

# Agenda

## Audit and Governance Committee

Date: **Monday 27 June 2022**

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Time: **2.00 pm**

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

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

For any further information please contact:

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If you would like help to understand this document, or would like it in another format, please contact Ben Baugh, Democratic Services Officer, on 01432 261882 or e-mail [ben.baugh2@herefordshire.gov.uk](mailto:ben.baugh2@herefordshire.gov.uk) in advance of the meeting.

# **Agenda for the meeting of the Audit and Governance Committee**

## **Membership**

<b>Chairperson</b>	<b>Councillor Nigel Shaw</b>
<b>Vice-Chairperson</b>	<b>Councillor Jenny Bartlett</b>

**Councillor Christy Bolderson**  
**Councillor Dave Boulter**  
**Councillor Clare Davies**  
**Councillor Peter Jinman**  
**Vacancy to be confirmed**

## Agenda

	Pages
<b>1. APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b> To receive details of any member nominated to attend the meeting in place of a member of the committee.	
<b>3. DECLARATIONS OF INTEREST</b> To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.	
<b>4. MINUTES</b> To approve and sign the minutes of the meeting held on Tuesday 10 May 2022. The updated action log for the committee is also attached.  <b>HOW TO SUBMIT QUESTIONS</b> Deadline for receipt of questions is 5.00 pm on Tuesday 21 June 2022.  Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a> . Questions sent to any other address may not be accepted.  Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <a href="http://www.herefordshire.gov.uk/getinvolved">www.herefordshire.gov.uk/getinvolved</a>	11 - 28
<b>5. QUESTIONS FROM MEMBERS OF THE PUBLIC</b> To receive any questions from members of the public.	
<b>6. QUESTIONS FROM COUNCILLORS</b> To receive any questions from councillors.	
<b>7. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2021/22</b> To review and agree the external auditor's draft audit plan for 2021/22. The external audit of the council's statement of accounts for 2021/22 is due to commence in July 2022 and their approach and plan is attached at Appendix A.	29 - 92
<b>8. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS</b> To review the progress of audit recommendations implementation. The committee receives periodic reports on progress made in implementing audit recommendations to enable it to fulfil its role of monitoring the effective development and operation of risk management and corporate governance in the council.	93 - 136

**9. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY**

137 - 158

For the committee to review and approve the updated Anti-Fraud, Bribery and Corruption Policy attached at Appendix A and consider recommendations for improvements.

**10. WORK PROGRAMME UPDATE**

159 - 162

To consider the work programme for the committee.

**11. DATE OF NEXT MEETING**

Monday 25 July 2022, 11.00 am



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

In view of the continued prevalence of Covid, 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](http://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](mailto: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](http://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](http://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. The council's constitution is available at [www.herefordshire.gov.uk/constitution](http://www.herefordshire.gov.uk/constitution)
- 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 documents.

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## **Public transport links**

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

[www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-](http://www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-)

## **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 and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.



## **Guide to the Audit and Governance Committee**

The Audit and Governance Committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.

Councillor Nigel Shaw (Chairperson)	Conservatives
Councillor Christy Bolderson	Conservatives
Councillor Jenny Bartlett (Vice-Chairperson)	The Green Party
Councillor Dave Boulter	Independents for Herefordshire
Councillor Clare Davies	True Independents
Councillor Peter Jinman	Independents for Herefordshire
Councillor Yolande Watson	Independents for Herefordshire

The Audit and Governance Committee is responsible for proving assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

The committee shall:

- (a) review and examine, and where required in depth examine, matters relating to internal audit, external audit, risk management, governance, assurance statement, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's audit committee requirements
- (b) enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence
- (c) contribute towards making the authority, its committees and departments more responsive to the audit function
- (d) review compliance with the relevant standards, code of conduct, codes of practice and corporate governance policies
- (e) act within the Council's Constitution.



**Minutes of the meeting of the Audit and Governance Committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 10 May 2022 at 11.00 am**

**Committee members present in person and voting:** Councillors: Graham Andrews, Christy Bolderson (Vice-Chairperson), Peter Jinman, Bob Matthews, Nigel Shaw (Chairperson) and David Summers

**Committee members participating via remote attendance:** Councillors: Jenny Bartlett

*Note: Committee members participating via remote attendance, e.g. through video conferencing facilities, may not vote on any decisions taken.*

**Others in attendance:** M Averill (Interim Service Director Environment, Highways and Waste), P Barber (Engagement leader, Grant Thornton), B Baugh (Democratic services officer), G Beal (Public Sector Assurance VfM Specialist, Grant Thornton), K Charlton (Interim head of legal services), R Cook (Corporate Director - Economy and Environment), J Gooding (Assistant director, South West Audit Partnership), John Harrington (Group Leader for Independents for Herefordshire and Cabinet Member - Infrastructure and Transport), David Hitchiner (Leader of the Council), R Joy (Interim Delivery Director), A Lovegrove (Director of resources and assurance), C Marshall (Project manager), A McAlpine (Senior solicitor, major projects), J Moore (Interim head of corporate finance), A Probert (Principal auditor, South West Audit Partnership), J Roberts (Key audit partner, Grant Thornton), J Strahan (South West Audit Partnership), G Turner-Radcliffe (Audit manager, Grant Thornton) and P Walker (Chief Executive)

**87. APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Councillor Dave Boulter and Councillor Yolande Watson. Councillor Jenny Bartlett was unable to attend the meeting in person but participated via remote attendance.

**88. NAMED SUBSTITUTES**

Councillor Graham Andrews attended the meeting as a substitute member for Councillor Boulter, and Councillor David Summers attended the meeting as a substitute member for Councillor Watson.

**89. DECLARATIONS OF INTEREST**

Councillor Nigel Shaw, as a named individual in the Hereford City Centre Transport Package Summary Report and following advice from the Monitoring Officer, recused himself from the committee and left the meeting room for the items 'Questions from members of the public', 'Questions from councillors', and 'Progress report on internal audit activity'. Councillor Christy Bolderson chaired the meeting for the duration of these items.

## **90. MINUTES**

The minutes of the previous meeting were received. An updated action log was published in [supplement 2](#) to the agenda.

### **RESOLVED:**

**That the minutes of the meeting held on 12 April 2022 be confirmed as a correct record and be signed by the chairperson.**

## **91. QUESTIONS FROM MEMBERS OF THE PUBLIC**

Four questions from members of the public had been accepted by the Monitoring Officer for this meeting and the related responses were published in [supplement 2](#) to the agenda; no supplementary questions were received.

In response to a question, the Interim Head of Legal Services advised that it was usual practice that, unless the chairperson decided otherwise, no discussion took place on any question or a supplementary question.

## **92. QUESTIONS FROM COUNCILLORS**

No questions from councillors had been accepted by the Monitoring Officer for this meeting.

[Note: To assist with the efficient transaction of business, the agenda items 'Progress Report on Internal Audit Activity' and 'Auditor's Annual Report 2020/21' were considered before the agenda item 'Re-thinking Governance' but the original agenda order has been maintained in the minutes for ease of reference]

## **93. RE-THINKING GOVERNANCE**

The Chairperson noted that the report suggested amendments to the council's constitution, as proposed by the Re-thinking Governance Working Group, for recommendation to Council. The committee considered the revised Part 3, Section 5 (Other functions) as shown at Appendix 1 to the report, the principal points of the discussion included:

1. Amendments to paragraphs 3.5.11 and 3.5.13 were identified and, with clarifications provided by the Interim Head of Legal Services on the differences between an independent person as defined in paragraph 4.9.26 and an independent expert that could be appointed to the committee, it was suggested that a definition be provided in relation to the independent expert.
2. The Interim Head of Legal Services advised that a chairperson of a committee could ask for an additional meeting to be added to the schedule of meetings if it was deemed necessary.
3. An amendment to paragraph 3.5.15 (a) was suggested to enable the committee to not only receive material to examine but also in depth examine matters itself where required.
4. In response to a question, the Director of Resources and Assurance explained the reference to a specific company in paragraph 3.5.19 (waste contract) was due to a PFI relationship.
5. A typographical error was identified in paragraph 3.5.30 (i).



6. It was noted that Treasury Management had been removed from the audit and governance functions and would be added to the remit of the Scrutiny Management Board.
7. Noting the potential for confusion between audit and governance functions (paragraphs 3.5.9 to 3.5.25) and other functions in the document, the Interim Head of Legal Services suggested that the numbering and presentation be revisited in the further review of the constitution later in the year.
8. With attention drawn to paragraph 3.5.11, it was noted that the committee was able to meet private and separately with the external auditor and head of internal audit if required.
9. It was noted that changes to reflect the transfer of responsibilities to a different body (such as the transition from the Clinical Commissioning Group to the Integrated Care System) could be undertaken as technical amendments by the Director of Governance and Legal Services.
10. An amendment to paragraph 3.5.14 was suggested to reflect the fact that a meeting could proceed with a quorum if the chairperson and vice-chairperson were not present, with a person elected to preside.
11. With reference made to paragraph 3.5.18 (j), clarification was requested about the 'caldicott guardian'.

**Resolved: That**

- a) **having regard to the work undertaken by the Re-thinking Governance Working Group, the audit and governance functions as set out in appendix 1 and the two proposed changes to the constitution set out in paragraphs 9 and 10 of the report be recommended to full Council for adoption, with implementation with effect from 20 May 2022, subject to the following:**

- 3.5.11 The words '~~as necessary~~' be removed;**
- 3.5.13 The final sentence of paragraph one be amended to '... The minutes of the meeting should state in what capacity the independent ~~person~~ expert is voting' and a definition be provided in relation to the independent expert;**
- 3.5.14 The paragraph be amended to 'The Committee will meet approximately 8 times a year and a quorum of three elected members (~~including the Chair or Vice Chair~~) is required for decisions of the Committee to be ratified.';**
- 3.5.15 (a) The paragraph be amended to 'review *and examine, and where required in depth examine*, matters relating to internal audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's Audit Committee requirements';**
- 3.5.30 (i) The paragraph be amended to 'To give its opinion, as appropriate, to Herefordshire Council, the Clinical Commissioning group or NHS commissioning Board, as to whether they are discharging their duty to have regard to any assessment of relevant needs**

**prepared by the Council, the Clinical Commissioning Group or NHS commission Board in the exercise of their functions.’; and**

- b) authority be delegated to the Director of Governance and Legal Services to make technical amendments (as required by law, grammatical, formatting, and consistency) necessary to finalise the revised constitution.**

Action(s):

Action 148: That it be confirmed that the Treasury Management function has been included in constitution Part 3, Section 4 (Scrutiny Functions), within the remit of the Scrutiny Management Board, once approved by Council.

Action 149: In the further review of the constitution and for the purposes of clarity, the presentation of the audit and governance functions be considered, in order to separate them from the ‘Other functions’.

Action 150: In terms of constitution paragraph 3.5.18 (j), clarification be provided about the ‘caldicott guardian’.

#### **94. CODE OF CONDUCT**

The Chairperson noted that the Local Government Association (LGA) had issued the Model Councillor Code of Conduct and it was recommended that the code be adopted as amended to take account of local amendments, as set out at Appendix 3; the principal differences between the council’s existing code of conduct and the model code were set out at Appendix 4, this had been published in [supplement 2](#) to the agenda. It was also noted that town and parish councils may choose to adopt the principal authority’s code, to adopt the LGA model code, or make their own code.

The Chairperson reported that Councillor Liz Harvey had written to committee members before the meeting with detailed reasons to consider suggested amendments to the Guidance on Member Model Code of Conduct Complaints Handling, Appendix 2.

In response to questions from committee members, the Interim Head of Legal Services explained:

- i. the current process in relation to complaints and appeals;
- ii. the reasons why the LGA was recommending that no appeals should be heard as part of the internal process for determining code of conduct complaints;
- iii. that it was not proposed that the council should have a pre-assessment committee and the existing initial assessment stage, involving officers and independent persons, would be retained;
- iv. where matters could not be resolved by the Monitoring Officer, the arrangements for formal investigations and for referring matters to the Standards Panel;
- v. that the independent persons were split into two teams, with one team looking at the initial assessment and another which could be accessed by the subject member, but there could be an addendum to specify that the local arrangements would involve at least two independent persons;
- vi. the current lack of effective sanctions that could be imposed by monitoring officers;
- vii. the growing number of complaints about parish councils and the resource implications for the principal authority;

- viii. the process in Herefordshire had been shared with the Committee for Standards in Public Life and with the LGA; and
- ix. parish councils were encouraged to invite the principal authority to provide training on code of conduct issues and complaints.

The Chairperson, referring to the correspondence from Councillor Harvey, read out the suggested amendments to the section on Sanctions in the Guidance on Member Model Code of Conduct Complaints Handling; this is reflected in resolution b) ii) below. The Interim Head of Legal Services detailed the reasons for the wording and confirmed that there was no impediment to Herefordshire Council adopting the guidance with local amendments, adding that it could not require parish councils to accept it. The Chairperson noted the ongoing discussions between the government and the LGA, and the Interim Head of Legal Services summarised the recent responses of government to LGA recommendations.

In response to a comment from a committee member, the Chairperson drew attention to the local amendment identified in Appendix 4 to retain 'any body ... is not open to the public without formal membership' in the 'Other Registerable Interest – 'Table 2' Interests' section. It was suggested that clarification be sought on whether an occupation as a social influencer should be included in the list.

**Resolved: That**

- a) **the Local Government Association (LGA) model code of conduct, as amended by local arrangements as set out at Appendix 3, be approved for adoption by Herefordshire Council at the annual Council meeting on 20 May 2022; and**
- b) **the LGA model arrangements for dealing with code of conduct complaints be adopted and applied to new complaints received after 20 May 2022, subject to:**
  - i) **an addendum to specify that the local arrangements will involve at least two independent persons; and**
  - ii) **the adoption of an amendment to the section on Sanctions as follows:**

**'Note that where the subject member is a parish or town councillor, the matter is referred back to their council to say that a breach of the Code has been found and with a recommended sanction. The town or parish council must then meet to consider whether to impose that sanction or to replace it with another relevant sanction. They cannot overturn the finding that there has been a breach of the Code and if they wish to impose a different sanction they should seek advice from the clerk and/or the monitoring officer. The panel should also ask the parish or town council to report back to the monitoring officer within three months to confirm that they have met to discuss the sanction, and if necessary, to write again once the sanction has been fulfilled.'**

Action(s):

Action 151: Clarification be provided as to whether an occupation as a social influencer should be included in the list of 'Other Registerable Interests – 'Table 2' Interests'.

## **95. AUDITOR'S ANNUAL REPORT 2020/21**

The Key Audit Partner introduced the Auditor's Annual Report, the principal points included:

- i. Narrative content had increased, reflecting the National Audit Office Code of Audit Practice 2020.
- ii. The final version was dated 11 April 2022, noting a national issue with the delivery of local authority audits.
- iii. The report was for 2020/21 but it was recognised that the council was making progress on various initiatives, with attention drawn to the changes and service improvements highlighted in the executive summary.
- iv. There were three key recommendations, in relation to Children's Social Care Services (one) and Contract Management (two). In terms of contract appointment and management arrangements with a dormant company, it was reported that Balfour Beatty Living Places Limited (BBLP) had been transparent with the council but the council itself had not constructed its contractual arrangements in such a way that reflected how BBLP and Balfour Beatty operated.
- v. There were fourteen improvement recommendations, in relation to improving economy, efficiency and effectiveness (five), governance (two), and financial sustainability (seven).

The responses of the Key Audit Partner to questions from committee members included:

1. It was understood that the Audit Commission had been the external auditor when the contract was made with BBLP.
2. In terms of improvement recommendation 8 and increasing the financial planning timeframe, it was commented that three years was a common period for a Medium Term Financial Strategy.
3. There had been matters identified in Children's Social Care Services in previous years and assurances received but the severity of the issue and the court judgement in 2021 had not been anticipated. It was emphasised that this was an area of professional practice and auditors had to draw upon the work of specialised regulators in terms of the quality of the care arrangements in place.

The responses to other questions included:

4. The Director for Resources and Assurance outlined the process for the consideration of recommendations by officers, the inclusion of management comments, the consideration of the arrangements by the Corporate Leadership Team and the allocation of work, reports being made to the executive where appropriate, and for external audit to check on delivery and to report back to the committee if necessary.
5. The Public Sector Assurance VfM Specialist considered that a management comment, 'The Council will review and improve the self-assessment document itself and ensure that it complies with the Council's definition of a significant

partnership. The Council will also revisit the guidance issued for the reviewing of the self-assessment document.', should address the improvement recommendation. It was noted that there was an opportunity for officers to include narrative to explain the value of the significant partnerships.

6. The Key Audit Partner noted that the committee may wish to seek further assurance in terms of the management responses to certain recommendations. A committee member suggested an action in relation to major contracts.
7. The Director for Resources and Assurance, declaring their position as a director of the company on behalf of the council currently, confirmed that the way in which the council managed its relationships with Hoople Limited was being looked at and recommendations would be made to Cabinet in due course; it was noted that the company had its own internal audit arrangements.

The Vice-Chairperson suggested an action to clarify the governance and oversight arrangements for the various boards referenced in the report.

8. The Key Audit Partner confirmed that note 25 of the annual financial statements dealt with disclosures around settlement agreements. The Interim Head of Legal Services provided advice on data protection and exempt information, and commented that the information that needed to be in the public domain was in the public domain.

John Roberts was thanked for the due diligence and service provided to the council during their tenure.

**Resolved:**

**That the auditor's report has been reviewed, the findings and recommendations have been noted, and the management responses have been considered.**

**Action(s):**

- Action 152: That management be asked to comment further on the key recommendation made by the external auditor on major contracts and how the council intends to ensure improvement going forwards.
- Action 153: That further details be provided on the governance and oversight arrangements for the boards referenced in the report, with an indication of a timeline for any updated arrangements.

