

Agenda

Audit and governance committee

Date: **Wednesday 27 October 2021**

Time: **10.15 am**

Place: **Herefordshire Council Offices, Plough Lane, Hereford,
HR4 0LE**

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 John Coleman, Democratic Services Manager on 01432 260382 or e-mail John.Coleman@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 Yolande Watson
	Councillor Jenny Bartlett

Agenda

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THE NOLAN PRINCIPLES	
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To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY)	
To receive details any details of members nominated to attend the meeting in place of a member of the committee.	
3. DECLARATIONS OF INTEREST	
To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.	
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To approve and sign the minutes of the meeting held on 27 September 2021.	
5. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY	19 - 46
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6. AUDIT AND GOVERNANCE - COMMITTEE EFFECTIVENESS AND PERFORMANCE, SKILLS MATRIX	47 - 60
To consider and agree the audit and governance skills matrix and to seek the agreement of all A+G committee members to participate in the skills matrix audit.	
HOW TO SUBMIT QUESTIONS	
<i>Deadline for receipt of questions is 5.00 pm on 21 October 2021 (3 clear working days from date of meeting).</i>	
<i>Questions must be submitted to councillorservices@herefordshire.gov.uk. 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 https://www.herefordshire.gov.uk/getinvolved</i>	
7. QUESTIONS FROM MEMBERS OF THE PUBLIC	
To receive questions from members of the public.	
8. QUESTIONS FROM COUNCILLORS	
To receive any questions from councillors.	

9. WORK PROGRAMME UPDATE

To provide an update on the work programme for the committee.

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10. DATE OF NEXT MEETING

The next scheduled meeting is Wednesday 24 November 2021, 10.15 am.

The Public's Rights to Information and Attendance at Meetings

In view of the continued prevalence of covid-19, we have introduced changes to our usual procedures for accessing public meetings. These will help to keep our councillors, staff and members of the public safe.

Please take time to read the latest guidance on the council website by following the link at www.herefordshire.gov.uk/meetings and support us in promoting a safe environment for everyone. If you have any queries please contact the Governance Support Team on 01432 261699 or at governancesupportteam@herefordshire.gov.uk

We will review and update this guidance in line with Government advice and restrictions. Thank you for your help in keeping Herefordshire Council meetings safe.

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. Agenda and reports (relating to items to be considered in public) are available at www.herefordshire.gov.uk/meetings
- 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. Information about councillors is available at www.herefordshire.gov.uk/councillors
- 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. Information about councillors is available at www.herefordshire.gov.uk/councillors
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

Recording of meetings

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

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Public transport links

The Herefordshire Council office at Plough Lane is located off Whitecross Road in Hereford, approximately 1 kilometre from the City Bus Station.

The location of the office and details of city bus services can be viewed at:

<http://www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services->

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	Independents for Herefordshire
Councillor Jenny Bartlett	Green
Councillor Peter Jinman	Independents for Herefordshire
Councillor Bob Matthews	True Independents
Councillor Yolande Watson	Independents for Herefordshire

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 Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Wednesday 27 September 2021 at 10.15 am.

Present: Committee Members:

Councillors Nigel Shaw (Chairperson), Christy Bolderson (Vice-chairperson), Sebastian Bowen, Peter Jinman, and Yolande Watson.

Officers:

Andrew Lovegrove (Chief Finance Officer and s151 Officer), Paul Harris (Head of Corporate Performance), Claire Ward (Solicitor to the Council and Monitoring Officer), John Coleman (Democratic Services Manager)

25 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Jennifer Bartlett, Bob Matthews and Dave Boulter.

26 NAMED SUBSTITUTES

Councillor Sebastian Bowen attended the meeting as a substitute member for Councillor Bob Matthews.

27 DECLARATIONS OF INTEREST

No declarations of interest were made.

28 MINUTES

The minutes of the meeting held on 30 July 2021 were received.

The action log normally attached with the minutes was missing but would be included with the next set of minutes.

RESOLVED:

That the minutes of the meeting held on 30 July 2021 be approved as a correct record and be signed by the chairperson.

29 QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

30 QUESTIONS FROM COUNCILLORS

No questions had been received from Councillors.

31 ENERGY FROM WASTE LOAN UPDATE

Andrew Lovegrove, Chief Finance Officer, introduced the report the purpose of which was to update the Audit and Governance Committee on the current status of the energy from waste loan arrangement and to enable the Committee to fulfil its delegated functions.

During discussion the following principal points were made:

- The loan arrangement was being repaid as expected and the Section 151 Officer had no concerns about the financial viability of the project.
- There were concerns however about what would happen when the current contract arrangements came to an end and how new terms would be renegotiated.
- At the end of the current contract there would be a balance outstanding on the loan but the value of the Plant was far in excess of this amount.
- There were a number of options being considered for when the contract came to an end including agreeing an extension to the contract and refinancing, selling the Plant or the Council taking over the arrangements.
- The role of the Audit and Governance Committee was to oversee the role of the Council acting as a bank.
- It was never envisaged that the £40m would be repaid over the current contract as the value of the Plant greatly exceeded the cost of the loan.

The Committee **RESOLVED** that:

1. The risks to the Council, as lender, were confirmed as being 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; and
2. Arrangements for the administration of the loan were reviewed and confirmed as satisfactory.
3. The Section 151 officer writes to the Worcestershire Committee, referring to the dynamic nature of the ownership change, and requests that the Audit and Governance Committee is kept up to date with any changes to the risk register kept by Worcestershire in relation to this matter.

32 CORPORATE RISK REGISTER

Paul Harris, Head of Corporate Performance, introduced the report the purpose of which was to consider the status of the Council's corporate risk register in order to monitor the effectiveness of risk management within the Performance Management Framework.

During discussion the following principal points were made:

- The report provided an update of the Council's risk register as at the end of July 2021. There had been some movement since the last report to the Committee including the following 3 escalated risks;
 1. The development of a Sufficiency Strategy which supports best value.
 2. High risk notable cases within the Courts.
 3. The sustainability and closure of a care-home which has been reintroduced as a risk in Adults and Communities.

