budget Process**

### **20 Financial Strategy**

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

### **21 Capital and Revenue Budgets**

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

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

### **22 Capital Programme**

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

## 23 Approval of Estimates

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

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

## Revenue Expenditure - Control

### 24 Role of Directors

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

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

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

### 25 Moving Budgets between Cost Centres

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

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

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

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

### 26 Unauthorised Overspend

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

## **27 Unexpected underspends**

Underspends are not to be used to conceal overspends elsewhere. Budget virements must follow the financial procedure rules. Unexpected underspends must be clearly identified and made available to be held centrally.

## **28 Monthly Forecasting**

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

## **29 Cash Limited Budgets**

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

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

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

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

## **30 Exceeding Cost Centre Estimate**

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

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

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

### **31 Carry Forward of Under and Overspends**

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

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

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

### **32 Coding of Expenditure and Income**

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

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

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

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

### **33 Earmarked reserves**

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

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

A provision is recorded as a cost against a cost centre when the

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

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

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

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

The annual budget report to Council will include:

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

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

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

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

## **Capital Expenditure - Control**

### **34 Council Approval of Capital Investment Budget**

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

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
- Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the

### Capital Strategy and Programme.

- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility works, new capital schemes and monitoring of those schemes.

## **35 Variations to the Approved Capital Strategy and Programme**

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

## **36 Other Additional Expenditure Requests**

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

## **37 Official Orders**

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

## **38 Raising a Purchase Requisition**

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

## **39 Placing an Order**

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

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

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

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

#### **40 Regular Periodic Payments**

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

#### **41 Approval of Order**

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

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

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

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

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

#### **42 Goods Received Process**

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

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

### **Payment of Accounts**

#### **43 Payment of Invoices**

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

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

#### **44 Other Payment Requests**

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

#### **45 Destination of Invoices**

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

#### **46 Amendments and Deletions**

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

#### **47 Payment of Invoices**

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

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

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

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

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by



the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on line.

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

Authorisation limits are shown in the financial procedure rules.

## **48 Examination of Accounts**

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

## **Local Bank Accounts - Imprest / Petty Cash Accounts**

### **49 Imprest / Petty Cash Advances**

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

### **50 Changes to Officers**

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

### **51 Disbursements**

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

### **52 Security of Cash**

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

### **53 Use of Imprest Accounts**

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

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

#### **54 Use of Imprest Funds**

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

#### **55 Examination of Local Bank Accounts**

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

#### **56 Partnership Arrangements**

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

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

### **Income**

#### **57 Collection of Monies**

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

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

#### **58 Invoicing for Sums Due**

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

establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

## **59 Payment of Amounts Due**

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

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

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

## **60 Introduction of New Electronic Payment Facility**

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

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

## **61 Payment into Council Account**

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

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

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

## **62 Issue of Receipts**

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

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

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

### **63 Recording Receipt of Monies**

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

### **64 Transfer of Monies**

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

### **65 Grants and External Funding**

The acceptance and spend of grants may be recorded as record of officer decisions as long as they are part of an approved strategy of the council and there is a delegation in place in either a scheme of delegation or a bespoke delegation from Cabinet or Cabinet Member. The relevant strategy and delegation will need to be stated in the record of officer decision. If neither of these are in place, then an executive decision will need to be taken before the grant can be accepted. Any grants awarded above £500k are treated as key decisions

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

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

The Chief Finance Officer shall:

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

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

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

Senior responsible officers shall ensure that records are retained to

enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

For funding request over £10k the agreement to be sourced from Management Board in advance of submission of grant application using the set template “External Funding Proceed Agreement”.

That Grants and Programmes team are given a copy of the “External Funding Proceed Agreement” along with Management Board to view potential cross funding streams and to keep a register of external funding received.

A record of officer decision published on acceptance of the external funding, making clear the amount awarded and its purpose.