**96. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The Assistant Director and the Principal Auditor of South West Audit Partnership (SWAP) introduced the Report of Internal Audit Activity for 2021/22, as of 21 April 2022, with attention drawn to the following:

- i. Since the previous update ([minute 68 of 25 January 2022 refers](#)), twenty-seven audits had been completed, bringing the total to fifty-two. Details of the audits completed, with the assurance ratings and audit objectives were provided at pages 183-185 of the agenda pack.
- ii. Three audits were at draft report stage and eight audits were in progress; the aim was to complete five of those in progress for the annual opinion 2021/22, with the other three rolled over to the next financial year.

- iii. Sixteen priority 2 actions had been agreed across the following audits: Pool Cars; Disaster Recovery (ICT); Green Homes Grant: Local Authority Test and Trace Support Payment Scheme Funding Grant Determination; and Hereford City Centre Transport Package (HCCTP). Summaries of the priority 2 actions were provided at pages 186-189 of the agenda pack.
- iv. No High Corporate Risks had been identified to date.
- v. Five follow up audits had been completed, with one priority 2 action (Accounts Receivable - Debt Recovery Policy and Reporting Processes) and three priority 3 actions in progress.
- vi. Thematic findings were highlighted in relation to data quality, procedure document / policy, and coding of grant income and expenditure; for the latter, further work had been undertaken and all the actions had been completed.
- vii. Two changes had been made to the internal audit plan 2021/22, reflecting requests for additional audits in relation to: South Wye Transport Package LEP Settlement; and Revenue Grant Determination (Ring-fenced) Protect and Vaccinate Grant Determination. Consequently, the following audits had been deferred into the internal audit plan 2022/23: Schools Thematic Audit; and Condition Funding Grant Determination.
- viii. The HCCTP Summary Report was included at Appendix 2, agenda pages 211-223. It was noted that this was a Special Investigation and one priority 1 action, eight priority 2 actions, and one priority 3 action had been agreed. The key findings were detailed on page 212 of the agenda pack and were summarised at the meeting. The Investigation Findings - Control Weaknesses and Agreed Actions was included at Appendix 3, agenda pages 225 – 235.

In response to questions and comments from committee members:

- 1. The Principal Auditor said that clarification could be provided to committee members on the current position with unspent grant funding in relation to the Green Homes Grant. Later in the discussion, the Director of Resources and Assurance commented on challenges in relation to identifying appropriately qualified contractors to deliver the service and the households wanting to have such works carried out within the narrow timeframes involved.
- 2. The Principal Auditor confirmed that the scope of the additional audit was around the South Wye Transport Package LEP Settlement arrangements and commented on two previous pieces of audit work on the project and related follow up audits. Later in the meeting, the Director of Resources and Assurance commented on the need to reflect on the work that had been undertaken and to adjust the scope if necessary. The Chairperson noted that the scope would be identified in the pipeline of audits in due course.
- 3. In response to a comment about opportunities to identify issues at an earlier stage, the Chairperson expressed a concern about the focus on grant certifications and the amount of internal audit coverage for other areas of organisational activity. The Assistant Director advised that Covid related grant funding criteria required additional internal audit work but it was anticipated that the levels of grant funding would reduce in 2022/23. The Director of Resources and Assurance added that some funding included 'new burdens' which contributed to some of the council's costs. The Chairperson suggested that consideration be given to carrying forward any remaining internal audit budget into the new financial year to enable more

work to be undertaken on those areas that had received less attention in recent times.

4. The Principal Auditor said that further information could be provided to committee members in relation to the Oral Health Needs Assessment Plan advisory audit and the next steps; it was clarified that the advisory audit was a follow up of actions arising from another assurance process, rather than a SWAP audit.
5. In terms of the audit on Pool Cars, the quantum of missing vehicle mileage sheets and recharges could be provided.
6. The Director of Resources and Assurance acknowledged that the government was increasingly allocating money through grants and noted that this had implications for procurement, audit, and governance arrangements. The Chief Executive added that some grants, such as levelling up opportunities, provided some funding to support the development of bids in certain circumstances. The need for the council to invest further in the skills and expertise required was recognised. Later in the discussion, a committee member suggested that consideration be given to the success criteria for the projects that the council intended to bid for, or received grant funding for, to ensure that there was an appropriate balance of effort and reward.
7. The Director of Resources and Assurance explained that the asset portfolio did not feature in this report and the value of assets formed part of the annual accounts, adding that the General Scrutiny Committee had undertaken some scrutiny activity on elements of the asset management strategy ([minute 25 of 10 August 2021 refers](#)).
8. The Director of Resources and Assurance said that a more in depth look at Disaster Recovery, particularly in the context of risk given recent global events, could be arranged for committee members. The Chief Executive added that the Corporate Leadership Team was mindful of the need to take a more strategic perspective, to raise the profile of risk management across the organisation, and welcomed the committee's interest in taking a closer look at some of the strategic risks. The Chief Executive also provided an overview of engagement with cabinet members about risks.
9. The Assistant Director advised that thematic findings were shared with the Corporate Leadership Team through the progress reports and some of the findings would feed into the pipeline of audits for the next financial year.

The HCCTP Summary Report was discussed in detail and the key points of the discussion included:

10. A committee member said that concerns about expenditure in 2015/16 and 2016/17 had been raised with the then Section 151 officer, the cabinet member and the external auditor, and considered that recommendations on improving the management of capital projects should have been implemented at that time. The Chairperson noted the mechanisms to initiate call-ins or other scrutiny activity and suggested that the member development group consider opportunities to enhance training for all members. The Key Audit Partner advised that the matter of capital governance had been a consistent feature of external audit and internal audit reports.
11. A committee member commented on the lessons arising from the findings of the HCCTP investigation, particularly given recurring thematic findings including those identified in the Blueschool House refurbishment investigation. There was a brief

discussion about the potential to highlight the findings that were distinct to the HCCTP investigation.

12. In response to a question, the Director of Resources and Assurance confirmed that, in terms of deliverables, the HCCTP project was not concluded; reference was made to the Cabinet report on the development of the remaining elements ([minute 23 of 22 July 2021 refers](#)).
13. The Director of Resources and Assurance provided an overview of the work of the Programme Management Office (PMO), and confirmed that all active capital projects were now included on the Verto project management solution and the system was also being rolled out to non-capital projects during the current financial year. In response to comments about the need for further assurance, the Principal Auditor said that a further audit on the capital programme was envisaged to ensure that new processes were being embedded and the actions identified in the summary report were being implemented.
14. In response to comments from a committee member, the Key Audit Partner commented that SWAP was independent of the council and, although individual recommendations were not reviewed, external audit would consider the council's overall response to risk and internal audit findings, and would look for signs of progress. The Assistant Director confirmed that internal audit followed up on the actions associated with priority 1 and priority 2 findings, as reflected in the progress reports.
15. In response to questions from a committee member about the ability of the new processes and system to manage the different elements and funding streams of capital projects, the Corporate Director – Economy and Environment provided an overview of the approach to the development of business cases, the involvement of designated senior responsible officers for each project, and the rigour being applied to delegations and approvals.
16. With references made to the findings in terms of Service Order Coverage and Compensation Events, the Director for Resources and Assurance advised that the Contract Procedure Rules and the Financial Procedure Rules had been updated on an annual basis, and the next iterations would highlight the further changes that had been made to reflect the findings.
17. In response to comments and questions about the weaknesses identified in terms of record keeping, the Corporate Director – Economy and Environment reported that cabinet member briefings with senior officers now involved the production of agenda and minutes to ensure that the formal advice provided and the decisions made were recorded properly. The Chief Executive noted that the key findings reflected practices at the time and commented on the recent establishment of the PMO and on the improvements being made to scrutiny and governance arrangements.
18. The Cabinet Member - Infrastructure and Transport said that, upon becoming a cabinet member, scant detail had been provided on the HCCTP and that there had been concerns about officer capacity and the extent of responsibility given to Balfour Beatty Living Places (BBLP) to run the project. It was commented that councillors and members of the public had raised issues about various aspects of the project. In response to a question about the role of internal audit, the Principal Auditor explained that SWAP had been commissioned to undertake three pieces of work, the first in 2016 on financial accounting, the second in 2020 to provide a briefing paper, and the third being the special investigation. The Director for Resources and Assurance said that it had been an uphill struggle to get to this



point and the council had undertaken to review delegated decision making. In response to a further question from the cabinet member, the Principal Auditor explained that any significant risks identified that were beyond the scope of commissioned work would be raised with officers but the initial work on financial accounting had not identified evidence to suggest there were any other concerns at that point. The Key Audit Partner drew attention to the Audit Findings for Herefordshire Council for the year ended 31 March 2020 ([minute 16 of 30 July 2021 refers](#)) and the comment 'In light of the concerns raised over the contractual arrangements and the findings identified from the internal investigations, we have concluded that the Council does not have appropriate arrangements in place over its capital programme. Our vfm conclusion will therefore be qualified in this respect.' In response to a question from a committee member, the Key Audit Partner confirmed that issues highlighted around the capital programme had been a feature of the external audits in previous years and had been reported to the committee.

19. A committee member considered that the matter should have been escalated further in view of the public interest, more than one priority 1 action could have been identified, assurance was needed that communications between officers and cabinet members would be put in place for future projects, and better outcomes should be expected. The Chief Executive commented on the background to the special investigation, the findings had been set out clearly in the executive summary, and the value of councillors having inquiring minds. It was noted that the council was acting upon the recommendations and was putting assurance in place to deliver projects with confidence and openness.
20. In response to a question, it was reported that Aecom had been commissioned to verify the costs which had been incurred and the compensatory payments that had been made.
21. The Cabinet Member - Infrastructure and Transport outlined key points in the timeline, emphasising that questions about the management of the project had been asked soon after the formation of the administration.

The committee considered and agreed the following resolution and actions. During the discussion, the Chairperson commented on the importance of the scope of internal audit work being identified in the pipeline of audits going forward.

**Resolved: That**

- a) **The performance against the approved plan has been reviewed;**
- b) **The assurances and recommendations given in the report have been reviewed;**
- c) **The Corporate Fraud Update be noted;**
- d) **The Hereford City Centre Transport Package Special Investigation Summary Report be noted;**
- e) **It be recommended to the relevant scrutiny committee that, as part of its work programming, consideration be given to the success criteria for the projects that the council intends to bid for or receives grant funding for.**
- f) **It be recommended to the Section 151 officer that further audit work be undertaken on the capital programme to ensure that new processes were**

**being embedded and the actions identified in the progress report were being implemented in terms of other projects.**

Action(s):

- Action 154: In view of the ongoing work on grant certification, the Section 151 officer consider the potential to carry forward any remaining internal audit budget into the new financial year to enable other work to be undertaken.
- Action 155: Further information be provided to committee members on unspent grant funding in relation to the Green Homes Grant.
- Action 156: Further information be provided to committee members in relation to the Oral Health Needs Assessment Plan advisory audit and the next steps.
- Action 157: Further information be provided on the quantum of missing vehicle mileage sheets and recharges in relation to the audit on Pool Cars.
- Action 158: The Section 151 officer and the Chairperson consider the most appropriate means for committee members to explore issues around Disaster Recovery and related risks in greater depth.
- [Note: ICT business continuity and cyber security resilience was discussed further during the Work Programme Update, with an assurance requested in the form of a briefing note initially.]
- Action 159: The member development team be invited to consider opportunities to enhance training for all members on raising concerns with statutory officers and on initiating call-ins and other scrutiny activity.
- Action 160: Further information be provided to committee members on the timeline for moving non-capital items onto the Verto system.
- Action 161: The findings in relation to the Blueschool House refurbishment investigation be recirculated to councillors.

## **97. WORK PROGRAMME UPDATE**

The committee's updated work programme was circulated, and further adjustments were reported in terms of external audit reports; with the 2021/22 External Audit Plan expected at the June 2022 meeting and the Auditor's Annual Report expected by December 2022.

Further to Action 158 above, the Chairperson commented on the need to consider matters in relation to ICT business continuity and cyber security resilience. The potential approach was discussed, and an assurance requested in the form of a briefing note initially.

In response to questions from a committee member about prioritisation, the Vice-Chairperson explained that the work programme was based on the audit and governance functions and the Chairperson commented on the need to accommodate matters of emerging change or risk. It was also noted that the committee's action log was reviewed regularly.

In response to a question about Action 103 in the committee's action log (relating to the treatment of Section 106 monies for transport / highways being circulated to committee members), the Interim Head of Corporate Finance said that clarification would be

provided on the timeline envisaged in relation to the progress update 'Members will have their own projects in their wards and parishes which will be taken up individually with them by the Programme Management Office.'

**RESOLVED:**

**That the updated work programme be agreed.**

Action 162: Further to Action 103 (relating to the treatment of Section 106 monies for transport / highways being circulated to committee members), clarification be sought from the Programme Management Office about the timeline for members to be contacted about projects in their wards and parishes.

**98. DATES OF FUTURE MEETINGS**

The dates for Audit and Governance Committee meetings for 2022/23 were confirmed, as follows:

Monday 27 June 2022, 2.00 pm

Monday 25 July 2022, 11.00 am

Monday 19 September 2022, 2.00 pm

Monday 31 October 2022, 2.00 pm

Monday 21 November 2022, 2.00 pm

Monday 30 January 2023, 11.00 am

Monday 13 March 2023, 2.00 pm

The meeting ended at 3.40 pm

**Chairperson**



COMPLETED ACTIONS WILL BE MOVED TO 'REPORTED COMPLETE' 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 AT THE LAST MEETING			
Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
91	16 March 2021	Corporate risk register	Consider how corporate centre will look at the aggregation of similar risks in or across directorates.	Head of Corporate Performance	Corporate Services	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This was planned as part of the annual refresh of the Risk Management Plan, which has been delayed due to staffing issues and the desire to incorporate any findings from the Risk Management Maturity Assessment. This will be picked up following the appointment of a new Head of Corporate Performance.	01/11/2021 31 May 2022 November 2022	
94	04 May 2021	Update on internal audit recommendations	The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.	Head of Corporate Performance and interim DMO	Corporate Services	Internal audit recommendations are now included in service business plans, which are updated on a regular basis. Reports will be presented quarterly to directorate leadership teams, commencing from July. This should remove the potential for recommendations to be 'missed' in the event of a lead officer leaving, as well as increasing visibility of progress.	01/09/21 30 April 2022	Yes 17 June 2022
95	04 May 2021	Update on internal audit recommendations	The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.	SWAP internal audit services and Head of Corporate Performance	Corporate Services	SWAP advise 'Internal Audit follow up the significant findings priority 1 and 2. Priority 3 are through self-assessment from officers. The Council provides a report every 6 months on progress against all actions which includes priority 3 actions'. At the meeting on 12 April 2022, the committee requested that the Head of Corporate Performance / Corporate Performance Team review this action and report back in the November 2022 update on internal audit recommendations. Head of Corporate Performance / Corporate Performance Team to report to the committee in November 2022.	30 September 2021 November 2022	
97	04 May 2021	Corporate risk register	The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.	Section 151 Officer	Corporate Services	To be considered as part of rethinking governance work stream.	3 May 2022 June 2022 [Update requested]	
99	04 May 2021	Corporate risk register	The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.	Head of Corporate Performance	Corporate Services	Discussed at the Risk Management Plan review session with committee on 25 June 2021. To be confirmed as part of Risk Management plan review. This will be picked up following the appointment of a new Head of Corporate Performance.	25/06/2021 30 April 2022 November 2022	
101	28 June 2021	Progress report on internal audit activity	That training be arranged for councillors in relation to Section 106, including the facility to access publicly available information and the processes involved.	Lead Development Manager	Environment and Economy	A meeting has been scheduled with senior management on 27 June 2022 to agree the training requirements and which external provider may deliver this training.	31/12/2021 June 2022	
102	28 June 2021	Progress report on internal audit activity	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.	Lead Development Manager	Environment and Economy	The review of the spreadsheet is ongoing and will be shared with committee members once completed.	30/09/2021 30 April 2022 July 2022	
106	28 June 2021	Progress report on internal audit activity	That follow-up audits completion be captured in action tracking by the head of corporate performance.	Head of Corporate Performance	Corporate Services	As per Action 94 above.	24/11/2021 30 April 2022	Yes 17 June 2022
109	30 July 2021	2019/20 external audit findings report	Training be arranged for committee members on the changes to regulations, particularly in relation to the value for money audit	Democratic Services / Section 151 Officer	Corporate Services	It is intended that a training session for committee members be held in June September 2022.	24/11/2021 01/07/22 September 2022	
110	30 July 2021	2019/20 external audit findings report	A briefing note on the management of council estate be provided to committee members	Interim Head of Property Services	Corporate Services	At the meeting on 12 April 2022, the committee noted the linkage to the Annual Governance Statement action plan (i.e. 'Produce the estates strategy for the use of council buildings'). A report is being prepared for Cabinet on the Strategic Asset Management Plan.	30 April 2022 [Date to be confirmed]	
115	27 September 2021	Corporate risk register	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 Services	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions due for Management Board. This will be picked up following the appointment of a new Head of Corporate Performance.	24/11/2021 November 2022	
122	27 October 2021	Progress report on internal audit activity	The new Transformation Director be invited to meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working.	Head of Corporate Performance	Corporate Services	Potential for attendance at a future meeting when internal audit recommendations are considered.	[Date to be confirmed]	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
125	27 October 2021	Progress report on internal audit activity	The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.	Section 151 Officer	Corporate Services	At the meeting on 12 April 2022, it was noted that SWAP did not carry out this audit.	28/02/2022 [Update requested]	
126	27 October 2021	Audit and governance - committee effectiveness and performance, skills matrix	A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.	Democratic Services	Corporate Services	At the meeting on 12 April 2022, it was noted that it would be appropriate to action this following Annual Council on 20 May 2022. Discussed at Group Leaders meeting on 8 June 2022 and agreed this would be implemented as soon as possible. Training to be scheduled	May 2022 July 2022	
129	24 November 2021	Update on internal audit recommendations	That information on relevant internal audit recommendations be circulated regularly to scrutiny committee members.	Head of Corporate Performance	Corporate Services	In progress to be aligned to proposed new arrangements for scrutiny committees. This will be picked up following the appointment of a new Head of Corporate Performance with the Interim Statutory Scrutiny Officer.	31 March 2022 November 2022	
130	24 November 2021	Update on internal audit recommendations	Consideration be given to collating internal audit recommendations on specific topics by subject heading.	Head of Corporate Performance	Corporate Services	To consider in wider arrangements for presenting SWAP actions. This approach will be adopted in the June report to the committee. Appendix A of the update on internal audit recommendations now has the recommendations in subject order rather than chronological order.	June 2022	Yes 17 June 2022
138	25 January 2022	Progress report on internal audit activity	An update be provided on the 'longstanding issues with the reconciliation of the holding accounts.', particularly in the context of previous internal update progress reports.	SWAP internal audit services	SWAP Internal Audit Services	The Follow Up is planned for quarter 1 and the committee will receive an update at the June July 2022 meeting.	June 2022 July 2022	
140	25 January 2022	Annual governance statement 2020-21 actions	With reference to Action 13, an update be provided on how the Covid Recovery Plan will link to wider resilience plans, particularly in terms of adult social care.	Director of Public Health	Corporate Services	A Covid recovery plan is still In development and will likely form part of the new and emerging economic strategy and Health and Wellbeing Strategy. In terms of the health and wellbeing, an informal workshop was held with members of the Health and Wellbeing Board on 6 May 2022 where they were consulted on the scope and process for development the new Health and Wellbeing Strategy. This is now being taken forward. In terms of economic strategy, the council is in the process of developing a new Big Economic Plan for the county. Consultants have been appointed to help lead this work, including the development of the UK Shared Prosperity Investment Plan (required by government to access funding). The Big Economic Plan is due to be completed by December, to be considered by Cabinet at the start of 2023. An external Stakeholder Group has been formed to oversee the development of both plans.	31 May 2022 29 July 2022	
143	25 January 2022	Annual report on code of conduct	The number of complaints referred to the police, even if nil, be included in the complaints received table in future reports.	Director of Governance and Legal Services	Corporate Services	Information will be included in the next annual report which will be due in September 2022.	September 2022	
145	12 April 2022	Internal audit 1st quarter plan 2022-23 and internal audit charter	A forward pipeline of future audits, as anticipated by the internal audit team for the next twelve to eighteen months, be provided in each quarterly plan report.	SWAP internal audit services	SWAP internal audit services	The pipeline of audits will be provided with the first Internal Audit Progress update for 2022-23 – this will be in June-July 2022.	June 2022 July 2022	
146	12 April 2022	Corporate risk register	Where corporate or departmental risks have an integral component supplied by partnerships, consideration be given to identifying those partnerships in the relevant risk entries.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance.	November 2022	
147	12 April 2022	Corporate risk register	A workshop be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance.	November 2022	
148	10 May 2022	Re-thinking governance	That it be confirmed that the Treasury Management function has been included in constitution Section 4 - Scrutiny Functions, within the remit of the Scrutiny Management Board, once approved by Council.	Democratic Services	Corporate Services	The remit of the Scrutiny Management Board now includes Treasury Management, see Constitution, Part 3, Section 4 (Scrutiny Functions): <a href="https://councillors.herefordshire.gov.uk/documents/s50101337/Part%203%20Section%204%20Scrutiny%20Functions.pdf#page=4">https://councillors.herefordshire.gov.uk/documents/s50101337/Part%203%20Section%204%20Scrutiny%20Functions.pdf#page=4</a>	27 June 2022	Yes 17 June 2022
149	10 May 2022	Re-thinking governance	In the further review of the constitution and for the purposes of clarity, the presentation of the audit and governance functions be considered, in order to separate them from the 'Other functions'.	Interim Head of Legal Services	Corporate Services	To be included alongside other amendments to Planning Functions as set out in the constitution	October 2022	
150	10 May 2022	Re-thinking governance	In terms of constitution paragraph 3.5.18 (j), clarification be provided about the 'caldicott guardian'.	Project Manager / Democratic Services	Corporate Services	The Chief Executive's scheme of delegation, SP79 identifies the Director for Adults and Communities as the officer appointed as 'Caldicott guardian to ensure patient data is kept secure and adherence to the Caldicott principles', with SA12 and SA32 identifying the Assistant Director All Ages Commissioning and the Assistant Director Safeguarding and Family Support as directorate leads for Caldicott guardian functions: <a href="https://councillors.herefordshire.gov.uk/documents/s50097405/Chief Executive Scheme of Delegation.pdf#page=16">https://councillors.herefordshire.gov.uk/documents/s50097405/Chief Executive Scheme of Delegation.pdf#page=16</a>	27 June 2022	Yes 17 June 2022
151	10 May 2022	Code of Conduct	Clarification be provided as to whether an occupation as a social influencer should be included in the list of 'Other Registerable Interests – 'Table 2' Interests'.	Interim Head of Legal Services	Corporate Services	Clarification will be provided at the next meeting.	July 2022	

Action Number	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported complete
152	10 May 2022	Auditor's Annual Report 2020/21	That management be asked to comment further on the key recommendation made by the external auditor on major contracts and how the council intends to ensure improvement going forwards.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	
153	10 May 2022	Auditor's Annual Report 2020/21	That further details be provided on the governance and oversight arrangements for the boards referenced in the report (e.g. Hoople Ltd), with an indication of a timeline for any updated arrangements.	Interim Head of Legal Services / Director of Resources and Assurance	Corporate Services	Proposals for the review of arrangements and suggested new arrangements have been drafted by Legal Services for discussion with the Director of Resources and Assurance	October 2022	
154	10 May 2022	Progress report on internal audit activity	In view of the ongoing work on grant certification, the Section 151 officer consider the potential to carry forward any remaining internal audit budget into the new financial year to enable other work to be undertaken.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	
155	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on unspent grant funding in relation to the Green Homes Grant.	SWAP internal audit services	SWAP internal audit services	Audit work is ongoing in relation to the Green Homes Grant and an update will be circulated to committee members.	July 2022	
156	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members in relation to the Oral Health Needs Assessment Plan advisory audit and the next steps.	SWAP internal audit services	SWAP internal audit services	The overview and key findings will be circulated to committee members.	July 2022	
157	10 May 2022	Progress report on internal audit activity	Further information be provided on the quantum of missing vehicle mileage sheets and recharges in relation to the audit on Pool Cars.	SWAP internal audit services	SWAP internal audit services	SWAP Internal Audit Services identified cases of vehicle mileage sheets not having been processed, covering 16,582 miles, along with inaccuracies with the data entered on the mileage sheets by staff; this included incorrect odometer readings over a period of two months on one car. Additional mileage has also not been recharged where mileage sheets have yet to be located. We have not been able to put a cost value to this as the costs include a charge for the time that the car is booked out, and this information is not consistently available.	27 June 2022	Yes 17 June 2022
158	10 May 2022	Progress report on internal audit activity	A briefing note be provided on Disaster Recovery, including issues around ICT business continuity and cyber security resilience.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	
159	10 May 2022	Progress report on internal audit activity	The member development team be invited to consider opportunities to enhance training for all members on raising concerns with statutory officers and on initiating call-ins and other scrutiny activity.	Interim Head of Legal Services	Corporate Services	Member Development Working Group to be convened.	September 2022	
160	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on the timeline for moving non-capital items onto the Verto system.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	
161	10 May 2022	Progress report on internal audit activity	The findings in relation to the Blueschool House refurbishment investigation be recirculated to councillors.	SWAP internal audit services	SWAP internal audit services	The previous findings will be circulated to committee members.	July 2022	
162	10 May 2022	Work programme update	Further to Action 103 (relating to the treatment of Section 106 monies for transport / highways being circulated to committee members), clarification be sought from the Programme Management Office about the timeline for members to be contacted about projects in their wards and parishes.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	







# **Title of report: External auditors draft annual plan 2021/222**

**Meeting: Audit and Governance Committee**

**Meeting date: Monday 27 June 2022**

**Report by: Director of Resources and Assurance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To review and agree the external auditor's draft audit plan for 2021/22.

The external audit of the council's statement of accounts for 2021/22 is due to commence in July 2022 and their approach and plan is attached at Appendix A.

## **Recommendation(s)**

**That:**

- a) **The proposed external audit plan 2021/22 at Appendix A is approved subject to any recommendations that the committee may wish to make;**
- b) **The committee note the "Informing the Audit Risk Assessment" document attached at Appendix B; and**
- c) **The committee determine any recommendations it wishes to make to maximise the value of the combined internal and external audit process.**

## **Alternative options**

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

## Key considerations

2. The constitution provides that the Audit and Governance Committee will:
  - a. Review and agree the external auditor's annual plan and receive regular update reports on progress.
  - b. Comment on the scope and depth of external audit work and to ensure it gives value for money.
  - c. Ensure that there are effective relationships between external and internal audit and that the value of the combined internal and external audit process is maximised.
3. Attached at Appendix A is the external audit plan for the audit of the 2021/22 Statement of Accounts which is due to commence in July 2022.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements. There are five standard presumed risks for all external auditor clients being:
  - Presumed risk of fraud in revenue recognition
  - Presumed risk of fraud in expenditure recognition
  - Management over-ride of controls;
  - Valuation of land and building and investment properties; and
  - Valuation of pension fund net liability
  - Valuations of infrastructure assets
5. Materiality has been determined as £7.7m for the council being 1.8% of prior years' gross expenditure. "Clearly trivial" has been set at £0.385m.
6. Following the new Code of Audit Practice 2020/21 ("the Code") there is a revised approach to value for money external audit work. The Code requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:-
  - a. Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures.
  - b. Governance – a risk that the council has not made informed decisions and is not effectively managing its risks.
  - c. Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.
7. Page 19 of Appendix A describes the work the external auditor will complete to provide their value for money commentary.
8. The committee is asked to consider whether there are any comments it would like to make with reference to the external audit plan. Progress against the plan will be reported at future committee meetings.

## Community impact

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

## **Environmental impact**

10. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
11. Whilst this is a decision on the statutory external audit plan and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy, for example by completing the work remotely.

## **Equality duty**

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

## **Resource implications**

14. The external audit plan at Appendix A highlights that the proposed cost of the 2022/23 audit is a base fee of £101,792 plus an additional fee of £77,875 to give a total proposed fee of £179,667.
15. Within the budget for 2022/23 there is a total budget of £265,533 but this includes the budget for internal audit fees as well. Therefore, depending upon the cost of the internal audit service for 2022/23, there could be a budget pressure arising from the levy of the additional audit fee by the external auditors.
16. If a pressure does arise, this will need to be contained within the overall Directorate budget.

## **Legal implications**

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

19. The Accounts and Audit (Amendment) Regulations 2021 temporarily extends the statutory reporting deadlines for financial years starting in 2020 and 2021 from 31 July to 30 September.

### **Risk management**

20. Appendix B documents the auditor's questions and management responses in informing the audit risk assessment. The committee is invited to review the management responses provided.

### **Consultees**

21. None

### **Appendices**

- |            |   |
|------------|---|
| Appendix A | External audit plan 2021/22   |
| Appendix B | Informing the Audit Risk Assessment 2021/22 [Corrected, 23 June 2022] |

### **Background papers**

None identified

# Herefordshire Council Audit Plan

**Year ending 31 March 2022**

27 June 2022

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

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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October 2021, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

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As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



# Key matters

## Factors

### Audit Quality

On 29 October 2021, the FRC published its annual report setting out findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 300 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

### Recovery from Covid 19 pandemic

In 2020/21 and 2021/22 Central Government provided substantial funding to the Council in recognition of both the impact of the Covid-19 pandemic on the Council's finances and in recognition of the additional duties the Council took on in response to the pandemic.

The 2021/22 base budget approved on 28 January 2021 at Cabinet agreed a value of £160,996k, of which an un-ringfenced grant of £4,879k was received by the Council as part of Covid-19 grant funding. The net forecast outturn as at quarter 3 is a overspend of £899k after applying the un-ringfenced Covid-19 grant.

### Value for Money

In our 2020/21 Auditors Annual Report we concluded that there significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness in the use of its resources. We highlighted 3 specific areas where improvements were required, specifically:

- Children's Social Care Services – in respect of the Council's failure to meet the statutory needs of children in its care as evident from the findings in the court judgment, the Department for Education non-statutory notice and the lack of progress made since Ofsted inspected in 2018 and the focused visit following the court judgment. This was highlighted in the recent Panorama programme aired on 16 May 2022,
- Contract Management - Council's lack of effective contract management arrangements for its public realm and facilities management contracts, to enable it to hold its contractor to account, and
- Contract Management –in respect of the Council not establishing the validity of contracting and continuing to trade with a company which was dormant or otherwise non-trading from a formal perspective.

## Our response

- The results of the recent FRC review are outlined on pages 3 and 4 of this Audit Plan.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our value for money work.
- Where recommendations have been identified through previous audit work, these will be followed up this year.
- We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to the Council.
- We will continue to provide you with sector updates via our Audit and Governance Committee updates.

# Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Herefordshire Council and Hoople Limited.

## Significant risks

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

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

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

## Materiality

We have determined planning materiality to be £7.864m (PY £7.1m) for the group and £7.7m (PY £7m) for the Council, which equates to approximately 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.385m (PY £0.35m).

## Value for Money (VFM) arrangements

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

- The Council's failure to meet the statutory needs of children in its care.
- The Council's lack of effective contract management arrangements for its public realm and facilities management contracts, to enable it to hold its contractor to account.
- The Council's contract appointment and management arrangements, as it did not establish the validity of contracting and continuing to trade with a company which was dormant or otherwise non-trading from a formal perspective.
- The Council has a repeated history of not learning from past events.

As part of our 2021/22 VFM work we will follow up all the improvement recommendations arising from our VFM work in the previous year.

# Introduction and headlines cont.



## Audit logistics

Our interim visit will took place in March 2022 and our final visit will commence in June 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our estimated fee for the audit is £179,667 and has been discussed with the Director of Resources and Assurance. The fee will be subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Herefordshire Council	Yes	Audit of the financial information of the component using component materiality	Risks set out on pages 9-10 of this report.	Full scope audit performed by Grant Thornton UK LLP
Hoople Limited	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP.

## Audit scope

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

# Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240 (rebutted)	Group (where applicable) and Council	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Herefordshire Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Herefordshire Council.</p>	No specific work is planned as the presumed risk has been rebutted.
Presumed risk of fraud in expenditure recognition ISA (UK) 240 (rebutted)	Group (where applicable) and Council	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Torridge District Council because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Council has a strong control environment; and</li> <li>• the Council has clear and transparent reporting of its financial plans and financial position to the Council.</li> </ul> <p>We therefore do not consider this to be a significant risk for Torridge District Council.</p>	No specific work is planned as the presumed risk has been rebutted.

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group (where applicable) and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• test consolidation adjustments made to arrive at group account balances</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings and investment properties	Council	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. For investment Properties the Council revalues these assets annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk.</p> <p>Given the value of the Council's land and buildings (£690.7m as at 31 March 2021) and investment properties (£38.7m at 31 March 2021) we have decided, in accordance with our approach at other similar councils, to appoint an auditors valuation expert in this area.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Council's valuers, the Council's valuers' report and the assumptions that underpin the valuation</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified (continued)

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



# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuations of Infrastructure assets	Council	<p>The Council owns infrastructure assets with a net book value of £269.3m (as at 31 March 2021).</p> <p>The CIPFA Code of Practice on local authority accounting (the Code) states that infrastructure assets shall be measured at depreciated historical cost.</p> <p>There is a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balances sheet and monitored through the asset register.</p> <p>The Council should consider whether the carrying value remains appropriate, or whether there are any indications of significant impairments and also the replacement of assets that have not been fully depreciated and the subsequent derecognition of the replaced assets, such as highways and street lighting.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review and challenge the arrangements that the Council has in place around impairment of infrastructure assets</li> <li>• Evaluate management's processes and assumptions for the calculation of the estimate</li> <li>• Evaluate the competence, capabilities and objectivity of any management expert relied upon</li> <li>• Challenge the information and assumptions used to inform the estimate</li> <li>• Consider whether there has been any replacement of assets that have not been fully depreciated and evaluate the subsequent derecognition of the replaced assets.</li> </ul>

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



# Accounting estimates and related disclosures

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The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- PFI Liabilities

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management that were completed and presented to the Audit and Governance Committee in June 2022.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

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

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £7.864m (PY £7.1m) for the group and £7.7m (PY £7m) for the Council, which equates to approximately 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £1m for Senior officer remuneration.

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

## Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.385m (PY £0.35m).

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

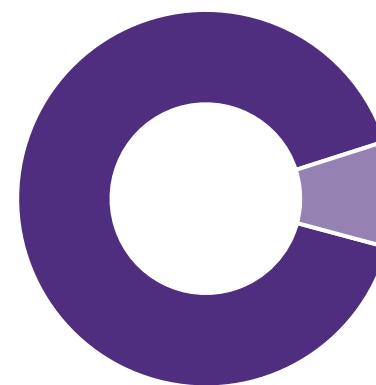
## Prior year gross operating costs

£436.9m group

(PY: £394.9m)

£430.7m Council

(PY: £390.6m)



■ Prior year gross operating costs

## Materiality

£7.864m

group financial statements materiality (PY: £7.1m)

£7.7m

Council financial statements materiality (PY: £7m)

£0.385m

Misstatements reported to the Audit and Governance Committee (PY: £0.35m)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

[We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.]