- It had been a year since the new risk framework had been implemented. The new changes had been embedded by external risk training which had reinforced the benefits of managing risk effectively. In addition risk leads had been identified in each directorate which brought about an inter-directorship risk leadership team which meant that Management Board looked at risk much more readily.
- The approach to risk was similar to that taken by other Local Authorities.
- Members voiced concern that there was an overarching risk for the Council, as the place of last resort, to bail out partner organisations.
- The Council did not have an automatic right to access partners' risk registers but it could do so if there was a provision of information clause in the contractual arrangements with them and if it was appropriate to do so for audit purposes.
- Emergency planning for Covid was still in place so the Covid Risk Register remained as a separate operational risk register. However it was likely that some aspects, for example, the impact of Covid on learners, would push out and more fittingly reside in a strategy risk setting.
- Officers would explore whether service areas' sensitivity to risk from external factors such as interest rate rises or the availability of fuel, could be captured in any new risk systems. The Strategic Risk Management Board however had a responsibility to horizon scan for any potential risk.
- The Treasury Management Strategy which was reviewed every year by Council addressed issues such as interest rate rises. The majority of the Council's current borrowing was fixed term so any changes in interest rates did not affect it and any spare cash was invested so a rise in interest rates would be positive.

The Committee **RESOLVED** that:

1. The significant Partnership Framework should consider how risks held by partners are assessed and how they affect the Council.
2. Third party risks will be considered as part of the refresh of the Annual Management Plan.
3. 'Global' factor risks such as interest rate fluctuations and workforce shortages are reviewed in relation to their sensitivity to sudden change.

ACTIONS:

- a) The Head of Corporate Performance to provide the Committee with a briefing paper on how risks such as EP-24 flood risk and EP-27 fuel poverty are being managed in rural areas.
- b) The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register.

33 ANNUAL GOVERNANCE STATEMENT – DRAFT FOR 2020/21

The Committee received the Annual Governance Statement report the purpose of which was to seek the views of the Committee as to whether the draft Annual Governance Statement for 2020/21 properly reflected the risk environment the Council was operating in and the appropriateness of any actions required to improve it.

During discussion the following principal points were made:

- Members sought assurances that where there was missing information on significant partnerships that these gaps would be investigated and completed.
- The high level overview format used to show information about Strategic Partnerships and shown at Appendix 3 was welcomed by Councillors.

- The old performance challenge sessions were now called oversight and improvement sessions.
- The Monitoring Officer confirmed that going forward the number of meetings where the public were excluded would be recorded and reported to full Council in the Leader's report.
- Although some sections had been signed off by officers who no longer worked for the Council this reflected a point in time and there would be a final overall sign off by the Solicitor to the Council and the Chief Finance Officer.

The Committee **RESOLVED** that:

1. The draft annual governance statement in appendix 1 properly reflected the risk environment the Council was operating in and that actions identified were an appropriate response.
2. Having considered the register of significant partnerships, they would request that the s151 Officer commission a SWAP audit on the outstanding self-assessment.
3. Where there were incomplete partnership statements that these be completed, and that the format being used for the statements' current presentation should continue, and be applied to all new significant partnerships and completed within a six month timeframe.

ACTIONS:

- a) The Solicitor to the Council to produce a briefing note on the approach, process and timing of the refresh of the Strategic Partnerships.
- b) The Solicitor to the Council to recirculate the SWAP audit on the transparency and governance of strategic partnerships.
- c) The Section 151 officer to inform the Committee of the percentage figure of employees with budget responsibilities who had completed the on-line awareness module regarding finance.

34 WORK PROGRAMME UPDATE

During discussion of the work programme the following points were noted:

- The report on the review of Governance arrangements and changes to the Constitution would most likely come before the Committee at a special meeting in November, prior to presentation to full Council in December.
- Councillors expressed an interest in receiving an overview on the sources and scale of funding for the authority.
- Councillor Bolderson had been working on a skills matrix for the Committee which would involve elements of self-assessment.

The Committee **RESOLVED** that the work programme be agreed.

ACTIONS:

1. The s151 to write a briefing note for the Committee on sources of funding for the Council over the preceding few years.
2. The Chief Executive be invited to the next meeting of the Committee to discuss the risks that the Council is carrying.

3. Councillor Watson to circulate to the Committee the Rural Services Network paper on sources of funding for rural authorities.

35 DATE OF NEXT MEETING

27 October 2021

The meeting ended at 12.30 pm

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO THE 'REPORTED COMPLETE' TAB ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE MEETING				RED TEXT INDICATES UPDATES MADE SINCE THE LAST MEETING BLUE TEXT INDICATES NEW ACTIONS ADDED FOLLOWING THE LAST MEETING			
Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
101	28 June 2021	That training be arranged for councillors in relation to Section 106, including the facility to access publicly available information and the processes involved.	Assistant director for regulatory environment and waste	Economy and place	Training on s.106 will be provided to members in accordance with the dates reserved for member training. This will include training on how to access the information held by the council.	31 December 2021	
102	28 June 2021	Information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members.	Assistant director for regulatory environment and waste	Economy and place	A report will be circulated to members detailing this.	30 September 2021	
103	28 June 2021	Information on the treatment of Section 106 monies for transport / highways be circulated to committee members.	Assistant director for regulatory environment and waste	Economy and place	Work is ongoing with the Programme Management Office to provide resource for the transport/highways service so that s.106 monies for the public realm can be more effectively processed.	31 December 2021	
104	30 July 2021	the external auditor be asked to include appropriate glossaries in future reports for ease of understanding and to identify dates of publication clearly;	External Auditors		Update required	24, November 2021	
105	30 July 2021	training be arranged for committee members on the changes to regulations, particularly in relation to the value for money audit;	Committee Clerk	Corporate support centre	Update required	24, November 2021	
106	30 July 2021	a briefing note on the management of council estate be provided to committee members	Committee Clerk	Corporate support centre	Update required	24, November 2021	
107	30 July 2021	Confirmation be provided about whether the council's counter fraud specialist had been involved in the fraud risk assessment;	External Auditors		Update to be provided	24, November 2021	
108	30 July 2021	Further clarification be provided on the 'local risk factors' identified in the 'Audit fees – detailed analysis' section;	External Auditors		Update required	24, November 2021	
109	30 July 2021	References to the 'audit and procurement committee' be amended.	External Auditors		Update required	24, November 2021	
110	27 September 2021	The Head of Corporate Performance to provide the Committee with a briefing paper on how risks such as EP-24 flood risk and EP-27 fuel poverty are being managed in rural areas.	Head of Corporate Performance	Corporate support centre	A briefing is being prepared	24 November, 2021	
111	27, September 2021	The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register	Head of Corporate Performance	Corporate support centre	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions for MB	24 November 2021	
112	27, September 2021	The Solicitor to the Council to produce a briefing note on the approach, process and timing of the refresh of the Strategic Partnerships.	Solicitor to the Council	Corporate support centre	Completed, 27 September		
113	27, September 2021	The Solicitor to the Council to recirculate the SWAP audit on the transparency and governance of strategic partnerships.	Solicitor to the Council	Corporate support centre	Currently in progress.	December, 2021	
114	27, September 2021	The Section 151 officer to inform the Committee of the percentage figure of employees with budget responsibilities who had completed the on-line awareness module regarding finance.	Section 151 Officer	Corporate support centre			
115	27, September 2021	The s151 to write a briefing note for the Committee on sources of funding for the Council over the preceding few years.	Section 151 Officer	Corporate support centre			
116	27, September 2021	The Chief Executive be invited to the next meeting of the Committee to discuss the risks that the Council is carrying	Committee Clerk	Corporate support centre	Invitation issued. Awaiting response.		
117	27, September 2021	Councillor Watson to circulate to the Committee the Rural Services Network paper on sources of funding for rural authorities.	Cllr Watson	Committee member	Awaiting - from Rural Services network - their slide deck and report in relation to this matter. Once received this will be forward on to the committee	24 November	