## **66 Developer Contributions S106**

Developer contributions continue to support investment need associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risk to the Council that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

## **Write-Offs - Income**

### **67 Discharge of Debts**

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

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

### **68 Written-off Debts**

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

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

In exceptional circumstances Corporate Finance may recommend to the chief finance officer that a debt should not be written off to the service budget but will be written off corporately.

## **Charging for Services**

### **69 Review of Service Charges**

As per Fees and Charges Policy (<http://hc-modgov:9070/documents/s50005729/Cabinet.pdf>)

### **70 Unmet Estimates**

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

## **Salaries and Wages**

### **71 Responsibility for Payments to Employees**

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

## **Travelling and Subsistence**

### **72 Claims for Payment**

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

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

## **Stocks / Stores**

### **73 Responsibility for Stocks**

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

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the

number of slow moving items and disposing of obsolete stock items;

- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer ;
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

#### **74 Surplus or Deficiency**

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

#### **75 Checking of Stock**

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

### **Disposal of Surplus or Obsolete Goods, Plant and Stocks**

#### **76 Authorisation for Disposal**

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

In relation to inventory items (e.g. desk and chairs) with a potential value but surplus to requirements be considered for reuse within different part of the organisation For sale best value or price should be consideration (balanced with cost of disposal). Options should also be considered for release to voluntary sector organisations and schools on a fair and equitable basis. A records of options retained and decision of disposal agreed at head of service level or above.

IT equipment through a disposal provider with all information wiped.

#### **77 Sale of Stock**

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

#### **78 Recording Disposal**

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of

disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

## **79 Income from Disposal**

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

## **80 VAT**

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

## **81 Voluntary funds**

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

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

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

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

## **82 Accountable body status**

Where it is intended that the council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

The Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and Monitoring Officer, will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the council.

Unless there is explicit agreement to the contrary, which must be documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow both the Financial and Contract Procedure Rules agreed by the council.



In all cases, where the partnership funding includes grants or other external funding, then the provisions contained in the Financial Procedure Rules will apply. Approval must be obtained by the relevant Cabinet member and full Council.

## **Insurance**

### **83 Responsibility for Insurance**

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

### **84 Record of Insurances**

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

### **85 Incident / Accident Reporting**

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

### **86 Review of Risk Financing Arrangements**

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

### **87 Consultation**

Before any indemnity requested from the Council is provided, the Head of Service / Assistant Director (or equivalent) responsible shall obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

## **Security**

### **88 Responsibility for Security**

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

arrangements are needed.

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

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

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

## **89 Data Protection Legislation**

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

## **90 Anti money laundering, bribery and corruption**

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

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

## **Estates**

### **91 Responsibility of Directors in Relation to Asset Register**

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

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

### **92 Valuation of Assets**

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

### **93 Notification of Purchase or Disposal of land and / or buildings**

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

Acquisitions of land and / or properties must follow the completion of an independent Royal Institute of Chartered Surveyors (RICS) red book valuation.

### **94 Leases to external organisations (excluding non-maintained schools)**

All leases must be provided on commercial terms and not included in waived terms of contract award. To be agreed in consultation with the Head of Programme Management Officer.



**External Funding Proceed Agreement**  
**Funding Application agreed by Management Board**

<b>Date of management board</b>	Click or tap to enter a date.
<b>Title of the scheme</b>	
<b>Bid to which organistaion (s)</b>	
<b>Purpose of the funding</b>	
<b>Amount</b>	
<b>Details of match funding requirement</b>	<input type="checkbox"/> I confirm match funding is in place, details:
<b>Impact on revenue budget</b>	<input type="checkbox"/> I confirm no financial commitment beyond existing revenue budget now or in the future
<b>Cc'd grants and programme</b>	<input type="checkbox"/> Yes
<b>Allowance has been made for project management and grant monitoring</b>	<input type="checkbox"/> Yes, detail:
<b>Service and Directorate</b>	
<b>Lead Officer (completing this form)</b>	
<b>Lead Assistant Director</b>	





<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 26 January 2021</b>
<b>Title of report:</b>	<b>Work programme update</b>
<b>Report by:</b>	<b>Democratic services officer</b>

## Classification

Open

## Key decision

This is not an executive decision.