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Business World	Financial reporting	Detailed ITGC assessment (design and operating effectiveness)
Business World	Payroll	Detailed ITGC assessment (design effectiveness only)
Academy	Housing Rents	Streamlined ITGC design assessment



# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money. Where these risks are linked we will coordinate our response.



### Children's Social Care Services

A significant weakness was identified in the 2020/21 Annual Auditors Report around the Council's failure to meet the statutory needs of children in its care. The Council is currently reviewing the children's services to identify areas for improvement.

Risk response: We will therefore review the Council's progress in this area including the costs incurred and how these compare to budgeted costs.



### Contract Management

A significant weakness was identified in the 2020/21 Annual Auditors Report around the Council's lack of effective contract management arrangements for its public realm and facilities management contracts, to enable it to hold its contractor to account.

Risk response: We will therefore review the actions taken by the Council following the legal advice received and review the progress made since March 2021.



### Balfour Beatty Living Places (BBLP)

A significant weakness was identified in the 2020/21 Annual Auditors Report around Balfour Beatty Living Places (BBLP) as the Council did not establish the validity of contracting and continuing to trade with a company which was dormant or otherwise non-trading from a formal perspective.

Risk response: We will therefore review the actions taken by the Council following the legal advice received and review the progress made since March 2021.



### Repeated history of not learning or following up on past actions

Our understanding of the Council suggests that there is a repeated history of not learning or following up on past actions, for example Blue School House, Safeguarding Peer on Peer Review and Hereford City Centre Transport Package. We consider that this is a risk of significant weakness at the planning stage.

Risk response: We will therefore review the governance arrangements the Council has in place to ensure that it has learnt from past reviews and implemented recommendations. We will:

- Discuss with statutory officers and those charged with governance how they gain assurance that previous recommendations have been actioned
- Review arrangements the Council has made to supporting a learning and development culture
- Review of Blue School House project, Hereford City Centre Transport Package and Safeguarding Peer on Peer review reporting and assess how the recommendations have been actioned.



# Risks of significant VFM weaknesses

.We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

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### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



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## Peter Barber, Key Audit Partner

Responsible for overall quality control; accounts opinions; final authorisation of reports; attendance at Audit and Governance Committee.



## Gail Turner-Radcliffe, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs.

## Siddharth Jain, Audit Incharge

Siddharth's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the audit team.

## Audited body responsibilities

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

## Our requirements

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

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

# Audit fees

PSAA awarded a contract of audit for Herefordshire Council to begin with effect from 2018/19. The fee agreed in the contract was £95,792. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 14 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22 has yet to be determined. The anticipated fee will be discussed with the Director of Resources and Assurance and communicated to the Audit and Governance Committee once agreed.

## Assumptions

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

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

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Herefordshire Council Audit	£95,792	£95,792	£101,792
Additional fee	£35,159	£81,000	£77,875
Total audit fees (excluding VAT)	£130,951	£176,792*	£179,667**

\* The 2020/21 Actual Fee includes a £20,000 uplift for our additional work on the Value for Money since we issued the Audit Plan.

\*\* For a breakdown of the fee, please see the next page.

# Proposed Audit fees – detailed analysis

Scale fee published by PSAA	£101,792
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## Ongoing increases to scale fee

Group accounts	£3,750
Increased challenge	£3,125
PPE Valuation	£750
Pensions IAS19	£750
PPE Valuation – (Use of auditor's expert)	£5,000
Additional VFM (estimated)	£40,000
Impact of ISA540	£6,000
Journals / Grants testing	£7,000
Local risk factors	£5,000
Additional FRC challenge review	£1,500
Infrastructure Assets (new for 2021/22)	£5,000
<b>Total audit fees (excluding VAT)</b>	<b>£179,667</b>

# Independence and non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

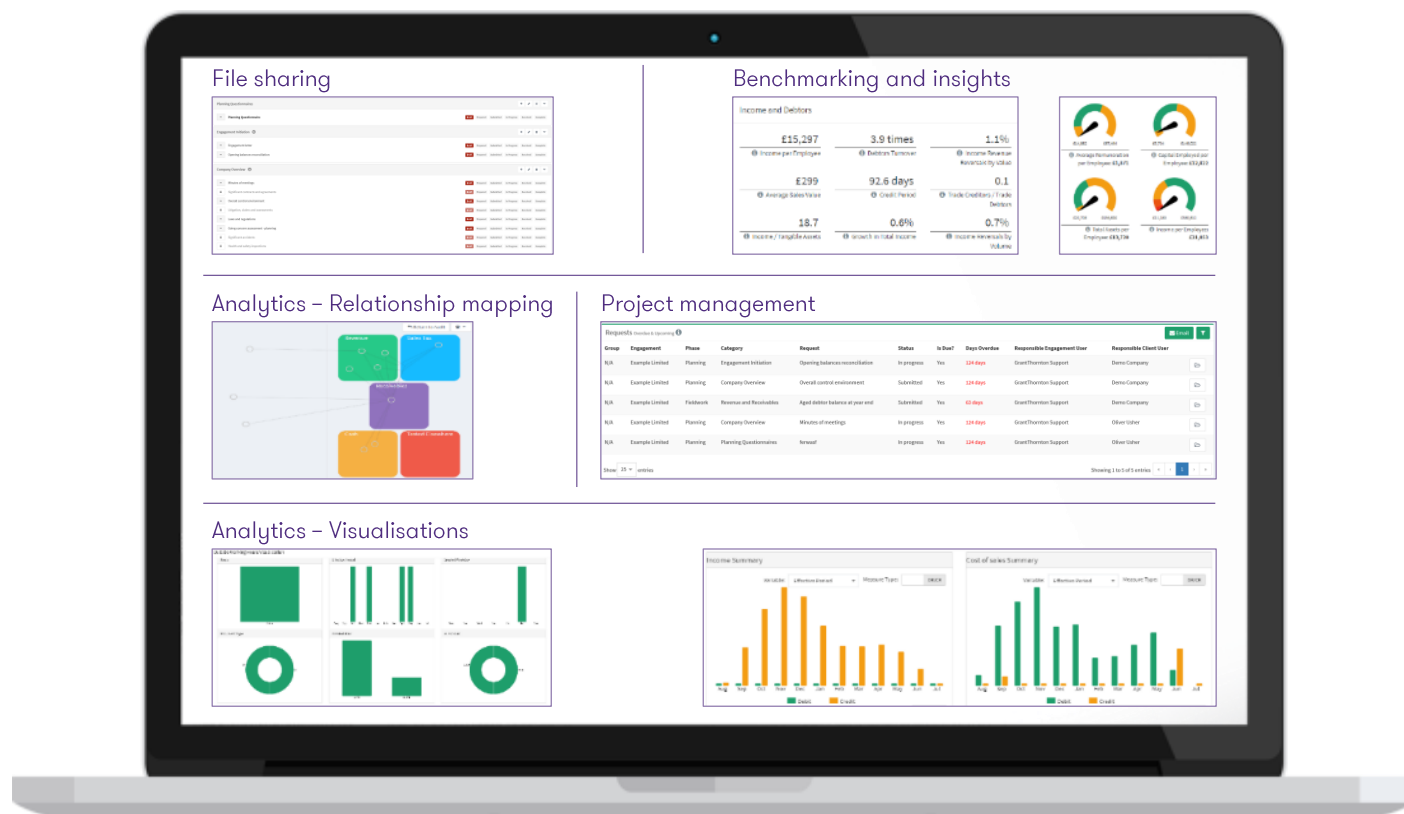
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Claim	TBC	Self-Interest (because this is a recurring fee)	The estimated level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total projected fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teacher's Pensions Claim	TBC	Self-Interest (because this is a recurring fee)	

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.





# Informing the audit risk assessment for Herefordshire Council 2021/22

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

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## Purpose

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

### Background

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

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

### Communication

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

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

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

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	<p>Ongoing impact of Covid-19 and local authority response to that. Impact on Hereford will be the administration of the Covid-19 grants and correct accounting for that.</p> <p>The DFE have initiated a non-statutory intervention into Childrens' Services and the Council has allocated significant resources to addressing the resulting improvement plan.</p> <p>A Human Rights court case has commenced in respect of a particular case in Childrens' Services. Herefordshire will not be in a place to be able to quantify, if any, the potential amount of damages which may be awarded.</p>
2. Have you considered the appropriateness of the accounting policies adopted by Herefordshire Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Currently under review. Not anticipating any changes to accounting policies but the review will take place prior to completion of the accounts.
3. Is there any use of financial instruments, including derivatives? If so, please explain	No.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	<p>Administration of significant amounts of Covid-19 grants on behalf of central government. This has been overseen by changes to the internal audit programme.</p> <p>Herefordshire acted a guarantor for a charity loan (back to 2011). The bank triggered the guarantee clause and this resulted in payment of approximately £310k. The Council has raised a query with the Charity Commission in respect of the action of the charity trustees. Briefing paper is available.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Not currently aware of anything but "impairment" will be considered as part of the production of the accounts.
6. Are you aware of any guarantee contracts? If so, please provide further details	No new guarantee entered into but see (4) above re historic guarantee.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Herefordshire Council has triggered a number of early warnings with our contractor Balfour Beatty Living Places which could result in future claims against them.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Herefordshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	See Appendix B

## General Enquiries of Management

Question	Management response
9. Have any of the Herefordshire Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Link Asset Services – Treasury Management</p> <p>Aecon Quantity Surveyors – review transactions with Balfour Beatty Living Places (commenced March 22)</p> <p>Prince &amp; Peers – Commercial Advisors on Stronger Towns Bids</p> <p>Impact Consultancy &amp; Research – assisted on budget consultation and Citizens Assembly.</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Will be reviewed as part of the year end process. Not aware of any at present.



# Fraud

## Matters in relation to fraud

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

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

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

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

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

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

## Fraud risk assessment

Question	Management response
<p>1. Has Herefordshire Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Will be done as part of the closedown process.</p> <p>Herefordshire appointed a Counter-Fraud Specialist in March 2020 and is responsible for reviewing, identifying and responding to fraud.</p> <p>Any suspected incidents of fraud are reported through to this person in line with our Counter Fraud Policy approved by the Audit &amp; Governance Committee and regularly reviewed by them.</p> <p>The Annual Governance Statement processes includes circulation of a questionnaire to be completed by service Directors and this includes a section on risk. The preparation of the contingent liability note will review the current risk register.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Reviewing this as part of the closedown process.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Herefordshire Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>See above re court of protection case.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>The Risk Register is reviewed regularly by Management Board and is also reported through to the A&amp;G Committee. Furthermore, the Counter-Fraud &amp; Corruption Policy and Counter Fraud &amp; Corruption Strategy is reviewed by Management Board and submitted to Audit &amp; Governance Committee for approval.</p> <p>Quarterly fraud updates are provided on a regular basis, which communicates the latest fraud alerts, trends and counter fraud activity. Within the annual fraud report, a more detailed overview of counter fraud activity is provided to the committee for additional oversight and governance.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Herefordshire Council where fraud is more likely to occur?</p>	<p>The Counter Fraud Specialist (CFS) is in the process of undertaking a fraud risk [self]-assessment with Internal Audit (SWAP), to assess fraud risks across the local authority services. The aim will be to subsequently align the fraud risk assessment with the internal audit plan to enable ongoing monitoring and testing of counter fraud controls.</p> <p>Please note that the below information is confidential and NOT recommended for wider public disclosure.</p> <p>The fraud risk assessment is an ongoing development and areas of higher risk to fraud have been highlighted within the Adult Social Care, Business Rates, Council Tax, Grants, Insurance and Blue Badge services. As such, the CFS has been proactively working with these services to strengthen the controls and to reduce the risk of fraud in these areas.</p>
6. What processes do Herefordshire Council have in place to identify and respond to risks of fraud?	<p>Herefordshire Council has an internal Counter Fraud Specialist (CFS) that investigates allegations of suspected fraud. The CFS proactively manages the National Fraud Initiative (NFI) database, to undertake data matching exercises in a number of the Council's services, which assists in the detection of potential fraud and error. Additional processes have been implemented, such as within the pre-payment financial card services, 'Know Your Customer' (KYC) checks are undertaken to assist in prevention of identity fraud.</p> <p>The Local Authority has a Counter Fraud Policy, Whistleblowing Policy, Counter Fraud Strategy, and Fraud Action Plan. Furthermore, the Council has a Fraud Response Flowchart in place, which outlines the process of how fraud referrals are investigated.</p>

## Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Herefordshire Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>There are documented procedures for all key business processes which are subject to scrutiny by the internal auditors as part of a programme approved by the A&amp;G Committee.</p> <p>The internal auditors (SWAP) provide an annual assurance statement to the Committee as well.</p> <p>There is always the potential for override of controls or inappropriate influence but no significant defects in controls have been identified and this will be confirmed by SWAP.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not aware of any.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does Herefordshire Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Herefordshire Council has a number of relevant Policies that communicates ethical behaviours and guidelines. These include, but are not limited to the following;</p> <ul style="list-style-type: none"> <li>Counter Fraud &amp; Corruption Policy, Anti-Money Laundering Policy, Whistleblowing Policy, Employee Code of Conduct, Procurement Policy, Information Security Policy and other Policies that provide guidance on ethical practise across the Council's services and suppliers.</li> </ul> <p>Staff are encouraged to report all concerns and are provided with multiple different options to make a referral. Employees can report a concern of fraud directly to the Counter Fraud Department using the referral form located on the Council's Fraud Awareness intranet platform. Additionally, a fraud referral can be made through the whistleblowing function to the Council's monitoring officer, through the service areas' line manager (if appropriate), or through Internal Audit.</p> <p>Each member of staff in the Council undertakes mandatory annual fraud awareness training, which provides employees with a basic knowledge on how to prevent, detect and report instances of fraud. The types of fraud which Local Authorities are susceptible to, are explained within the training, and this provides guidance to employees in what type of referrals are expected to be reported.</p> <p>The CFS provided the Annual Fraud Report to the committee, which outlines further details on fraud referrals within the calendar year in 2021. Please see A&amp;G Minutes from the 25<sup>th</sup> January 2022, which are publicly available.</p> <p><i>Please note that the below information is confidential and <b>NOT</b> recommended for wider public disclosure.</i></p> <p>Within the calendar year in 2022, the CFS has received a further 5 fraud referrals. One referrals related to an internal fraud allegation, detailed below. The other four referrals are considered to be low level.</p> <p>The case of alleged internal fraud has been identified within the Adult Social Care department. The case has been referred to West Mercia Police to investigate the alleged criminal offences. Internally, SWAP is undertaking further internal investigation and assessment of the control weaknesses within the service. Due to the sensitive nature of this investigation, no further information can be provided at this time.</p>

## Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The Council's fraud risk assessment is undertaken across the Local Authority services. As such, the CFS and Internal Audit includes an assessment of the service / departmental structure, and consideration is placed on the standards of authorisation particular roles have. This is subsequently taken into account within the overarching risk given to the individual service area.</p> <p>These risks are managed by aligning the fraud risk assessment with the Internal Audit Plan, so the Council can actively test the fraud controls in place for any post that is identified as high risk.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Related party inquiries are undertaken as part of the closedown process. Declarations are required to be made where changes occur and to reconfirm as part of an annual process overseen by the Monitoring Officer. The Council also maintains an Employee Interests, Gifts and Hospitality Policy.</p> <p>The Council uses the National Fraud Initiative database to undertake data matching exercises on creditors, suppliers and payroll services. This assists the Council in identifying any undeclared related party relationships or transactions.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Please refer to question 4, which outlines how the Council communicates and reports fraud issues and risks to the Audit and Governance Committee. Also refer to the A&amp;G Minutes from the 25<sup>th</sup> January 2022 which are publicly available.</p> <p>A&amp;G sign off all Policies and have oversight of quarterly/ annual fraud updates and the Internal Audit reports.</p> <p>The outcome of these arrangements are that all policies submitted the committee have been agreed and received positively. The latest Counter Fraud Report was proactively published across local media sources and internally within the Council.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>See Appendix C – Monitoring Officer 2021 Annual Report on Whistleblowing to Chief Executive and Internal Audit</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No, none.</p>

## Law and regulations

### Matters in relation to laws and regulations

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

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

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

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



## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Herefordshire Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Monitoring Officer (or representative) attends Audit and Governance Committee Meetings and advises members on any areas of concern. The monitoring officer annual report has been replaced with an opinion that feeds into the annual governance statement.</p> <p>There are no changes in 2021/22 that would have a significant impact on the financial statements.</p>
2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	Through regular reports and presentation of the risk register.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	No, none
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No, none

## Impact of laws and regulations

Question	Management response
5. What arrangements does Herefordshire Council have in place to identify, evaluate and account for litigation or claims?	The council identifies this through its internal legal service, audit service and risk register, supported by the Solicitor to the Council and the section 151 officer.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Nothing from HMRC. A route VAT inspection did not identify any issues of concern.

# Related Parties

## Matters in relation to Related Parties

Herefordshire Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

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

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

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Herefordshire Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Herefordshire Council</li> <li>whether Herefordshire Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>On 29 March 2019 The County of Herefordshire District Council became a shareholder in Cyber Quarter Limited, taking a 19% shareholding, at a cost of £1 per share. Cyber Quarter Limited is the company that owns and operates the Midlands Cyber Centre. The remaining shares are held by the University of Wolverhampton.</p> <p>On 1 April 2019 the council entered into a loan agreement with Cyber Quarter Limited for £3.5 million for 25 years with an interest rate of 5.99% and a re-repayment holidays of 5 years from the date of the loan agreement.</p> <p>As of today's date other than the loan the council has not entered into neither does it plan to enter into any transactions with Cyber Quarter Limited.</p>
2. What controls does Herefordshire Council have in place to identify, account for and disclose related party transactions and relationships?	The Year End Finance Team (Revenue and Capital Accountants) discuss the related party note for the accounts and also review the ledger and member and officer declarations of interest to identify any other related parties.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	In line with finance procedure rules. Officers are unable to authorise expenditure to a related party of which they have declared an interest.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Within the normal course of business transactions are controlled through the Council's scheme of delegation, significant transactions outside of this would be escalated for member approval.