Title of report: Progress report on internal audit activity

Meeting: Audit and governance committee

Meeting date: Wednesday 27 October 2021

Report by: Chief finance officer / head of internal audit

Classification

Open

Decision type

Non-key

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;**
- (b) consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary;**
- (c) the proposed 3rd quarter internal audit plan 2021-22 on page 19 of appendix A be reviewed and the committee determine any recommendations it wishes to**

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

make regarding the level and range of activity proposed in order that the work carried out may give a satisfactory level of assurance over the council's corporate governance arrangements; and

(d) To note the Corporate Fraud Update

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, four priority 2 recommendations have been made for audits completed in 2021-22.
3. The internal audit progress report provides an update to members on the impact to the plan of additional audits. Since the report to the Committee in June 2021 seven additional audits have been added to the 2021-22 quarter 2 plan.
4. A glossary of terms is also provided in the report.

Community impact

5. 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.

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 a decision 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

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 progress report, we do not believe that it will have an impact on our equality duty.

Resource implications

10. 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

11. None.

Risk management

12. 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.

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

Consultees

None.

Appendices

Appendix A – SWAP Report of Internal Audit Activity

Background papers

None identified.

Appendix A

Herefordshire Council

Report of Internal Audit Activity

- 2021/22 Plan Progress - as of 5th October 2021
- 2020/21 Update on remaining audits
- Quarter 3 Plan
- Counter Fraud Update

Contents

The contacts at SWAP in connection with this report are:

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Internal Audit Plan Progress 2020/21 and 2021/22

The Headlines for audits completed to date for 2021/22 audit plan and 2020/21 audits finalised in 2021/22

	No High Corporate Risks identified to date.
	No Priority 1 Recommendations made to date.
	4 reviews finalised from the 2020/21 Internal Audit Plan, 9 reviews delivered as part of the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews.
	Thematic Findings A number of priority three findings to date made across the organisation relating to procedure documents, including ensuring they are up to date, reviewed regularly and include version control, author details.
	Continued sign off, of grant certifications as a result of additional COVID related grant funding.
	Commenced Fraud Risk Assessment in liaison with the Counter Fraud Specialist.
	Continued innovations and enhancements made to our internal audit process. One-page audit brief.

Internal Audit Assurance Opinions

Substantial	1
Reasonable (inc. Grant Certifications)	10
Limited	1
No Assurance	0
Other	1
Total	13

Internal Audit Agreed Actions

Priority 1	0
Priority 2	3
Priority 3	8
Total	11

Internal Audit Plan Progress 2020/21 and 2021/22

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 16 March 2021.

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

Update on 2020/21 audits not finalised at the time of the annual opinion report.



Internal Audit Work Programme 2020/21

At the time the annual opinion for 2020/21 was presented in July 2021 there were two audits at draft report stage and five audits still in progress. Since then, four audits have been finalised:

- Capital Programme,
- Quality Development Framework,
- Building Maintenance and Cleaning Contract,
- Revenue Grant Determination Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant For Lower Tier And Unitary Authorities Determination 2020: No 31/5216.

Internal Audit Plan Progress 2020/21 and 2021/22

Update on 2020/21 audits not finalised at the time of the annual opinion report.



Internal Audit Work Programme 2020/21

Two audits are at report stage waiting client agreement of actions (Education Health Care Plans – Preparation for Adulthood and Payroll) and one audit is in progress (Contract Management – BBLP).

A summary of these audits and any findings are outlined below.

Revenue Grant Determination Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier And Unitary Authorities Determination 2020: No 31/5216 - Reasonable – grant certification

No actions were agreed as part of the review.

The Quality Development Framework - Substantial assurance

There was one priority three agreed action. This action related to the need for consistent use of version control across procedure documentation.

Capital Programme – Reasonable Assurance

There were two priority three agreed actions. These actions were agreed to ensure sufficient time is allowed before measuring the effectiveness of the new Project Management Process and to improve the controls in relation to the documentation in place to support the Project Management Process.

Internal Audit Plan Progress 2020/21 and 2021/22

Update on 2020/21 audits not finalised at the time of the annual opinion report.



Internal Audit Work Programme 2020/21

Building Maintenance and Cleaning Agreement – Limited Assurance

There were three priority two agreed actions and one priority three action. The agreed actions included:

- The need for the Service Level Agreement with Hoople Ltd to be updated to include the building maintenance and cleaning arrangements (priority 2).
- Specifications for the new contracts to replace arrangements extended under waivers require finalising promptly to reduce the risk of the Council incurring additional charges (priority 2).
- Improvements to budget monitoring processes (priority 2).
- Improvements to governance required with a strategic board being set up for the operations board to report to.

Payroll

Currently at draft report stage pending agreed actions from the Assistant Director for People.

Education Health Care (EHC) Plans – Preparation for Adulthood.

Currently at draft report stage pending agreed actions from the Head of Additional Needs.