## Wards affected

Countywide

## Purpose

To provide an update on the Committee's work programme.

## Recommendation(s)

**THAT:**

**Subject to any updates made by the committee, the work programme 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.

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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.

## **Environmental impact**

- 6 Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

## **Equality duty**

- 7 This report does not impact on this area.

## **Financial implications**

- 8 There are no financial implications.

## **Legal implications**

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

## **Risk management**

- 10 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**

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

## **Appendices**

Appendix 1 – work programme for audit and governance committee

## **Background papers**

- None identified.



Audit & Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit 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									
3.5.10	<b>Internal Audit</b>	<b>Internal Audit</b>								
a	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements	Internal Audit Plan & Internal Audit Charter Progress Report on Internal Audit plan (see part b for timing)	2020/21 Plan & Charter				Opinion			2021/22 Plan & Charter
b	To consider summaries of specific internal audit reports and the main issues arising and seek assurance that action has been taken where necessary	Progress Report on internal audit plan		Progress Report	Progress Report	Progress Report	Progress Report	Progress Report	Progress Report	Progress Report
c	To consider reports dealing with the management and performance of the providers of internal audit services									
d	To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale	Tracking of internal and external audit recommendations/Progress Report on internal audit plan (see part b for timing)		Tracking Report				Tracking Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council	Progress Report on internal audit plan (see part b for timing)								
3.5.11	<b>External Audit</b>	<b>External Audit</b>								
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress	Annual Audit Fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Annual Audit Letter External Audit Annual Plan	Audit Fee							Annual Letter Annual Plan
b	To consider specific reports from the External Auditor	External Audit progress update		Progress Report	Progress Report	Progress Report	Progress Report			Progress Report
c	To meet privately with the External Auditor once a year if required	Not required to be scheduled on Work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council's local (external) auditor	Not required to be scheduled on 20/21 Work programme								
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	<b>Governance</b>									
a	To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption	Re-thinking Governance Update Accounting Policy Update Contract & Finance Procedure Rules		Re-thinking Governance		Re-thinking Governance		Policy Update		Procedure Rules
b	To monitor the effective development and operation of risk management and corporate governance in the council	Work programme Corporate Risk Register	Risk Register Work programme	Work programme	Work programme Risk register	Work programme	Work programme	Work programme Risk Register	Work programme	Risk register Work programme
c	To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'	Whistleblowing policy Anti-fraud & corruption strategy		Whistleblowing				Whistleblowing		Anti-Fraud & Corruption
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption	Statement of Accounts								
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement	Annual Governance Statement Annual Governance Statement Progress Report				Draft		Final		Progress Report
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance	Annual Governance Statement Progress Report								Progress Report
g	To annually review the council's information governance requirements	Information Governance Review								
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, cabcott guardian and equality and compliance manager reviews)	Annual Governance Statement Progress Report				Draft		Final		Progress Report
i	To adopt an audit and governance code									
j	To undertake community governance reviews and to make recommendations to Council.	Last completed 2018. This is on an as required basis and therefore not scheduled.								
3.5.13	<b>Waste Contract</b>									
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice	Energy from Waste Loan Update								
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable	Energy from Waste Loan Update								
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update								
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update								
3.5.14	<b>Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council</b>									
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council	Annual Code of Conduct Report								
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								Arrangements for dealing with code of conduct complaints
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment	Remuneration of independent persons Recruitment done on an ad hoc basis and not scheduled for 2020/21	Remuneration							
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report								
g	To grant dispensations under Section 33 (2)(b)(i) and (c) Localism Act 2011 or any subsequent amendment	On an ad hoc basis only and not scheduled for 2020/21								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer	On an ad hoc basis only and not scheduled for 2020/21								
3.5.15	<b>Accounts</b>									
a	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report						Statement & Report		