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Herefordshire Council will no longer continue?	Review monthly management accounts which are reported through to Management Board and the Chief Executive. The S151 Officer is satisfied that the Council has adequate reserves and the budget is appropriate. No anticipation of a S114 Notice.
2. Are management aware of any factors which may mean for Herefordshire Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No – this is considered as part of the financial outturn considered by Management Board.
3. With regard to the statutory services currently provided by Herefordshire Council, does Herefordshire Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Herefordshire Council to cease to exist?	Yes. No plans for Herefordshire Council to cease to exist.
4. Are management satisfied that the financial reporting framework permits Herefordshire Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes.

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Changes to PPE valuations in relation to property assets could have a significant impact.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	No direct correlation.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use external advisors for technical matters and then follow previous years' methodologies for consistency buy subject to annual review for fitness-for-purpose.
4. How do management review the outcomes of previous accounting estimates?	Monthly review of management accounts.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	None as yet.



## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	As in previous years we appoint suitably qualified persons e.g. pension fund actuaries and property valuers.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	We have a number of policies and procedures which are reviewed by internal audit.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Include within the internal audit annual plan.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Reviewed as part of the management structure and again through the monthly budget monitoring processes.

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No change from previous years.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Professional judgement by the independent advisors to the Council.
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through the Audit Finding Report from the external auditors.

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuation service is procured to obtain professional valuations. All valuations are provided under the CIPFA code of practice and RICS valuation methods.	Through appointing appropriately qualified professionals, holding regular dialogue with the provider and reviewing plus re-performing of calculations	Yes – Wilks Head and Eve LLP	The majority of assets are valued annually and all assets are valued over two years to minimise the risk of mis-statement. A review on the potential market impact on those that haven't been valued is also completed	No
Investment property valuations	The Valuation approach was discussed and agreed between finance, property services and external valuers and is consistent with last year's approach.	Through appointing appropriately qualified professionals, holding regular dialogue with the provider and reviewing plus re-performing of calculations	Yes – Wilks Head and Eve LLP	There is an inherent risk in IP valuations which is completely dependent on the property market. The recovery from the COVID 19 pandemic and the general economic outlook, could impact on the property market but there are currently no signs that is the case.	No
Depreciation	The calculation of depreciation is based on the valuation of an asset and the assessment of useful life. The assessment of useful life is based on the councils accounting policy, which is reviewed annually.	The valuation of the asset is provided by an external valuer. They will also estimate a useful life of buildings. The depreciation methodology is included in the accounting policies and reviewed annually on all classes of non-current assets.	Yes – Wilks Head and Eve LLP for values and lives – officers for calculations	Estimates are reviewed annually	No

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The appointed professional Actuaries provide a report detailing the model, method and valuation	HC has representation on the Pensions Fund Committee.	Professional Actuaries are acquired by the Pension Fund Administrators.	The assumptions used in the calculation of the Pension Fund Valuation are reviewed by management for reasonableness.	No
Loans	Treasury Management advisors (Link Treasury Services) provide guidance and model notes to the accounts.	Regular updates & meeting with TM advisors	Link Treasury Services	Link Treasury Services provide the fair values of the Council's loan portfolio (using premature repayment rates and new loan rates).	No
Accruals	Most accruals are system generated so relate to a direct sales or purchase order or invoice so no estimate is used.				No

## Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	The more material provisions are in term of NNDR Appeals, legal claims and the provision for Insurance claims. In these cases external providers are used with expertise in the relevant area.	We challenge the assumptions used with the providers through direct meetings, discussions and regular communications.	NNDR Appeals – Analyse Local was used. These were selected as used by many LAs and have good experience in the market. Insurance – An expert report is produced as part of our contract with the insurance brokers, who have past and current knowledge of our claims history and outstanding claims. Legal cases – external counsel will be used	The assumptions will be based on the external provider of the calculations. In terms of Insurance this will be based on Insurance industry markets and climates. In terms of NNDR Appeals this will be based on the climate and court cases. In terms of legal claims this will be based on external counsel estimates of likely damages.	No
Credit loss and impairment allowances	Income streams bad debt provisions are calculating using the system arrears totals and an estimated percentage of non-collection of debt. Working on the assumption that the older the date the higher the percentage of non-collection	Management review the percentages used to ensure that they are set at a prudent level and by looking at the debts being written off against provisions previously made.	Experts not used	Bad debts and impairment allowances are estimated using a consistent methodology and also reviewing the reasonableness of previous year's estimates.	No
PFI Liabilities	The Whitecross and waste PFI are typical PFI arrangements with PFI credits attached to them. The Shaw arrangement was determined to be a PFI type arrangement under IFRIC 12	PFI models reviewed by finance team annually	Waste PFI model agreed with Worcestershire County Council	PFI liabilities are calculated using a consistent methodology and also reviewing the reasonableness compared with previous year'.	No

## Appendix B – External Legal Support

### Barrister/Solicitor Chambers

IGC/Family Law  
 11KBW Ltd  
 1KBW Chambers  
 36 Group Ltd  
 39 Essex Chambers  
 3PB Barristers  
 Anthony Collins Solicitors LLP  
 Barrister Chambers  
 Barrister Chambers at 11KBW  
 Bevan Brittan LLP  
 Browne Jacobson LLP  
 Cloisters  
 Coram Chambers  
 Cornerstone Chambers  
 Cumbria Employment Solicitors Limited  
 Doughty Street Chambers  
 Eversheds Sutherland  
 Five Pump Court Chambers  
 Forpsych Ltd  
 Francis Taylor Building  
 Freeths LLP  
 Gough Square Chambers  
 Halcyon Chambers  
 Harold G Morgan & Associates  
 Hodnett Legal Services Ltd

Hulse Yazdi Professional Services  
 Humfrys & Symonds  
 Irwin Mitchell LLP  
 James Button and Co  
 Johnson & Gaunt Solicitors Ltd  
 Jonathan Evans (4pb)  
 Kelvin Rutledge  
 Kings Chambers  
 Landmark Chambers  
 Leigh Day Solicitors  
 LJB  
 Matthew Wyard  
 mfg Solicitors  
 New Court Chambers  
 No 5 Barrister Chambers  
 Papyrus  
 Pendragon Chambers  
 Pinsent Masons  
 Red Lion Chambers  
 Regency Chambers  
 Sargeants Inn Chambers  
 Sharpe Pritchard LLP  
 Shropshire Family Law  
 St Ives Chambers  
 ST Johns Chambers

St Philips  
 St Philips Barristers  
 The John M Hayes Partnership  
 Veale Wasbrough Visards  
 Weightmans  
 Whatley Recordon Solicitors  
 Wright Hassall LLP

## Appendix C – Monitoring Officer 2021 Annual Report on Whistleblowing to Chief Executive and Internal Audit

The whistleblowing policy includes an annual monitoring report to include a summary of the concerns raised, which department they relate, the posts involved and any lessons learnt. The table below summaries the 8 complaints received this year.

Summary of concerns raised	Department	Post to which concerns relate	Lessons learnt
Practice by a member of staff	Children Services	Social worker	HR already dealing
Service failure	Economy and Place	Registrars	HR already dealing Service review required and being undertaken
Conflict of interest	Economy and Place	Surveyor	None - no evidence
Leadership and management	Children Services	Senior management	Importance of exit interviews Triangulation of information Line of sight of CEX Staff ability to raise concerns
Leadership and management	Children Services	Senior management	As above
Leadership and management	Children Services	Senior management	As above
Suitability of staff member	Children Services	Social worker	HR already aware of it

The aim of this report is to ensure that the council learns from mistakes, does not repeat them and ensures consistency in approach across departments.

Given the YY judgement this year it is not surprising that half of the complaints relate to children services. However what is interesting is that all the concerns this year are related to conduct of our own staff and HR were in the main already involved and dealing with the issue.

The only lesson learnt for the organisation I think is about our exit interviews and how they are used. The chief executive I suggest should be aware of any issues being raised via this route of communication.



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# Title of report: Update on Internal Audit Recommendations

**Meeting: Audit and Governance Committee**

**Meeting date: Monday 27 June 2022**

**Report by: Performance Lead, Economy & Environment and Corporate Services**

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

To review the progress of audit recommendations implementation.

The committee receives periodic reports on progress made in implementing audit recommendations to enable it to fulfil its role of monitoring the effective development and operation of risk management and corporate governance in the council.

## Recommendation(s)

**That:**

- a) **The status of current audit recommendations be reviewed and the committee determine any recommendations it wishes to make in order to provide further assurance that actions identified by audit activity are being actively managed.**

## Alternative options

- 1. The committee could choose not to monitor the progress made on audit recommendations; however this would not be recommended as it is a function of the committee to monitor the effective development and operation of risk management and corporate governance in the council, and this report seeks to assure the committee that actions in response to audit recommendations are being suitably prioritised, in turn reducing the risk to the council.

## Key considerations

2. South West Audit Partnership (SWAP) provides the internal audit services for Herefordshire Council. SWAP is required to deliver an annual audit plan, which is scoped using a risk-based assessment of the council's activities. Additional audits are added to the plans as necessary to address any emerging risks and issues identified during the year.
3. Upon completion of each audit review, a formal report is drafted for discussion with service managers. These reports include the main conclusions of the review and the overarching opinion, individual findings and the potential associated risk exposure.
4. Management responses to each audit recommendation are obtained and recorded, identifying any actions required, the person responsible and an agreed target implementation date.
5. Recommendations are each scored to indicate their severity. The scoring matrix is shown below:

	Priority
Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of the management	Priority 1
Important findings that need to be resolved by management	Priority 2
Finding that requires attention	Priority 3

6. All staff responsible for audit recommendations are asked to review progress on the implementation of recommendations. Managers were asked to self-report on the action which had been taken in respect of the SWAP recommendation and the overarching status.
7. The last report to the Audit and Governance Committee in November 2021 provided an update on audit recommendations. At this meeting, it was reported that there were 20 recommendations that were overdue; a combination of recommendations which had been previously reported to the committee as overdue (10), and those which were due between April 2021 and September 2021 that hadn't been complete as planned (10); there were a further three that had been missed from the report. Updates have been sought on these remaining items from responsible owners identified at the point of finalising the audit. These updates identified that 13 recommendations have since completed and 10 remain outstanding. Further details on these recommendations can be found at appendix A, along with revised completion dates.
8. Between October 2021 and March 2022, a further 30 recommendations were due for completion. The table below provides an update status for these recommendations, split by priority and directorate.

		C&W	C&F	E&E	Corp. Centre
Priority 1	Complete				
	Incomplete				
Priority 2	Complete			1	3
	Incomplete		2	1	5
Priority 3	Complete			4	5
	Incomplete		1	2	6
<b>Total</b>	<b>Complete</b>			<b>5</b>	<b>8</b>
	<b>Incomplete</b>		<b>3</b>	<b>3</b>	<b>11</b>

9. Of all the audit recommendations which became due for completion since the last committee, 49% have been completed. Further details on the recommendations, and the update provided can be found in appendix A.
10. In addition to recommendations due for completion before this meeting, an update is provided below giving an indication of progress being made against recommendations due in the future.

	Priority 1	Priority 2	Priority 3	<b>Total</b>
Complete			4	<b>4</b>
On track		4	11	<b>15</b>
Delays possible				
Delays likely			4	<b>4</b>
No update				

11. Of the future recommendations, 82% of these are on track to be completed within planned timescales, or have already been completed. A further narrative on these items can be found in appendix A.

#### **Process for future reporting of recommendations**

12. A previous committee discussion identified an example where the allocated officer for the recommendation had left the council and their successor was unaware of the recommendation. As part of the revised service business planning guidance, audit recommendations will be included within the relevant service business plan (SBP); by holding recommendations consistently in the SBP, it means that actions will carry across to incoming staff. In addition, SBPs require a quarterly progress update meaning that the audit recommendation will also be available for reporting to directorate management teams, corporate leadership team and cabinet portfolio holders. A biannual report will continue to be reported to audit and governance committee.
13. A process map for the reporting of progress of audit recommendations is at appendix B.

#### **Community impact**

14. In accordance with the principles of the council's adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective service planning, financial management, risk management and internal controls are important components of this performance management system. By monitoring the implementation of audit recommendations, assurance is given that risks are being effectively managed and that the council is taking action to meet its corporate plan priorities to secure better services, quality of life and value for money.

#### **Environmental impact**

15. This report is based on internal audit and the response of the council to its recommendations, as such there are minimal environmental impacts.

#### **Equality duty**

16. 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.

17. 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**

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

### **Legal implications**

19. There are no legal implications arising from the recommendations in this report.

### **Risk management**

20. There are no risks associated with the recommendations of this paper and visibility of the progress being made against audit recommendations promotes good governance. However, internal audit recommendations are raised as a result of gaps in our controls or deficiencies identified within processes reviewed, therefore incomplete and overdue items inherently increase the council's exposure to risk.

### **Consultees**

21. None.

### **Appendices**

Appendix A Recommendations  
Appendix B Process map

### **Background papers**

None identified

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Property Maintenance – Schools  <b>PREVIOUSLY OVERDUE</b>	1.3 We recommend that a simple set of procedures be set up for compilation of the annual maintenance programme planning spreadsheet, and for the planning and approval of additional / emergency works.	3	31-Mar-20 Revised to 01-Sep-21 Revised to 31-Mar-22	Complete		Head of Educational Development
Continuing Healthcare (CHC) Funding Process  <b>PREVIOUSLY OVERDUE</b>	1.1.2 We recommend that the CHC Dispute Policy should be viewed with consideration given to any changes required, in particular the timeframe for a meeting to be arranged for cases subject to the dispute resolution process at level two. Once the policy is formally agreed between the Council and the CCG it should be signed off.	2	30-Apr-20	Complete		Assistant Director, All Ages Commissioning
Continuing Healthcare Funding Process  <b>PREVIOUSLY OVERDUE</b>	1.1.3 We recommend that a formal written backdating protocol is developed and approved between the Council and the CCG.	3	30-Apr-20	Complete		Assistant Director, All Ages Commissioning
Members Allowances and Expenses 2019/20  <b>PREVIOUSLY OVERDUE</b>	1.3a We recommend the Democratic Services Manager considers including specific guidance amounts for subsistence in the Councillors allowance scheme.	3	31-May-21	Complete		Democratic Services manager and Democratic Services Officer
Income Charging 2019/20	1.1 We recommend the Chief Finance Officer ensures a review of the current income charging principles is carried out including	3	30-Oct-20 Revised to 31-July-21 Revised to	The Chief Finance Officer has considered the recommendation, and has concluded that it would be beneficial to adopt a corporate approach to income charging	In progress	Head of Management Accounting/Chief Finance Officer