Outturn to Date – 2021/22



Internal Audit Work Programme 2021/22

The schedule provided at Appendix C contains a list of all audits agreed:

- for the quarter 1 2021/22 plan presented to this committee at its meeting on 16th March 2021.
- for the quarter 2 2021/22 plan presented to this committee at its meeting on 28th June 2021.

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.

2021/22 Progress

This is the progress report as of 4th October 2021. This is the second update for the 2021/22 audit plan. Seven audits have been completed and there are fourteen audits in progress. The audits completed since my last update have the following assurance:

Audit	Assurance
Car Park Signage Procurement	Briefing Paper
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 2 (Yearly Report)	Reasonable – Grant Certification
Climate Change	Reasonable

Internal Audit Plan Progress 2020/21 and 2021/22

Outturn to Date – 2021/22



Internal Audit Work Programme 2021/22

Audit	Assurance
Local Transport Capital Block Funding Grant Determination 2020/21: No.31/5036 and No.31/5072	Reasonable – Grant Certification
Local Authority Bus Subsidy (Revenue) Grant: Determination 2020/21 (31/5013)	Reasonable – Grant Certification
Supporting Families Qrt 1 – Quarterly review of claims	Reasonable – Grant Certification
Supporting Families Qrt 2 - Quarterly review of claims	Reasonable – Grant Certification

Summary of significant High corporate risks



Significant Corporate Risks 2021/22

We provide a definition of the three 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) 2021/22

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 seven audits completed this quarter, one was reasonable assurance (Climate Change), five were reasonable grant certification (Property Flood Resilience Support Scheme, Local Transport Capital Block Funding, Local Authority Bus Subsidy Grant and Supporting Families Q1 and Supporting Families Q2). The other audit was an additional piece of work (Car Park Signage Procurement) at the request of the Chief Finance Officer, the findings of this were summarised in a briefing paper. No priority 1 or 2 actions were agreed as part of these audits.

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 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. Evidence is obtained to demonstrate implementation and progress made in relation to all 2020/21 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 or Substantial 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.

No follow up audits have been completed this quarter.

**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:

- Point of Practice – Paypal
- Point of Practice – Direct Payments
- Approved Mental Health Professionals – Terms and Conditions
- Points of Practice - Declaration of Interests
- Schools Forum Governance

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 2021/22 including 2020/21 audits finalised in 2021/22

A total of eleven audits have been finalised since our previous update (June 2021). The opinions offered are summarised below in Chart 1.

Chart 2 shows a summary of the opinions offered for 2021/22 to date (including those audits from 2020/21 that have been finalised in 2021/22).

CHART 1: AUDITS COMPLETED BY ASSURANCE CATEGORY (FOR THE OCTOBER 2021 UPDATE)

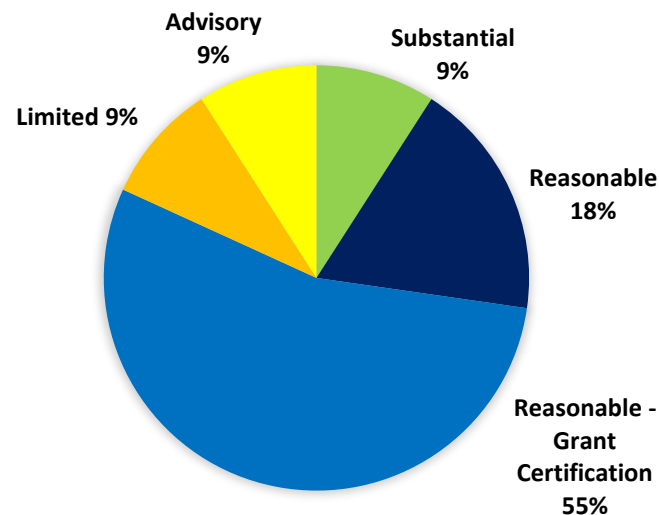
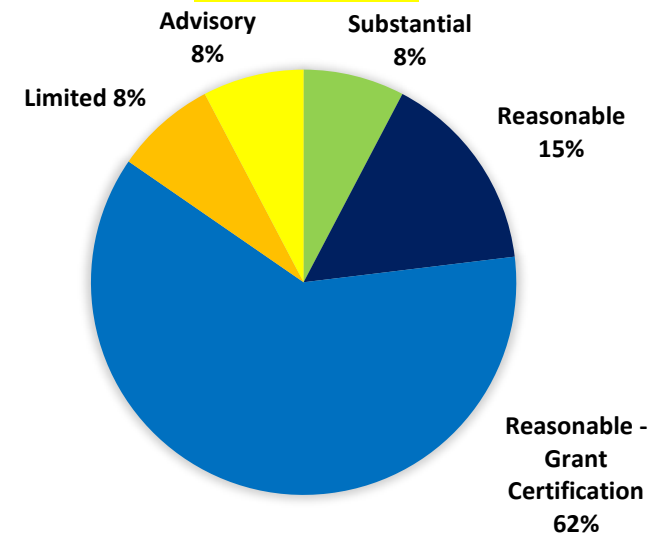


CHART 2: AUDITS COMPLETED BY ASSURANCE CATEGORY 2021/22



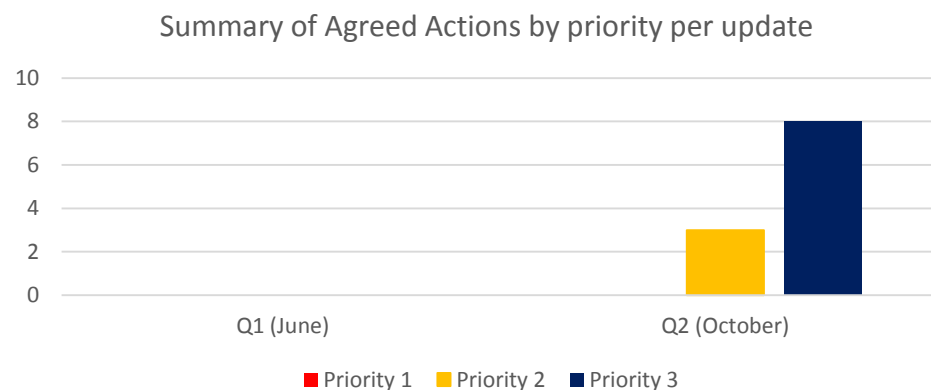
Internal Audit Plan Progress 2020/21 and 2021/22