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
<b>PREVIOUSLY OVERDUE</b>	consideration as to whether a corporate Income Charging Policy Document/procedure document would be beneficial.		31-Mar-22 Revised to 10-Feb-23	arrangements and this will feed into the forthcoming review of the Medium Term Financial Strategy		
Staff Car Parking - Business Passes  <b>PREVIOUSLY OVERDUE</b>	1.2.1 We recommend that the Assistant Director of Technical Services ensures: <ul style="list-style-type: none"> <li>Managers and staff business pass holders are reminded of the requirement to return parking passes if an officer leaves or transfers to a new role,</li> <li>A centralised record of returned passes is populated in a consistent manner to identify details of all passes that are required to be returned including the leaving/role change date or the date that the pass was destroyed to allow Parking Services to pursue unreturned passes as part of the solution under recommendation 1.1,</li> <li>Where the manager fails to obtain a staff business pass, where the officer is leaving or transferring the service should be charged for the cost of a season ticket for the pro rata amount remaining time left on the parking pass.</li> </ul>	3	31-Jan-21 Revised to 31-Dec-21 Revised to 27-Jun-22	Corporate Leadership Team have now approved a new scheme, and Directorate funding has been allocated from the staff parking budget. Consultation with affected staff will start for two weeks, with a planned launch date for new system of 27 June.	In progress	Parking Strategy and Processing Manager
Staff Car Parking - Business Passes  <b>PREVIOUSLY OVERDUE</b>	1.2.2 We recommend that the Assistant Director Corporate Support further investigates the leavers process to ensure the Parking Services Team are notified of leavers/changes in role and that this is done promptly.	3	30-Jun-21 Revised to 31-Mar-22	Complete		Assistant Director People
Staff Car Parking - Business Passes  <b>PREVIOUSLY OVERDUE</b>	1.1 We recommend that the Assistant Director for Technical Services ensures that: <ul style="list-style-type: none"> <li>A solution is identified and implemented to provide a master list of active pass holders with appropriate reports to allow monitoring to be simplified,</li> <li>All existing pass holders are checked for general compliance with the Staff Car</li> </ul>	2	30-Apr-21 Revised to 31-Dec-21 Revised to 27-Jun-22	CLT have now approved this new scheme, and Directorate funding has been allocated from the staff parking budget. Consultation with affected staff will start for two weeks, with a planned launch date for new system of 27 June.	In progress	Parking Strategy and Processing Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Parking Policy - Business Passes April 2019 annually.					
Emergency Active Travel Fund Tranche 1 Grants  <b>PREVIOUSLY OVERDUE</b>	Although the DfT funding was spent within the set timescale, expenditure was coded first to the Access Fund code rather than the correct capital code for the grant. A review of the cost codes showed that all of the £20,000 from the DfT has effectively been spent, but the expenditure was coded to the Access Fund first, rather than the DfT funding. Should additional funding be obtained for Tranche 2, Finance staff should ensure that this does not happen again, in order to be able to demonstrate that the funding has been spent within any required timescales, and to ensure transparency around use of DfT grant funding.	3	31-Dec-20 Revised to 28-Feb-22	Complete		Infrastructure Manager
Additional Dedicated Home to School Transport Grant  <b>PREVIOUSLY OVERDUE</b>	Variation Orders were issued and signed by the contractors for contracts where additional vehicles were required due to increased demand. However, these variation orders were not issued by the Transport Team until 3rd November, two months after the additional vehicles were first required. All were signed within one day of issue. Further variation orders for next term should be issued and returned prior to the start of the term if possible, to ensure that all additional transport and corresponding costs are agreed by all parties.	3	31-Dec-20 Revised to 28-Feb-22	Complete		Transport Services Manager
Commercial Properties/Rents 2020/21  <b>PREVIOUSLY OVERDUE</b>	1.1 We recommend that all procedures and processes, along with escalation protocols, are documented to aid business continuity and these documents should then be made available to the team on a shared drive.	3	28-Feb-21 Revised to 31-May-21 Revised to 31-Mar-22 Revised to 31-Aug-22	The Strategic Asset Management Plan has been approved at Corporate Leadership Team (CLT) and the Corporate Landlord document has just been before CLT and formal approval by way of the meeting minutes is pending. When the documentation is completed it will be placed on a shared drive.	In progress	Senior Estate Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Commercial Properties/Rents 2020/21  <b>PREVIOUSLY OVERDUE</b>	1.2 We recommend that the Strategic Property Services Manager considers recording a range of appropriate incentives to attract tenants in the event that occupancy rates fall during /after the pandemic, to mitigate the risk of lost income through rent receivable along with vacant property holding costs.	3	28-Feb-21 Revised to 30-Jun-21 Revised to 31-Mar-22	Complete		Senior Estate Manager
Commercial Properties/Rents 2020/21  <b>PREVIOUSLY OVERDUE</b>	1.5 We recommend that the Revenues Team carry out formulae checks prior to issuing Excel spreadsheet reports to ensure the integrity of the information being provided to Council services. The arrears reports should also detail the invoice number and date to clearly identify which invoices are in arrears. Any amounts paid off from individual invoices should also be clearly noted to show any outstanding balances.	2	31-Mar-21 Revised to 31-Jul-21 Revised to 30-Nov-21 Revised to 30-Sep-22	We are utilising the cost code report however have found it simpler to continue with the individual spreadsheets but now include the invoice numbers. They have confirmed they have completed the one area of the report and now finishing the second element. With the introduction of Maylords invoicing and the increase in arrears due to Covid we are now about to commence a rent project which will include reporting and the levels needed for each specific area. I have also asked Business World to create a new separate report at cost code level for rents only which will remove the need to filter out other areas with arrears. With the new project commencing I do not feel this area is complete and a new revised date is required to allow this fully completion as processes are likely to change.	In progress	Revenues Manager
Education, Health and Care (EHC) Plan - Annual Review  <b>PREVIOUSLY OVERDUE</b>	Further investigation is to be undertaken by the service area on the 47 EHC Plans not recorded on the Synergy system as having an annual review.	2	31-Jul-21 Revised to 05-Nov-21	<i>No update provided</i>	In progress	Senior SEN Officer
EHC Plan - Annual Review  <b>PREVIOUSLY OVERDUE</b>	To look at the data analysis completed to understand which cases did not meet the timescale, to understand why the timescale was not met in order to ensure	3	30-Sep-21 Revised to 19-Nov-21	<i>No update provided</i>	In progress	Senior SEN Officer



Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	that the system can provide fewer cases out of timescale.					
EHC Plan - Annual Review  <b>PREVIOUSLY OVERDUE</b>	1. Review of workflow to see if it can be improved to streamline the process so it is more user friendly. 2. Training of officers on the new workflow process.	3	30-Sep-21 Revised to 31-Dec-21	<i>No update provided</i>	In progress	Senior SEN Officer
Significant Partnerships  <b>DUE IN PERIOD</b>	1.3 <ul style="list-style-type: none"> <li>• For the summary pf partnerships to be published as part of papers to Audit and Governance Committee,</li> <li>• For a simplified significant partnership register to be published but include links to relevant websites,</li> <li>• Evidence of Terms of Reference review and updated when necessary (subject to audit).</li> </ul>	2	31-Jan-22	Complete		Assistant Director Corporate Support
Significant Partnerships  <b>DUE IN PERIOD</b>	1.1 <ul style="list-style-type: none"> <li>• Clarify the definition of a significant partnership and evaluate the refresh required to the Partnership Governance Framework to meet the current and future needs of the Council,</li> <li>• Consideration should be given to the presentation of a revised documentation to improve the readability for the intended audience and ensure that good governance management is incorporated into the guidance including a header page, table of contents, document owner, review date and version control,</li> <li>• Effective PGF communication so all link officers of significant partnerships and the management board are aware of the Partnership Governance Framework document, so an improved response to the annual assurance process is achieved,</li> <li>• Training / guidance on the completion of the annual checklist for significant partners should be completed prior to the 2020-21 annual assurance activity.</li> </ul>	2	28-Feb-22	Complete		Solicitor to the Council

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
s106 Agreement  <b><i>DUE IN PERIOD</i></b>	<p>1.1 It is agreed that information in relation to section 106 monies held by council should be reported on a biannual basis to senior management.</p> <p>The council produces an Authority Monitoring Report and this report could provide the basis for a new Management Board report which would offer a more holistic view of the status of all S106 agreements expenditure and activity. The report could also include the following information:</p> <ul style="list-style-type: none"> <li>• Existing balances for all Section 106 agreements with monies exceeding the expiry date clearly identifiable.</li> <li>• Date money received.</li> <li>• Repayment date for money received.</li> <li>• Number of years unspent money held.</li> <li>• Action outstanding for each S106 agreement contribution received, including known reason for money unspent.</li> </ul> <p>The councils Project Management Team (within Corporate Services) are in the process of reviewing the Management Board structure and processes of the council. The Planning Obligations Manager will contact the Head of Project Management to draw to their attention the need to report corporately on the status of section 106 contributions so that they can consider which management board would be appropriate for the information to be reported to.</p> <p>A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss who may report to the Board and how information is populated for the report.</p> <p>Initial contact has been made with the Business World support team to look at</p>	2	08-Feb-22 Revised to 01-Jun-22	A meeting was held on 18 February with lead officers in all service areas to discuss who may report to the management board and how information is populated for the report. It was agreed that we need to establish the functionality of Business World to see if individual service areas can populate fields in Business World for a report to be run. Meeting to be arranged with Business World Support Team to establish functionality. I am aware of other service areas that use Business World for reports i.e. Property Services and the contract management team who oversee the work of Balfour Beatty Living Places.	In progress	Planning Obligations Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.					
s106 Agreement  <b>PREVIOUSLY OVERDUE</b>	1.2 It is agreed that information in relation to section 106 spend by the council should be reported in an open and transparent manner, irrespective of the value. This can be done through the production of a Record of Officer Decision produced through Mod.Gov and published to the council website. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to advise of the need to produce a Record of Officer Decision for all section 106 spends and to discuss whether this is reported individually or on a monthly basis with information on what has been spent that month. With regards to reporting on the section 106 monies paid to external organisations, the Planning Obligations Manager will write to those organisations on a biannual basis outlining what money they have received and asking them to advise the council on what the monies have been spent. This information can be held in	2	08-May-21	Complete		Planning Obligations Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Civica against the planning application and published to the web against the planning application record. We could also consider how this information can be published to the decision- making section of the website.					
s106 Agreement <b>DUE IN PERIOD</b>	1.3 Initial contact has been made with the Business World support team to look at the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.	3	08-Feb-22 Revised to 01-Jun-22	Meeting arranged with Senior Management to discuss how the development of the functionality of section 106 reporting in Business World will be funded.	In progress	Planning Obligations Manager
S106 Agreement <b>PREVIOUSLY OVERDUE</b>	The Planning Obligations Manager will review the Planning Obligation process flow chart to see if it can be simplified and will add version control. The Planning Obligations Manager has produced a process map for each service area showing process for spend of the monies. These will be reviewed in light of the requirement to produce a Record of Officer decision and the changes that may be made as to how section 106 highway monies are spent. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss what procedure	3	08-Aug-21	Complete		Planning Obligations Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	notes are in place and what procedure notes needs to be put in place. At present service areas receive notification of when section 106 monies have been received. It has been agreed that service areas will receive a copy of the signed section 106 agreement so that they have a copy for their records and can monitor site development. We will also explore whether they wish to be included in the notification of the commencement of development sites which is circulated by the council Building Control team.					
Council Tax <b>DUE IN PERIOD</b>	Account and property notes are not consistently added to the system resulting in the audit trail being incomplete. This could result in potential errors or omissions being made.	3	31-Dec-21 Revised to 30-Sep-22	We are trying to keep new properties within 10 days however at times this has slipped due to resource and other work priorities such as work involved around government announcements including Ctax energy rebate.	In progress	Revenues Manager
Council Tax <b>DUE IN PERIOD</b>	Housekeeping issues were identified including: • some updating to procedures required, • recording the account reference on the Building Control Commencement List.	3	31-Oct-21	Complete		Council Tax and Business Rates Team Leader
Support for Young People who are NEET 2020-21 <b>PREVIOUSLY OVERDUE</b>	2. Monitoring of 16–24-year-olds with an Education Health and Care plan who are NEET. There is no formal performance measurement of 16–24-year-olds with an Education Health and Care plan who are NEET. There is also no mention of this cohort in relation to NEET in the Council's County Plan or the Delivery Plan. Consideration should be given to the introduction of a corporate or a directorate performance indicator so that the effectiveness of the Council's actions is measured.	3	31-Jul-21 Revised to 31-Jan-22 Revised to TBD	An Education Opportunity Area Plan is being developed which includes NEET. The NEET measure and target will be informed by this work. The recent publication of the Schools White paper in March 2022 has delayed the Education Opportunity Area plan as the White paper needs to be taken into consideration and inform the education plan. The Youth Employment Hub will have delivery targets which will include this group of young people.	In progress	Senior Adviser Post 16 Learning and Skills
Support for Young People who are NEET 2020-21	3. Council Website Information The Council's website has a page entitled Support for young people not in	3	31-May-21 Revised to 31-Dec-21	Web pages have been updated accordingly and will continue to be kept under review as provision and information changes. This	In progress	Senior Adviser Post 16 Learning and Skills

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
<b>PREVIOUSLY OVERDUE</b>	education, employment or training (NEET); but the information is out of date. It requires updating and monitoring to ensure accurate information and/or signposting for all the schemes is stated.		Revised to TBD	is business as usual. The youth employment hub landing page will be hosted on the Talk Community website and is under -development. Slight delay due to needing to recruit staff to update website.		
Non Domestic Rates (NDR)  <b>DUE IN PERIOD</b>	<p>A total of five accounts were selected from the weekly NDR Valuation Office Agency (VOA) reports dated 26 January 2021 and 16 February 2021. Accounts were examined to check the accuracy of information held on Academy and the timeliness of notification to the Valuation Office (VO) of new or altered properties. The following was identified:</p> <p>Capturing of notes on the system</p> <ul style="list-style-type: none"> <li>• One of the five valuations billing notifications checked had incomplete notes captured within Academy. During the audit, the Team Leader stated the importance of system notes to record what has happened on an account, Timeliness of notifying VO</li> <li>• Two entries were processed in 1 day and reported to the VO.</li> <li>• One entry was processed in 4 days and reported to the VO.</li> <li>• One entry was processed and notified within 12 days.</li> <li>• One entry took in excess of 28 days to be processed and notified to the VOA.</li> </ul> <p>At the close out meeting it was confirmed that a timeframe to notify the VO had been piloted as part of the Planning Project (which includes Building Control). However, because of the impact of COVID 19 it had been too early to assess if the timeframe was set at the correct level. This will be revisited as part of the project.</p>	3	31-Dec-21 Revised to 30-Sep-22	We are trying to keep new properties within 10 days however at times this has slipped due to other priority work. Our splits and mergers have also slipped due to need to put resource on Council tax work including Ctax energy rebate.	In progress	Revenues Manager

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Commercial / Strategic Investments  <b>DUE IN PERIOD</b>	2. Payment process control issue A control issue was identified in the Council's payments process. The usual payments authorisation process can be by-passed if Council expenditure is deducted from a payment to the Council and there is no purchase order or invoice. The finding in paragraph 1 is an example of this and effectively £172k of Council expenditure was not authorised.	2	31-Jan-22 Revised to 25-Jul-22	The Finance Procedure Rules are due to be considered at the Audit & Governance Committee on 25 July 2022.	In progress	Head of Corporate Finance
Accounts Receivable  <b>DUE IN PERIOD</b>	We have found that the Debt Recovery Policy and monthly reporting procedure are still not up to date. These documents need to be updated to ensure that staff have the necessary detailed guidance to be able to complete tasks. In addition, little progress has been made to agree arrangements for referring cases for court action; there are outstanding issues around whether this can sit within the Revenues Team as previously done or needs to be referred to Legal Services. This needs to be agreed and set out within the Debt Recovery Policy, in order for the Revenues Team to be able to progress cases where further action may be required over the coming year.	2	30-Nov-21 Revised to 30-Sep-22	Social Care - we have just started to discuss the Social Care reporting structure (info needed and who the information is to be cascaded to) within the Social Care debt recovery project therefore should be addressed over the coming months. I have also requested Social Care has its own separate cost code report (instead of it being included in the main reports) so they are easily identifiable and can be shared fully without the need to copy and paste information out of the main report into a separate one – Business World have confirmed this is nearly completed). Rents - currently the reports are being sent each month to Property Services for each area, however this will a new piece of work in itself now with the introduction of Maylords Orchards invoicing. We are about to commence a new recovery project for rents which will cover the requirements for reporting therefore this will be addressed during this. Again, like Social Care I have asked Business World to produce me a separate report for rents at cost code level so we can again share fully and have the information immediately to hand without the need to copy and paste from a main report.	In progress	Revenues Manager  Head of Corporate Finance
Accounts Receivable	There are plans to transfer responsibility for setting up credit notes to the service	3	27-May-21	Complete		Revenues Manager

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<b>PREVIOUSLY OVERDUE</b>	areas. However, this has the potential to raise issues around segregation of duties, and as such, should remain with the Revenues Team, in order to retain a high level of control over the process.					
Accounts Receivable  <b>PREVIOUSLY OVERDUE</b>	A six-monthly write off analysis report provided for Cabinet details a combined total for write-offs across Council Tax, National Non Domestic Rates and Debtors. The end of year document details a split between the three areas, however it would be useful for this to be included half yearly also.	3	31-Jul-21	Complete		Revenues Manager
Main Accounting (Follow-Up)  <b>DUE IN PERIOD</b>	The Senior Team Leader (Transactional Team) agreed to train another officer within the Transactional Team to be able to complete the Council Tax/National Non Domestic Rates/Housing Benefit control accounts reconciliation. However, agree that we need to have someone in the Transactional Team who is also trained; this will be started in January 2020 and completed by April 2020	3	31-Dec-21 Revised to 30-Jun-22	The Senior Transactional Finance Team Leader advised that this is a constant piece of work due to changes within the team. She is in the process of training the Transactional Team Leader – as it is likely to be less change within this role. This will allow the time to train and embed the procedures The guidance is up to date and reviewed annually so can be followed through to completing the task.	In progress	Senior Team Leader (Transactional Team)
Adult Social Care - Provider Payments & Client Contributions  <b>DUE IN PERIOD</b>	Provider invoices on hold Following the previous audit, the Transactional team reduced the invoices on hold (disputed invoices) relating to adult social care non-residential payments. However, because of the COVID pandemic and the additional resource pressures placed on the team the disputed invoices relating to adult social care have increased. The Senior Transactional Finance Team Leader has explained that temporary changes to processes because of the COVID 19 pandemic have resulted in further invoices being placed on hold. Therefore, the current list of invoices on hold may not be fully reflective of invoices where there is a dispute with the provider and instead are a result of the temporary processes put in	3	31-Dec-21 Revised to 31-Aug-22	The actions in the original response have been implemented and the work on the disputed invoices remains ongoing, work is being carried out daily to reduce the disputed. Progress is limited though as requires action by other areas to resolve and as older ones are cleared, often they are replaced by other invoices received. Work on the disputed invoices is taken place in collaboration with commissioning, as regular meetings have been taking place with the provider that has the most significant number of disputed invoices, which has contributed to a review of the supported living shared hours being carried out in order to reduce the risk of invoices being disputed due to the shared hours. There has been a delay with the	In progress	Senior Transactional Finance Team Leader



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	place during the pandemic. A cleanse of the invoices on hold is needed, and where there is a dispute, this needs to be resolved with the provider to ensure the client contribution debt is raised correctly. The Senior Transactional Finance Team Leader acknowledged there is a risk that a client is overcharged as their invoice is raised before the provider invoice is resolved. However, she explained this is outweighed by the adverse impact caused by large, delayed client invoices being raised. Further investigation to be carried out relating to the reporting function of invoices on hold from the system and consideration of the implementation of the portal and the impact on the invoices on hold/queries from the providers. There is a risk that the Council has a backlog of invoices to pay to providers, as well as a financial impact on providers if they are not paid. However, the Senior Transactional Finance Team Leader is confident this accounts for a very small percentage of the invoices currently on hold. Improvements to reporting from the system would provide this oversight.			implementation of the provider portal and processes will still need to be reviewed once the portal goes live, a soft go live is due June 2022.		
Adult Social Care - Provider Payments & Client Contributions  <b>DUE IN PERIOD</b>	Procedure documents – provider payments The Senior Transactional Finance Team Leader is in the process of reviewing and updating the procedure documents covering the payments to adult social care providers (non-residential) from the Abacus system. This needs to be completed with further consideration to be given to the procedure documents once the portal has been implemented. Financial and reputational impact to the Council is a risk if staff are not following procedures and are paying providers incorrectly.	3	31-Dec-21 Revised to 31-Jul-22	Portal has not been implemented to date, review of procedures has been started but not yet completed	In progress	Senior Transactional Finance Team Leader

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Adult Social Care - Provider Payments & Client Contributions  <b>FUTURE</b>	Gap analysis Whilst gap analysis was completed following the first audit, significant changes to process have been implemented since. With more changes planned with the implementation of the portal a further gap analysis would be beneficial. The Head of Prevention and Support had already identified this gap analysis exercise would be valuable as there are several complex processes involved which overlap several teams. The Welfare and Financial Assessment Team Manager highlighted that consideration should be given as to whether project management support would be useful due to the range of teams this end-to-end review covers. Procedure documents Alongside this gap analysis exercise a review of all procedure documents should be completed to ensure they are reflective of the new processes that have been implemented. In addition, the Council may wish to consider whether an internal audit could support the end-to-end review once the portal is implemented and embedded. This will include overlaps with the brokerage team, debtor's team and the transactional team and will require their involvement. However separate actions have been agreed regarding the update of the procedure documents covering the processes they are responsible for. The Council must ensure all roles and responsibilities are clearly reflected in	3	31-May-22 Revised to 31-Dec-22	There has been a delay in implementation of the Portal. Servelec's required software upgrade will not be available until the end of May which will mean that mosaic will not be ready for implementation until at least mid-June. It is still recommended that we should allow a six-month embedding process which would mean that the end-to-end review should not begin until December 2022.	<b>Delay likely</b>	Head of Prevention and Support  Welfare and Financial Assessment Team Manager
Adult Social Care - Provider Payments & Client Contributions  <b>FUTURE</b>	Debtors Policy & Procedure Documents It is recognised that the process for adult social care debt recovery including roles and responsibilities has been documented (flow diagram) however, the Debt Recovery Policy requires updating to include the new debt recovery process (for	3	31-May-22 Revised to 30-Sep-22	We are heavily involved with the Social Care project and have made headway into dispute escalation for both customer and staff queries to ensure there is a full audit trail and process - this will involve systems amendments with Mosaic therefore meetings will need to be held to address	<b>Delay likely</b>	Revenues Manager

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	Adult Social Care) as agreed at the core Directorate Leadership Team Meeting. It has been agreed as part of the Accounts Receivable 2020/21 audit that the Debt Recovery Policy will be updated in November 2021. This action was agreed by the Head of Corporate Finance. Therefore, no further action required as part of this audit. Procedure documents within the Debtors team require updating (currently are basic Mosaic instructions) to reflect the new adult social care debt recovery processes. The Council must ensure all roles and responsibilities are clearly defined and reflected in documents/guidance. Referred to in more detail in 'other considerations' section.			these. We are currently discussing the reporting requirements and what is needed and who the information needs to be escalated to. Business World have also been asked to produce a specific Adults Wellbeing report to cost code level for arrears to ensure only relevant information is produced and cascaded. Further elements include authorisations for court processes and how to refer these matters further. Once the processes have been agreed procedure notes can be written. I have revised the date to the end of September as I really don't think we will have this in place by the end of May due to end of year processes and the requirement for system amendments and so on.		
Adult Social Care - Provider Payments & Client Contributions  <b>FUTURE</b>	Debt Recovery Resources need to be allocated to ensure debt recovery processes and specifically the Mosaic debt recovery workflow - red file case review process carried out by the Revenues Manager is completed. The Councils debt position has been impacted by the COVID 19 Pandemic, but consideration needs to be given as to whether additional resources would be beneficial with the aim of reducing the Council's adult social care aged debt figure. Current aged debt position for adult social care is £4.2 million (Aged debt report from Finance Manager). Suppressed Invoices The Revenues Manager has identified there is a backlog of historic invoices with complaint codes e.g., suppressed debts. Resources need to be allocated to clear the suppressed invoices and pursue active debt recovery. The Revenues Manager explained that where there are multiple invoices for one account the team will only put one	3	31-May-22 Revised to 30-Sep-22	This also forms part of the debt recovery project and I have liaised with Business World to see if there is anything that would enable us to put invoices on hold - they have confirmed that we are able to change the status of an invoice however need to identify if this can be reported on. Should this work we will be able to identify and report on those accounts on hold.	<b>Delay likely</b>	Revenues Manager

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	complaint code on one invoice rather than a complaint code on each invoice. This reduces the number of diary dates for the teams to manage. The current system does not allow for a customer account to be placed on hold. Officers are trained to look at the whole account when reviewing/chasing. However, this means that the Council are not able to easily identify what level of debt is currently suppressed.					
Adult Social Care - Provider Payments & Client Contributions  <b>FUTURE</b>	Adult Social Care Aged Debt - Reporting There are two different ways adult social care debt can be reported, the Finance Manager (Adults and Communities) uses the charging codes to summarise the debt whereas the Revenues Manager has highlighted her report summarises the debt per cost centre. Whilst some of the difference between these reports will be timing there is a risk that the Council may have different information when reviewing adult social care debt. The Council needs to ensure there is a consistent method of reporting that captures all outstanding adult social care debt. Mosaic Debt Recovery Workflow – Reporting There is no known way of reporting those cases in the debt recovery workflow in mosaic i.e., number of cases and value of these cases. In addition to this the new Mosaic debt recovery workflow would benefit from being modified to allow cases to be distinguished by a status for example: reviewed – court action, reviewed – write off and waiting for review. This would give the Council further insight when monitoring and reporting on debt. Link from Business World to Mosaic There does not appear to be a clear method to identify in Business World those cases that	3	31-May-22 Revised to 30-Sep-22	Reporting and Mosaic changes also forms part of the debt recovery project as detailed in URN 45682 above - I have amended the completion date to reflect the same as above.	<b>Delay likely</b>	Revenues Manager

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	have transferred to the Mosaic debt recovery workflow as they are just marked with the common complaint codes (diary dates) used. The Revenues Manager needs to consider how these cases can be cross referenced to allow for accurate reporting. It is however recognised officers record notes on Business World for example if an officer opened a diary date notes would identify it is a case that is being progressed through the Mosaic Debt Monitoring process. Update of coding within Business World Some adult care cases are identified using historic codes CCV and SCV, for consistency it would be beneficial to update these to the relevant new codes used Fairer Charging (FCH) and Care Home Market (CHM) this will assist with debt reporting.					
Adult Social Care - Provider Payments & Client Contributions  <b><i>DUE IN PERIOD</i></b>	Data Analysis The Abacus system is designed to ensure that provider invoices cannot be paid unless the invoice equals or is less than the purchase order. However, the data analysis demonstrated 3% of the sample had actual care that was more than planned care. Further investigations are required to determine the cause of this. Further understanding and assurance is needed as to why actual care is less than planned for 58% of the sample analysed. There are 16 clients with 0 planned recorded care. The analysis has also identified there are several clients with some 0 recorded planned care lines. An understanding is needed as to why clients are in the system with 0 planned care. Data Quality Data analysis has demonstrated there are issues with data quality. The Welfare and Financial Assessments Manager had already identified this and has begun a data	3	31-Oct-21	Complete		Senior Transactional Finance Team Leader  Welfare & Financial Assessments Team Manager

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	cleanse exercise as part of the transfer to the portal. Once implemented all data will be inputted consistently. Any procedure documents will require updating to ensure they reflect this. Clearer, better quality data will allow the Council to monitor, report and analyse the data more accurately.					
Capital Programme / Capital Projects  <b>DUE IN PERIOD</b>	Internal Audit was unable to obtain evidence that the Chief Finance Officer had been given delegated authority to approve the Project Management Process amendment, agreed on 25 January 2021. However, the Chief Finance Officer advised that it was extraordinary times from September 2020, prior to the appointment of the new CEO in Spring 2021. During that period as the Acting Deputy Chief Executive there was no CEO to provide approval. The Chief Finance Officer confirmed that retrospective approval could be sought both for himself and others where this may not have been formalised in the standard way. It is recognised that a robust approval process is fundamental for good governance.	2	18-Oct-21	Complete		Chief Finance Officer
Capital Programme / Capital Projects  <b>FUTURE</b>	The introduction and the transition to the new Project Management process in its infancy. Overtime the process will be adjusted to meet business requirements. It would be prudent to evaluate the effectiveness of the project management process in delivering the capital programme before it is replicated as a procedure for transformation projects. This would be an opportune time for a further audit to be undertaken to verify that the control framework is delivering the intended outcomes.	3	31-Jul-22	Complete		Chief Finance Officer

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Climate Change <b>DUE IN PERIOD</b>	Annual Performance Report Procedures The Annual Performance Report (Green House Gas Emissions Report) is prepared by the Principal Sustainability & Climate Change Officer. There are no documented procedures to support the preparation of the Report. Guidance would be of particular importance during the officer's absence. Approval of the Annual Performance (Green House Gas Emissions Report) No formal evidence of approval of the report was provided, prior to submission to the Department for Business Energy & Industrial Strategy (BEIS) or publication on the Herefordshire Council intranet. Although an email detailed that approval was given via a telephone conversation, this cannot be evidenced.	3	31-Jan-22	Complete		Head of Environment, Climate and Waste Services
Climate Change <b>DUE IN PERIOD</b>	The audit identified two housekeeping findings which should be addressed. Details are as follows: • The information Source and Contract spreadsheet used in the preparation of the Annual Performance report (Green House Gas Emissions Report) was missing the worksheet for 2019/20. In addition, column 'H' on the 2020/21 worksheet recorded that none of the data is to be included in the calculator when all should be part of the calculation. • Discrepancies identified from the quarterly West Mercia Energy Consortium portfolio review are discussed at an informal meeting. Without a simple record of the discussion if the information is required in the future attendees' recollection of events may be less clear or differ. Without an audit trail, issues may take longer to resolve and there is no formal record of discussions to refer to.	3	31-Oct-21	Complete		Head of Environment, Climate and Waste Services

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Climate Change <b>DUE IN PERIOD</b>	Under the governance section of the intranet the draft report management guide version 1.3 dated 13 February 2017 was reviewed. This provides guidance on completing a decision paper. No final report could be found nor was document management identified in respect of the next review date. SWAP see that it is good document management practice to review publications at least every three years.	3	31-Dec-21 Revised to 20-May-22	Council agreed to new constitutional arrangements in March 2022. New guidance materials have been produced and will be added to the refreshed governance share-point site following the May 2022 annual Council meeting. These have been reviewed and signed off by the Monitoring Officer. The guides are currently being reviewed by the interim monitoring officer, in preparation for publication with our new constitutional arrangements.	In progress	Democratic Services Manager
Building Maintenance and Cleaning Agreement <b>DUE IN PERIOD</b>	The Service Level Agreement (SLA) with Hoople has yet to be updated to incorporate the details of the Building Maintenance and Cleaning Agreement, owing to the limited time that was available to put an agreement in place prior to the handover to Hoople from BBLP. The Building Maintenance & Cleaning Agreement details to be added to the SLA should be expanded to include the agreed management oversight process once the Strategic Board has been set up, and the Key Performance Indicators (KPIs) once they have been formally agreed at Operations Board level and Strategic Board level once set up.	2	31-Dec-21 Revised to 30-Sep-22	The content of the Appendix has been agreed between Property Services and Hoople. However, before the SLA can be finalised, Hoople and Property Services are seeking further advice from legal in regards to where liabilities lie with both parties in relation to the CDM regulations when undertaking construction works through the SLA.	In progress	Capital Programme and Maintenance Manager
Building Maintenance and Cleaning Agreement <b>DUE IN PERIOD</b>	The specifications for the new contracts to replace those extended via waivers at the start of the agreement have still not been written. This highlights the risk of a similar situation occurring to that with the security contract held by Capel Security. That contract waiver had the shortest timescale (six months), but waivers are also in place for 13 others, along with an agreement for Hoople to use any one of 25 contractors to carry out reactive maintenance works as and when required.	2	31-Mar-22 Revised to 30-Sep-22	Whilst regular meetings are still being held to monitor the procurement process for service contracts, some service contracts are yet to be procured due to levels of staffing resources. A further waiver has been approved to extend the current arrangement of direct award contracts to those service areas that have yet to be procured. Hoople have not had difficulties to recruit staff to assist in the preparations of specifications. Property Services have also in the meantime lost a member of	In progress	Capital Programme and Maintenance Manager



Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>All except two of these arrangements could continue for the next 12 months, with two exceptions (Rielloa: UPS; 24 month waiver, &amp; Sentinel Security: CCTV Maintenance &amp; Door Access Controls £77,512; 18 month waiver).</p> <p>If further delays lead to waivers having to be extended, there is a risk of costs increasing into next financial year, or opportunities to save on existing costs through combining current arrangements into fewer contracts being lost.</p>			<p>staff, which has further impacted on providing support with producing specifications. However property services are also recruiting to fill the vacant position.</p>		
<p>Building Maintenance and Cleaning Agreement</p> <p><b>PREVIOUSLY OVERDUE</b></p>	<p>There have been issues around budget setting, as no costing information was provided by BBLP at the time of the handover of the Building Maintenance and Cleaning contract at 31st March 2021. Therefore, an estimated cost of £2million was set by Hoople, although the Chief Operating Officer (Hoople Ltd.) considered this a high estimate. Closer monitoring and better quality reporting is now needed to project more accurate estimates for the remainder of the year and into next year. It must be considered that this could be influenced by the requirement to procure sub-contracts to replace those extended via waivers. If any of these were to be further delayed and sub-contracts are not re-let on time, or combined where potential savings have been identified, projected costs into 2022/23 could increase.</p> <p>Streamlining of budget monitoring needs to be completed as a priority, with all required information, to include project coding, set up in Business World, and more detailed reporting to both the Operations Board, and the new Strategic Board once this is formed.</p>	2	<p>30-Sep-21 Revised to 31-Mar-22</p>	Complete		Strategic Property Services Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Building Maintenance and Cleaning Agreement  <b>DUE IN PERIOD</b>	There is currently no reporting on the progress of the Building Maintenance and Cleaning Agreement outside of the Operations Board, which meets monthly. The most senior Council officer at the meetings is the Strategic Property Services Manager. An agreement should be reached on the reporting strategy outside of the Operations Board to ensure that the Director and the Section 151 Officer have oversight of budget and operational matters, decisions and any areas of concern that arise.  Terms of Reference should be agreed and approved for the Operations Board, cluster groups, and the Strategic Board once it is set up, to ensure a clear remit for each.	3	31-Dec-21	Complete		Strategic Property Services Manager
EHCP Preparation for Adulthood  <b>DUE IN PERIOD</b>	Seven young people with EHC plans detailing their complex needs were selected from the data sets provided. The purpose of the audit was to determine the extent to which the planning in the EHCP supported their preparation for adulthood as they progressed through their transition years 9, 11 and where available year 14. The EHC plans were reviewed in depth to identify references to outcomes and provision that would be regarded as supporting their preparation for adulthood. This was to provide assurance that there was evidence of planning during the transition years, to assist the individual to maximise their potential for independence.  As confirmed by the Senior SEN officer owing to the severity of their needs, i.e., severe learning difficulties and/or significant medical or physical needs experienced by the seven young people in the sample, progression in adulthood may be more limited in comparison to those	3	30-Oct-21 Revised to 31-Jul-22	The work to re-audit the same cases by SEND Officers took place. The purpose of the audit was to ascertain that EHC Plans contained sufficient health and care information in order to respond to the 2016 SEND Inspection letter that identified that they did not. The re-audit did identify greater evidence of health and social care input than had been identified by the SWAP audit but again, because of the small sample, it was not possible to gain sufficient assurance that relevant EHC Plans included sufficient health and care information. It has now been agreed by the Service Director that we will commission a SEND specialist consultant from West Sussex to audit a larger sample of recent cases to determine the degree to which the Ofsted/CQC recommendation had now been met. Similarly, a second recommendation had identified that EHC Plan objectives did not show a progression from school-age to adulthood that one might wish to see in the EHC Plans. Again,	In progress	Head of Additional Needs

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>with less severe needs. However, for these young people, for example, the ability to communicate the need for a drink is an important step towards independence. For the seven cases sampled it was identified that there were references to measures to be taken to support preparation for adulthood within the capabilities of the individual. Following the close out meeting the Head of Additional Needs advised that it is important to recognise that outcomes and provision that support preparation for adulthood are integral to the education, health, and care sections of the EHC Plan and will not be described in the plan as a discrete single section. However, the audit did identify that reference to health and social care within the designated section of the EHC plan was limited to identify preparation for adulthood. Reference to limitations of health and social care information is further reported below and in Appendix 2. The absence of clearly defined information limited the ability to track progress during the transition years from year 9 onwards. SWAP was advised that there is a national review of SEND which may have an impact on the current format of the template and that the Herefordshire plan format has to include the nationally prescribed sections.</p>			despite SEND Officers looking again at the original SWAP sample, we were not able to obtain sufficient assurance and we have also commissioned West Sussex to conduct a separate audit of relevant cases with a large enough sample size to determine the degree of assurance.		
EHCP Preparation for Adulthood  <b>FUTURE</b>	Internal Audit reviewed one sample in depth with the Senior SEN Officer, to determine if the EHC plan was aligned to the Herefordshire Multi-agency Protocol for Children and Young People with Disabilities and Complex Needs. Not all elements were relevant, for example employment plans, owing to the limited capability of the young person being	2	31-Jul-22		On track	Head of Additional Needs