Summary of Agreed Audit Actions by Priority

We rank the agreed actions 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 Agreed Actions by priority per update for 2021/22 including 2020/21 audits finalised in 2020/21



Internal Audit Plan Progress 2020/21 and 2021/22

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 Q2 Audit plan was presented and approved to the Committee on 28th June 2021 there have been requests for the following audits or Grant Determinations:

- Additional Home to School Transport – Summer Term (2nd half until 25 June 2021) 31/5568,
- Additional Home to School Transport – Summer Term (28th June till end of Summer Term) 31/5678,
- Green Homes Grant: Local Authority Delivery Grant Determination 31/5187
- Hereford City Centre Transport Package – Special Investigation
- Pool Cars
- Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5435 – Q1 (March and April)
- Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5668 – Q1 (May, June)

To accommodate the additional audits, we have deferred a number of audits to Q3 and Q4, these audits are as follows:

- Oral Health Needs Assessment Plan
- Schools Thematic Review
- Councillors Allowance Overspend
- Significant Partnerships
- Employee Expenses
- Infection Control Testing

One audit has been requested to be deferred to Q4 of 2021/22 possibly quarter 1 of 2022/23 to fit in with other work within the directorate:

- Quality Assurance including Supervision Practices – Childrens Service

Internal Audit Plan Progress 2020/21 and 2021/22

Conclusion



Conclusion

Since my last update seven audits have been completed for the 2021/22 audit plan bringing the total audits completed to nine. There are fourteen audits in progress for 2021/22.

There are noted delays on the four Additional Dedicated Home to School and College Transport Grant reviews due to a query with the client on the first grant, which currently prevents completion of the first grant and subsequent grants.

The sampling for the Local Authority Test and Trace Service Support Grant Determinations has been completed (months January to July) however we need to complete the HMRC element of testing to be able to report as complete.

For the seven audits completed in 2021/22 one audit returned a reasonable assurance, five were reasonable – grant certification and one was an advisory piece of work for the Chief Finance Officer. There were no significant findings identified.

Work to the 2021/22 plan has been impacted by the completion of the outstanding work from 2020/21. At the time the annual opinion for 2020/21 was presented in July 2021 there were seven audits to complete. Since then, four audits have been finalised, (Capital Programme, Quality Development Framework, Building Maintenance and Cleaning Contract and Revenue Grant Determination Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant For Lower Tier And Unitary Authorities Determination 2020: No 31/5216, two audits are at report stage with actions waiting to be agreed by the client (Education Health Care Plans – Preparation for Adulthood and Payroll) and one audit is in progress (Contract Management – BBLP). Significant findings were identified in the Building Maintenance and Cleaning Arrangements Audit and actions with target dates have been agreed as outlined in the report above.

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%.

Internal Audit Framework Definitions

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

Substantial	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.
Reasonable	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.
Limited	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.
No	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.

Internal Audit Framework Definitions

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



Audit Framework Definitions

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

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

Definitions of Risk

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

Audit Area	Corporate Risk	Planned Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
2020-21 Audits completed in 2021-22								
Revenue Grant Determination Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020: No 31/5216	-	2020-21	Complete	Reasonable – Grant Certification	0	0	0	0
The Quality Development Framework	-	2020-21	Complete	Substantial	1	0	0	1
Capital Programme	-	2020-21	Complete	Reasonable	2	0	0	2
Building Maintenance and Cleaning Agreement	-	2020-21	Complete	Limited	4	0	3	1
Payroll		2020-21	Draft Report					
Education Health Care Plans – Preparation for Adulthood		2020-21	Draft Report					
Corporate Centre (including ICT)								
Voting Restrictions for Members	CS.09 (July 2020)	1	Removed	-	-	-	-	-
Risk Maturity (was Risk Management)	Linked to all risks	1	In Progress					
Economy and Place								
Development Regeneration Programme	EP.12 (July 2020)	1	In Progress					
Climate Change	EP.15 (July 2020)	1	Complete	Reasonable	3	0	0	3
Bus Service Support Grant Restart Scheme Tranches 6 and 7 (funding to May 2021) 31/5621	Grant Certification	1	In Progress					
Additional Dedicated Home to School and College Transport Grant – Spring Term 31/5268	Grant Certification	1	In Progress					
Adults and Communities								
Oral Health Needs Assessment Plan	Request from Cllr Gandy & Director for	3	Defer to Q3 to accommodate					

Internal Audit Work Plan Qrt 2 2021-22 (approved ???)

	Adults & Communities		additional audits					
Children's and Families								
Supporting Families – Monthly Review – Quarterly Report - Quarter 1 (<i>previously referred to as Troubled Families</i>)	Grant Certification	1	Complete	Reasonable – Grant Certification	1	0	0	1
Schools Thematic Audit	To provide assurance of basic standards for good financial health	4	Defer to Q4 to accommodate additional audits.					

Additional Audits for Quarter 1								
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.	Grant Certification	1	Not started					
Local Authority Test And Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5385 (February).	Grant Certification	1	In Progress					
Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5309 (January)	Grant Certification	1	In Progress					
Funding for Travel Demand Management 2020/21 – No 31/5127	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0
Car Park Signage Procurement	At request of Chief Finance Officer	1	Complete	Briefing Paper	-	-	-	-
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0

Audit Area	Corporate Risk	Planned Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Councillors Allowance Overspend	Identified as a risk in previous risk registers	4	Defer to Q4 to accommodate additional audits.					
Significant Partnerships		4	Defer to Q4 to accommodate additional audits.					
Employee Expenses		4	Defer to Q4 to accommodate additional audits.					
Leavers Process	Identified as a risk in previous risk registers	4	Defer to Q4 to accommodate additional audits.					
Fraud Risk Assessment		2	In Progress					
Economy and Place								
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 2 (Yearly Report)	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Additional Dedicated Home to School and College Transport Grant – Summer Term (1 st half) 31/5483	Grant Certification	2	In Progress					
Local Transport Block Funding	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0

Bus Subsidy Grant	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Adults and Communities								
Direct Payments	Identified as a fraud risk	2	Not Started					
Customer Services	-	2	Not Started					
Infection Control and Testing	-	4	Defer to Q4 to accommodate additional audits.					
Children's and Families								
Supporting Families – Monthly Review – Quarterly Report - Quarter 2 (<i>previously referred to as Troubled Families</i>)	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Quality Assurance including Supervision Practices.	CRR.04, CRR.52 (CF.02, CF.03)	4	Defer to Q4 or Q1 (22/23) at request of client.					
Additional audits for Q2								
Additional Home to School Transport – Summer Term (2 nd half until 25 June 2021) 31/5568	Grant Certification	2	In Progress					
Additional Home to School Transport – Summer Term (2 nd half 28 th June till end of Summer Term) 31/5678	Grant Certification	2	In Progress					
Herefordshire City Centre Transport Package – Investigation	Investigation	2	In Progress					
Green Homes Grant: Local Authority Delivery Grant Determination 31/5187	Grant Certification	2	In Progress					
Pool Cars		2	Not Started					

Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5435 – (March and April)	Grant Certification	2	In Progress					
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5668 – (May, June, July)	Grant Certification	2	In Progress					

Audit Area	Corporate Risk	Planned Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Accounts Payable – follow up of actions from 2020-21 and areas not tested in 2020-21		3	Not Started					
Accounts Receivable – follow up of actions from 2020-21 and areas not tested in 2020-21		3	Not Started					
Main Accounting		3	Not Started					
Treasury Management		3	Not Started					
Council Tax – follow up of actions from 2020-21 and areas not tested in 2020-21		3	Not Started					
National Non-Domestic Rates – follow up of actions from 2020-21 and areas not tested in 2020-21		3	Not Started					
Housing and Council Tax Benefits – follow up of actions from 2020-21 and areas not tested in 2020-21		3	Not Started					
Capital Accounting		3	Not Started					
Disaster Recovery (ICT)		3	Not Started					
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: (August, September)	Grant Certification	2	Not Started					
Economy and Place								
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 3 (Yearly Report)	Grant Certification	3	Not Started					
Children’s and Families								
Supporting Families – Monthly Review – Quarterly Report - Quarter 3 (previously referred to as Troubled Families)	Grant Certification	3	Not Started					

To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update on corporate fraud prevention work undertaken across the Council.

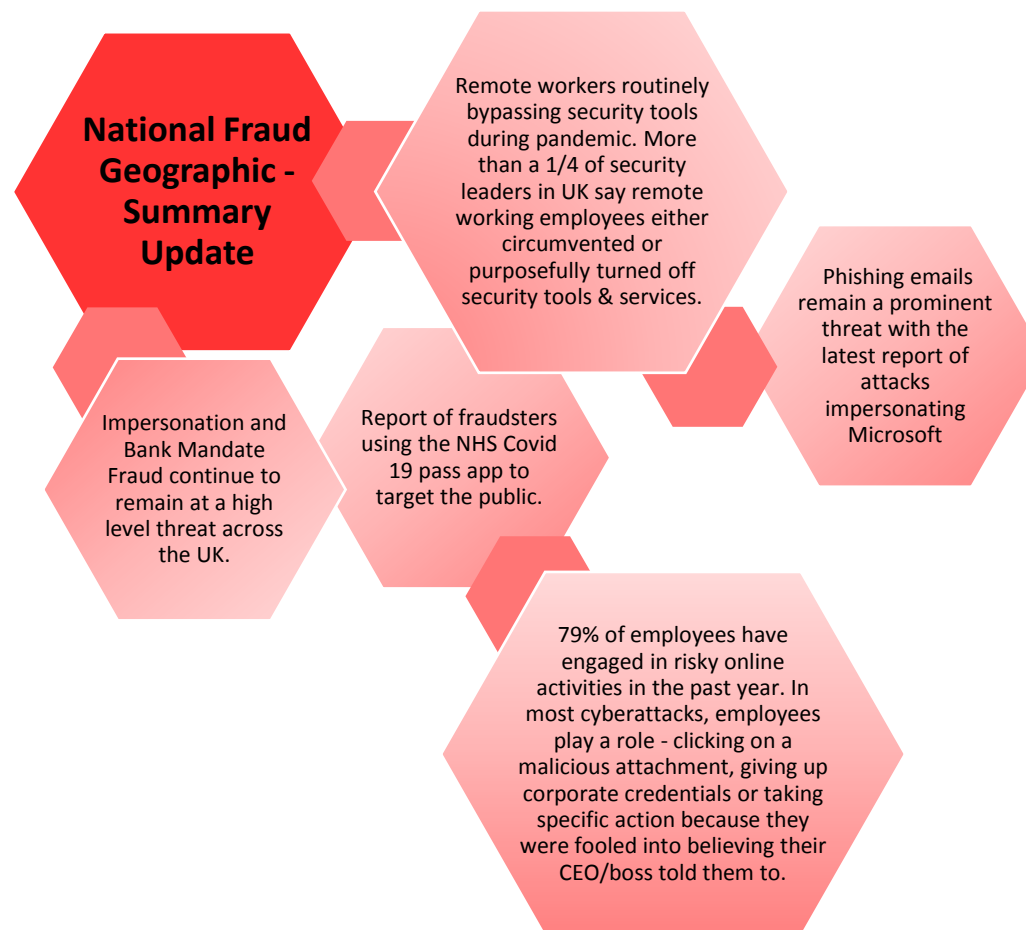
Joint update from the Counter Fraud Specialist (CFS) and Internal Audit.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

- *Fighting Fraud Locally, 2020*



Quarterly Fraud Update (July to October 2021)



To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update on corporate fraud prevention work undertaken across the Council.

Joint update from the Counter Fraud Specialist (CFS) and Internal Audit.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

- *Fighting Fraud Locally, 2020*



Quarterly Fraud Update (July to October 2021)



SWAP Fraud Alerts



Social engineering attempts to obtain debt information. It is not known what the next steps of the scam would have been, however we are convinced that once debt balance information is revealed, the fraudster would create a fake invoice from the supplier, which would be sent to the Council for payment. The accuracy of outstanding debt amount would increase the likelihood of successful fraud in this area.



Successful Children's Social Care direct payment fraud. Several cards debited with the exact same transaction at the exact same time. Fraudster does not:

- * have access to the card holders' personal details, it is the card number itself that is compromised
- * know that the BIN range belongs to a specific programme, or a specific council or organisation.

Actions/ongoing work

- Fraud Awareness Intranet page and Fraud Referral Form went live in July across the Council. This can be accessed via: <http://hcintranet.herefordshire.gov.uk/fa/SitePages/Home.aspx>
- A new 'Compromised Card Fraud Process' was implemented in July and shared with the Council's Direct Payments department.
- The CFS worked with the Insolvency service to wind up two fraudulent companies. The successful outcome was endorsed by Cllr Harvey and it achieved coverage in over 10 news articles, and on a large variety of social media platforms in August. An example of this article can be found at: <https://www.herefordtimes.com/news/19503014.thousands-pounds-recovered-fraudsters-target-herefordshire-council/>

To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update on corporate fraud prevention work undertaken across the Council.

Joint update from the Counter Fraud Specialist (CFS) and Internal Audit.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

- *Fighting Fraud Locally, 2020*



Quarterly Fraud Update (July to October 2021)

Actions/ongoing work

- Mandatory E learning Fraud Course is fully developed and scheduled to go live during International Fraud Awareness Week in November 2021, to all Council & Hoople staff.
- The CFS continues to assist the Finance, Revenues and Adult Social Care departments across the Council in counter fraud prevention and investigation work. Grant Assurance reporting to central government remains ongoing.
- A fraud prevention privacy notice (FPN) has been created by the CFS to ensure data compliance is reaching best practise standards. The FPN is being circulated on relevant platforms and documents throughout the aforementioned departments.
- Bespoke Fraud Awareness Training was delivered by the Counter Fraud Specialist in July & August, to a total of 18 Councillors, who attended this training over two virtual sessions. The FAQ's and the PowerPoint slides were shared, and positive feedback was received.
 - *"Thanks Jonathan, really interesting and thought provoking" – Cllr Jenny Bartlett*
 - *"Thank you for an interesting briefing" – Cllr Elissa Swinglehurst*
- Direct Payments – proactive fraud internal audit to be completed.
- Fraud Risk Assessment near completion within Adult Social Care Directorate and has commenced across corporate services.



Audit and Governance - Committee Effectiveness and Performance, skills matrix

Meeting: Audit and governance committee

Meeting date: Wednesday 27 October 2021

Report by: Democratic services manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To consider and agree the audit and governance skills matrix and to seek the agreement of all A+G committee members to participate in the skills matrix audit.

Recommendation(s)

That:

- a) **The committee comments on and agrees the Audit and Governance Skills Matrix as set out in Appendix A; and**
- b) **The committee agrees to participate in a committee skills matrix to assist them in their development and to assist the committee in identifying any new training requirements or additional specialist skills required to be co-opted to deal with specific subject matter over a specific time-period**

Alternative options

1. To not undertake a skills matrix audit of the committee. This not recommended as it is widely recognised as good practice that audit committees should identify, and agree the skills required for committee effectiveness. This would also limit the ability of the committee to identify and address skills gaps which could looked to be filled through co-option.

Key considerations

2. All, local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.
4. At Herefordshire Council, the audit and governance committee provide this function. It is comprised 7 non-executive councillors who 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 does 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) monitoring 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
5. The HM Treasury Audit committee handbook advocates that audit committees should identify, and agree the skills required for committee effectiveness. The required skills set should be periodically reviewed so that the skills and knowledge of the members should be able to develop and focus on the key issues facing the organisation. Further, that Audit and Risk Committees should be empowered to both:
 - I. co-opt members for a period of time to provide specialist skills, knowledge and experience which the Committee needs at a particular time; and
 - II. procure specialist advice at the expense of the organisation on an ad-hoc basis to support them in relation to particular pieces of committee business
6. In June, 2020 an audit and governance working was set up to review the core functions of the Committee, the membership and effectiveness of the committee and to review the work

programme. However, one of the areas not formally addressed by the working group was in relation to assessing the committee's core knowledge and skills and evaluating and reporting on performance and whether the AGC is adding value to Herefordshire Council.

7. The working group produced an Audit & Governance Committee Self-Assessment on Performance & Effectiveness report which recommended that an effectiveness review including a review of committee member skills and training requirements is undertaken annually. And, that this should include undertaking skills analysis of committee members to determine training requirements and potential need for an independent person.
8. The skills analysis – in the form of a matrix - should address both core areas and specialist areas that may be beneficial to the effective operation of the committee. In line with the HM Treasury and CiPFA guidelines, audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis.
9. A proposed skills matrix (as set out in Appendix A) should seek to build on some common elements that are endorsed by CiPFA. In summary it should seek to gather evidence on committee members':
 - I. **Core knowledge** – to focus on organisational knowledge, the functions of the committee (audit, risk and governance), external audit, fraud, treasury management and values of good governance
 - II. **Specialist knowledge** – accountancy, ICT systems and applications, risk, legal frameworks and programme/project management. And,
 - III. **Core skills** – strategic think, questioning skills, meeting management, objectivity and areas for raining and development.

Community impact

10. The council's code of corporate governance commits the council to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By carrying out a review of audit and governance committee skills and knowledge, the committee can provide assurance that they are carrying out their functions in line with good practice. They can also identify any training and development needs and any specialists skills that may be required from any independent experts.
11. The Corporate Delivery Plan, 2020 to 2022 notes that 'increased involvement in the democratic process is important to us. To realise this, we shall complete the promised governance review for the council so as to increase the opportunity for the involvement of all elected representatives in decision-making.

Environmental Impact

12. This report is based on gathering skills and knowledge of the audit and governance committee membership via a skills matrix. As such there are minimal environmental impacts.

Equality duty

13. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows A public authority must, in the exercise of its functions, have due regard to the need to –
- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
14. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty

Resource implications

15. There are no resource implications as result of this report as it is a review of the core skills and knowledge of committee membership.

Legal implications

16. There are no legal implications as result of this report as it is a proposal to assess audit committee members core and specialist skills and knowledge which is in keeping with Chartered Institute of Public Finance and Accounting (CIPFA) published guidance.

Risk management

17. There are no identified risks in seeking agreement to, and carrying out, an effectiveness and performance skills assessment. It is recommended practice that committee membership knowledge and experiences are routinely assessed to ensure that there is appropriate skillsets available to the committee in undertaking their work.

Consultees

18. Consultation has been conducted with the re-thinking governance working group and through the audit and governance working group.

Appendices

Appendix A - Audit & Governance Skills Matrix

Background papers

None.

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Audit & Governance Committee Member: _____

Date: _____

Core areas of knowledge

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Organisational knowledge	<ul style="list-style-type: none"> An overview of the governance structures of the authority and decision-making processes Knowledge of the organisational objectives and major functions of the authority 	<ul style="list-style-type: none"> This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external audit reports and risk registers 	
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements Knowledge of the purpose and role of the audit committee Understanding of relevant statutory responsibilities 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others 	
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Solace Framework and the requirements of the AGS 	<ul style="list-style-type: none"> The committee will review how governance arrangements align to the principles in the framework The committee will plan the assurances it is to receive in order to adequately support the AGS The committee will review the AGS and consider how the authority is meeting the principles of good governance 	

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Internal Audit	<ul style="list-style-type: none"> An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN) Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled 	<ul style="list-style-type: none"> The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan 	

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Financial management and accounting	<ul style="list-style-type: none"> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them Understanding of good financial management principles Knowledge of how the organisation meets the requirements of the role of the Chief Financial Officer (CFO), as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) 	<ul style="list-style-type: none"> Reviewing the financial statements prior to publication, asking questions Receiving the external audit report and opinion on the financial audit Reviewing both external and internal audit recommendations relating to financial management and controls The audit committee should consider the role of the CFO and how this is met when reviewing the AGS 	
External audit	<ul style="list-style-type: none"> Knowledge of the role and functions of the external auditor and who currently undertakes this role Knowledge of the key reports and assurances that external audit will provide Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> The audit committee should meet with the external auditor regularly and receive their reports and opinions Monitoring external audit recommendations and maximising benefit from audit process The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service 	

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Risk Management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including linkage to good governance and decision making Knowledge of the risk management policy and strategy of the organisation Understanding of risk governance arrangements, including the role of members and of the audit committee 	<ul style="list-style-type: none"> In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee The committee should also review reports and action plans to develop the application of risk management practice 	
Counter fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud and corruption risk to which the organisation is exposed Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) Knowledge of the organisation's arrangements for tackling fraud 	<ul style="list-style-type: none"> Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment 	

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff Knowledge of the whistleblowing arrangements in the authority 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported 	
Treasury Management	<ul style="list-style-type: none"> Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management See also Treasure Your Assets (CfPS, 2017) 	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny 	

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Level of Experience	Comments
Accountancy	<ul style="list-style-type: none"> Professional qualification in accountancy 	<ul style="list-style-type: none"> More able to engage with the review of the accounts and financial management issues coming before the committee Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues More able to engage with the external auditors and understand the results of audit work 		
Internal audit	<ul style="list-style-type: none"> Professional qualification in internal audit 	<ul style="list-style-type: none"> This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing The committee would be more able to provide oversight of internal audit and review the output of audit reports 		
Risk management	<ul style="list-style-type: none"> Risk management qualification Practical experience of applying risk management Knowledge of risks and opportunities associated with major areas of activity 	<ul style="list-style-type: none"> Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers 		
Governance and legal	<ul style="list-style-type: none"> Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law 	<ul style="list-style-type: none"> Legal knowledge may add value when the committee considers areas of legal risk or governance issues 		

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Level of Experience	Comments
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> • Direct experience of managing or working in a service area similar to that operated by the authority • Previous scrutiny committee experience 	<ul style="list-style-type: none"> • Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context 		
Programme and project management	<ul style="list-style-type: none"> • Project management qualifications or practical knowledge of project management principles 	<ul style="list-style-type: none"> • Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews 		
Information Technology (IT) systems and IT governance	<ul style="list-style-type: none"> • Knowledge gained from management or development work in IT 	<ul style="list-style-type: none"> • Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls 		

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill	Level of Experience	Comments
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> Able to focus on material issues and overall position, rather than being side tracked by detail 	<ul style="list-style-type: none"> When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail 		
Questioning and constructive challenge	<ul style="list-style-type: none"> Able to frame questions that draw out relevant facts and explanations Challenging performance and seeking explanations while avoiding hostility or grandstanding 	<ul style="list-style-type: none"> The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found 		
Focus on improvement	<ul style="list-style-type: none"> Ensuring there is a clear plan of action and allocation of responsibility 	<ul style="list-style-type: none"> The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken 		
Able to balance practicality against theory	<ul style="list-style-type: none"> Able to understand the practical implications of recommendations to understand how they might work in practice 	<ul style="list-style-type: none"> The audit committee should seek assurances that planned actions are practical and realistic 		

Herefordshire Council

Audit & Governance Committee Members: Knowledge, Skills & Experience Framework

Skills	Key elements	How the audit committee member is able to apply the skill	Level of Experience	Comments
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> Support the use of plain English in communications, avoiding jargon, acronyms, etc 	<ul style="list-style-type: none"> The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience 		
Objectivity	<ul style="list-style-type: none"> Evaluate information on the basis of evidence presented and avoiding bias or subjectivity 	<ul style="list-style-type: none"> The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views 		
Meeting management skills	<ul style="list-style-type: none"> Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting 	<ul style="list-style-type: none"> These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members 		

Level of Experience

- (1) **No Experience** – No knowledge or previous experience/training
- (2) **Basic Understanding** - A basic awareness of the skill gained from working experience (usually over 1 year) or appropriate training and development. Or where knowledge possessed is not current (more than 3 years out of date)
- (3) **Well informed** - Practical training and experience (a minimum of 2 years, gained during the last 10 years) in the specified skill or application of knowledge
- (4) **Specialist Knowledge** - Formal training, appropriate qualification (degree or professional qualification) and/or considerable practical experience (3 years or more, gained in the last 10 years) in the specified skill.



Title of report: Work programme update

Meeting: Audit and governance committee

Meeting date: Wednesday 27 October 2021

Report by: Democratic services manager

Classification

Open

Decision type

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.

Further information on the subject of this report is available from
John Coleman, democratic services manager on tel 01432 260382

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.

Resource 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.

[illegible]

Audit and Governance Committte Constitution		Report	May	June	July	September	October	November	January	March
i	To adopt an audit and governance code.									
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only								
3.5.13	Waste Contract									
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	Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council									
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.								
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.	Recruitment done on an as required basis and not currently scheduled.								
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)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only								
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								
3.5.15	Accounts									
	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					