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>reviewed. Internal Audit selected a number of items from the protocol to assess.</p> <p>Owing to the response to the single sample it was agreed with the Senior SEN Officer that this could be the same for other cases, so no further testing was performed. The audit was unable to assess the support provided through collaboration with multi-agencies.</p> <p>Within the Herefordshire Multi-agency Protocol for Children and Young People with Disabilities and Complex Needs there is a:</p> <ul style="list-style-type: none"> <li>• Checklist within the protocol to verify all elements are acted upon, and</li> <li>• Case escalation procedure.</li> </ul> <p>However, the Senior SEN Officer was unaware of this guidance within the protocol. Additional work to embed the Preparation for Adulthood protocol and its detailed procedures needs to take place. This will ensure that all clients receive the full range of services and support that they need.</p>					
<p>EHCP Preparation for Adulthood</p> <p><b><i>DUE IN PERIOD</i></b></p>	<p>Ofsted report October 2016</p> <p>In October 2016 OFSTED and the Care Quality Commission (CQC) Local Area Inspection reported that Education, Health and Care (EHC) plans, were too education focussed and did not include sufficient detail of health and social care needs (where these needs occurred).</p> <p>The action plan prepared, implemented and monitored was requested, to verify controls weaknesses in respect of health and social care had been addressed. To date Internal Audit has not received the information.</p> <p>The seven EHC plans reviewed were assessed as being heavily weighted on</p>	2	30-Nov-21 Revised to 31-Jul-22	<p>The work to re-audit the same cases by SEND Officers took place. The purpose of the audit was to ascertain that EHC Plans contained sufficient health and care information in order to respond to the 2016 SEND Inspection letter that identified that they did not. The re-audit did identify greater evidence of health and social care input than had been identified by the SWAP audit but again, because of the small sample, it was not possible to gain sufficient assurance that relevant EHC Plans included sufficient health and care information. It has now been agreed by the Service Director that we will commission a SEND specialist consultant</p>	In progress	Head of Additional Needs

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>education. Therefore, the audit cannot provide assurance that the weakness identified on health and social care have been addressed.</p> <p>Annual review, Health and Social Care information</p> <p>Officers advised that over time details in the main body of the EHC plan information may be superseded as more relevant material becomes available. However, the Senior SEN Officer confirmed that Section K of the EHC plan template 'Advice and Information' should show all sources of both historical and current information. The audit showed all seven samples had gaps in reference to historic information under annual reviews, health and medical advice and social care advice, where activity would be expected annually. With incomplete information the most appropriate outcomes for adulthood may not be achieved. The output from this assessment is captured for each case under Appendix 2</p>			<p>from West Sussex to audit a larger sample of recent cases to determine the degree to which the Ofsted/CQC recommendation had now been met. Similarly, a second recommendation had identified that EHC Plan objectives did not show a progression from school-age to adulthood that one might wish to see in the EHC Plans. Again, despite SEND Officers looking again at the original SWAP sample, we were not able to obtain sufficient assurance and we have also commissioned West Sussex to conduct a separate audit of relevant cases with a large enough sample size to determine the degree of assurance.</p>		
<p>EHCP Preparation for Adulthood</p> <p><b><i>DUE IN PERIOD</i></b></p>	<p>Poor document management</p> <ul style="list-style-type: none"> <li>• NHS reference 6400390340 was to be included in the test sample, but the officer could not locate the EHC plans,</li> <li>• NHS reference 7013040258 was selected for inclusion in the test sample, but the original document had been overtyped. The officer looked for the original PDF, but this could not be located.</li> <li>• Two of the data sets - Children with Disabilities and the Education, Health and Care plan did not consistently state the NHS reference for the individual. The findings identified may have significant consequences on the quality of the service delivered, which could result in regulatory scrutiny.</li> </ul>	2	30-Nov-21 Revised to TBD	<p>The outcome of this finding is that the team will be starting work on improving the database and document management systems. Initial conversations have been commenced but will now need to be placed on hold as the SEND Green paper is proposing nationally supplied data systems.</p>	In progress	Head of Additional Needs

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Quality assurance Internal Audit observed that there was inconsistency on what was recorded as a source document in Section K of the EHC Plan.					
Payroll 2020-21 <b>DUE IN PERIOD</b>	<p>Holding Account Reconciliations: Whilst there is a monthly holding account reconciliation, there is a backlog of queries and the level of possible errors/amendments required cannot be accurately estimated however Senior Management confirmed they remain within an acceptable tolerance. Currently the monthly holding account reconciliations have no management oversight and differences have been written off where may have been there are no other opportunities to recover the funds.</p> <p>There is a requirement for Senior Finance Managers to conduct a review of staffing resources to ensure that monthly queries are addressed, and that the backlog is cleared. The current policy for writing off outstanding amounts in the holding accounts would also benefit from being updated to reflect that where possible, these sums are cleared/recovered.</p> <p>A further deep dive review of the holding accounts by SWAP Internal Audit Service is recommended within the short-term, once progress has been made in addressing these issues, to provide some assurance around records of payments to HMRC.</p>	2	31-Dec-21 Revised to 30-Jun-2022	Hoople staff will be reconciling all control accounts on a monthly basis from the start of the new financial year 1.04.22. Going forward there will be a Finance Manager with specific responsibility for oversight of the monthly reconciliations and for providing technical support where required. An interim, experienced consultant is being recruited to clear the backlog of queries and identify the errors of principle. Procedures will then be updated accordingly and staffing resources considered.	In progress	Head of Strategic Finance
Payroll 2020-21 <b>DUE IN PERIOD</b>	<p>Procedures: The team's procedures are not up to date in all cases, and there is no evidence that they have been reviewed in at least the last two years. It is recognised that the Standard Operating Procedures that are followed are the Hoople procedures,</p>	3	31-Dec-21	Complete		Payroll Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>which the Payroll Team uses for all clients. However, it is good practice to ensure that these are updated on a regular basis. Four of the eight procedures reviewed were in a different format to the Standard Operating Procedures, and as such did not have review dates, version control, or the procedure owner listed. One also referred to a previous Payroll Manager who left the Council over three years ago. Considering the staff changes that the team has experienced in recent years, and the level of importance attached to payroll tasks, it is vital that the team has accurate and up to date procedures in place.</p>					
Contract Management BBLP  <b>DUE IN PERIOD</b>	<p>A sample of twenty-seven Early Warning (EW) and Compensation Events (CE) were reviewed from entries raised between April 2020 and July 2021. Each sample was checked on Business World where a potential system error was identified, which requires investigation:</p> <ul style="list-style-type: none"> <li>• Business World duplicated an EW reference.</li> </ul> <p>The first EW reference PR20 14-07-15 was raised on 12/12/20 for structural steel price increases and the second EW reference with the same number PR20 14-07-15 was raised on 13/04/21 for Buckton and Kinsham Easements. Both were raised against the same service order. Owing to the system demonstrating the ability to duplicate reference numbers this action has been assigned a priority 2. The service need to explore how this could happen and ensure that there is no risk that an EW could be assigned to an incorrect service order.</p>	2	25-Nov-21	Complete		Commercial and Contracts Manager
Contract Management BBLP	Each of the twenty-seven early warning and compensation events sample was checked for compliance with the contract	3	31-Mar-22 Revised to 31-Jul-22	A contract has now been awarded to AECOM who are in the process of scoping the VFM exercise which will be completed	In progress	Highways and Public Realm Contract Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
<b><i>DUE IN PERIOD</i></b>	<p>timeframes, relevant document attachments and adequate commentary to demonstrate Value for Money (VfM) was considered.</p> <p>Shortfalls were identified in the sample owing to the absence of evidence on Business World. This demonstrated the need for improved record management to enhance the quality of the audit trail.</p> <p>Contract compliance</p> <p>Delays in BBLP providing a quotation to Herefordshire Council were identified in 11 cases, but no approval was recorded to accept or explain the reason for the delay. The Commercial and Contract Manager advised that delays in providing quotations are reported in the monthly Operations Board Report. He confirmed that currently the reason for delays are neither captured nor reported but could be in the future.</p> <p>Record Management</p> <p>Sample testing identified:</p> <ul style="list-style-type: none"> <li>• There were 15 cases where the Contract Officer omitted to record that VfM was considered for a quotation. However, the Commercial and Contract Manager confirmed that this is part of the quotation assessment process.</li> <li>• For 11 cases either the risk reduction meetings or quotes were not attached. On one occasion the quote was attached to the incorrect CE.</li> <li>• Lack of commentary captured on Business World to provide a good audit trail of events.</li> </ul>			during May. Once HC approve the scope and costs the work to provide the report is expected to take around 8 - 10 weeks.		
Contract Management BBLP  <b><i>DUE IN PERIOD</i></b>	<p>A review of the officers' awareness of their contract management responsibilities identified the following:</p> <ul style="list-style-type: none"> <li>• No records are maintained by the Contract Officers from the weekly or bi-weekly annex progress meetings with</li> </ul>	3	31-Mar-22	Complete		Highways and Public Realm Contract Manager



Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>Balfour Beatty Living Places (BBLP). Therefore, there is no information for future reference of the key elements discussed, agreed and future action required.</p> <ul style="list-style-type: none"> <li>The Contract Lead Officer job description should be subject to future review to remove the reference to responsibility for the operational support of the facilities management contract once this duty ceases.</li> </ul>					
<p>Contract Management BBLP</p> <p><b><i>DUE IN PERIOD</i></b></p>	<p>Operation Board</p> <p>The Operation Board minutes, action log and dashboard were reviewed for April, May and June 2021 and the following was identified:</p> <ul style="list-style-type: none"> <li>All action logs identified the date the entry was raised, but no reference was made to the expected completion date,</li> <li>Completed actions are removed from the subsequent log. However, this does not provide an audit trail for future reference of actions complete to identify, the timescale when the issue may have resulted in a detrimental impact on delivery. The Commercial and Contract Manager explained that although actions are removed from the log, they remain in the Operations Report so there is an audit trail of events. As part of the wider review, it would be beneficial to review processes to ensure adequate audit trails are maintained.</li> <li>May 2021 monthly reporting by the Contract Management Team at the Operations meeting identified actions for Pothole VFM with no implementation date. In contrast Locality Stewards VFM all recorded a timescale for completion,</li> <li>June 2021 minutes recorded that the Councillor and stakeholders should be</li> </ul>	3	31-Mar-22	Complete		Highways and Public Realm Contract Manager

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>updated on BBLP completing a job without a works order. However, this is not recorded as an action on either the minutes or action log.</p> <p>The omissions identified may result in an action being overlooked or not monitored at a regular frequency.</p> <p>Annex Risk Registers</p> <p>Internal audit reviewed nine annually produced BBLP annex risk registers that were provided. The Contract Officer advised that the entries on the annex risk registers represented the risks identified from the work to be delivered under the annual plan. Review of the annex risk registers found that there were no dates to determine when mitigation of the risk was put in place, reviewed or amended. Since there are changes to the annual plan, early warnings and compensation events it would be anticipated that the annex risk registers would be reviewed during the period with all relevant information documented accordingly. Current reviews of processes within the service area need to consider the control weaknesses raised in the findings to ensure that these are addressed in the future control frameworks.</p>					
<p>Development Regeneration Programme</p> <p><b>FUTURE</b></p>	<p>At the start of the Overarching Agreement Development and Regeneration Programme (DRP) in June 2018 a governance structure was put in place. At the highest internal level there was the Economic Development Programme Board, where concerns would be escalated from the Development Regeneration Partnership Programme Boards for both Keepmoat Homes Ltd and Engie. Communications in more recent times</p>	3	31-Oct-22	<p>The Local Plan Review and City Centre masterplan are not likely to be at an advanced stage of development until the end of 2022 / start of 2023.</p>	On track	<p>Corporate Director Economy and Environment</p>

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	<p>appear to have faltered with Keepmoat Homes Ltd. The last agenda and minutes for the DRP Programme Board: HC and Keepmoat is dated 3 March 2020 with no evidence of formalised communication beyond this point through this body. The Keepmoat attendance and meeting spreadsheet for 2020 shows that meetings were scheduled to take place on 25 June 2020 and 15 October 2020, but no records were available on the shared drive to show they proceeded.</p> <p>Under the DRP Project Group- Keepmoat electronic folder notes and actions dated 4 November 2020 it is recorded that the Bromyard Depot and Holme Lacy site were discussed. There appeared to be a partnership relationship between Herefordshire Council and Keepmoat Homes Ltd up until November 2020. It is unclear if there was further engagement beyond this date.</p> <p>Both the Chair of the programme board and the original Senior Responsible Officer at Herefordshire Council for Keepmoat Homes Ltd, are no longer at the organisation to enquire what happened. This finding would suggest that Herefordshire Council may have failed to maintain even limited ongoing communications with Keepmoat Homes Ltd, unlike the continued relationship with the other partner Engie.</p> <p>At the DRP Programme Board: HC &amp; Engie on 1 September 2021 the interim Director for Economy &amp; Place stated that Hereford Council is developing the Hereford City Masterplan and Herefordshire Big Plan for the next 30 years. Therefore, it is likely to be 12 months before Herefordshire Council is in a position to consider any</p>					

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	project activity with Equans (previously Engie). Internal Audit is unaware if as a courtesy this information was communicated to Keepmoat. The Council should consider future communications within the DRP partners to allow a good working relationship to be maintained.					
Treasury Management 2021/22  <b>DUE IN PERIOD</b>	The Council has Fidelity Insurance cover of £5million for individual investments, even though the approved transaction limit is now £10million. Analysis showed that of 77 money market fund investments for 2021/22 to 2nd December, 16 were for more than £5million. The Corporate Finance Team has taken advice on this, and report that £5million is a standard limit for this type of cover, with limited capacity in the insurance market for higher levels of cover. There are good controls in place around the individual transactions, both in terms of segregation of duties and use of investment opportunities, however, the Council would not be covered should they suffer any losses over this £5 million limit due to unforeseen circumstances.	3	07-Jan-22	Complete		Head of Corporate Finance
Treasury Management 2021/22  <b>FUTURE</b>	The Council's Treasury Management Strategy does not include any reference to ethical or 'green' investments. This is an area that the Council members have an interest in, and is also something that the Corporate Finance Team have started to become involved in, through investments with Standard Chartered and Barclays Bank. The Council's approach to ethical and 'green' investments should therefore be documented.	3	01-Apr-22	Complete		Head of Corporate Finance
Oral Health Needs Assessment (OHNA)	Establish a multi-agency steering group to lead the strategic direction for improving oral health and reducing oral health inequalities in Herefordshire. Ensure key	3	30-Jun-22	Has met and is now meeting quarterly. Key partners are represented and have been written to re attendance. Business support has been secured.	On track	Consultant in Public Health

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
<b>FUTURE</b>	partners are represented in the group's membership.					
Oral Health Needs Assessment (OHNA) <b>FUTURE</b>	Based on the findings from the OHNA, develop a clear local vision and a high-level action plan for improving oral health and reducing oral health inequalities in Herefordshire.	3	30-Jun-22	This will be signed off at the next meeting of the group, although a draft has been in circulation and discussed as planned. Dates for future meetings have been scheduled to align with national data releases and next one will be June.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) <b>FUTURE</b>	Bridge the gaps in the current local approach to oral health improvement identified through the audit against the NICE guidance and the review of PHE guidance.	3	30-Sep-22	This has been discussed within the Public Health team and an early route for communications identified via the care providers' forum.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) <b>FUTURE</b>	Engage with and support key community settings (especially those commissioned or provided by the local authority) to develop local policies for improving oral health that reflect NICE guidance i.e. care settings, children and young people's settings, general practices and hospitals.	3	30-Jun-22	Children's settings in progress, care homes discussed as above, and general practice not yet begun.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) <b>FUTURE</b>	Explore the feasibility of undertaking a health equity audit of access to dental services in Herefordshire, specifically related to 'at-risk groups' (e.g. Looked after children, vulnerable older adults, people who are homeless or refugees, those with a learning disability).	3	30-Sep-22	Awaiting clarity on registrar capacity for carrying out the audit.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) <b>FUTURE</b>	Seek opportunities to influence the common risk factors and wider determinants for poor oral health, obesity and other key public health issues i.e. smoking, high-risk drinking. For example through encouraging public service settings to be 'health promoting' and influencing local relevant planning decisions.	3	31-Mar-23	Public Health and planning are in discussion on adding health impact assessment to the planning processes. These discussions are very positive.	On track	Consultant in Public Health
Main Accounting <b>FUTURE</b>	Eleven set of procedures covering key processes were assessed. All were clear, contained adequate detail, with staff aware of their existence and easily accessible on the shared drive. However,	3	31-Jul-22	Not yet started but should still be complete by due date.	On track	Senior Team Leader (Transactional Team)

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	ten of the eleven procedures sampled required improvements in document management to align to the Policy Writing Procedures 2020. The key omissions identified are: • Name of document • Summary outlining the purpose • Author (job title) • Owner of the procedure • Approved person and date • Published date • Review date • Ref for version control					
Main Accounting <b>FUTURE</b>	The NatWest Bank Mandate spreadsheet dated 13 January 2022 was reviewed. It was verified that: a) All Herefordshire officers listed are employees of the Council b) The Council Officers are professionally experienced to fulfil the signatory role. In addition, fifteen of the twenty-seven pages of the NatWest Mandate were checked to confirm that the officers listed are appropriate signatories. The Corporate Finance Manager assisted with identifying some of the names unable to be found, because they were school personnel. Not all of these individuals are listed on Herefordshire's SharePoint system. The Corporate Finance Manager was able to identify thirty four of the forty-five signatories. Three further entries had been deleted since the NatWest Bank Mandate was provided to Internal Audit. However, this left eight signatories that should have been removed from the mandate still present. This finding indicates that the NatWest Bank Mandate should be regularly reviewed.	3	30-Apr-22	Complete		Corporate Finance Manager
Main Accounting <b>FUTURE</b>	Data analytics was undertaken on the 106,000 journals completed between 1 April 2021- 31 December 2021 to recognise possible duplicate entries that had not been corrected. The analysis	3	30-Sep-22	Complete		Chief Accountant

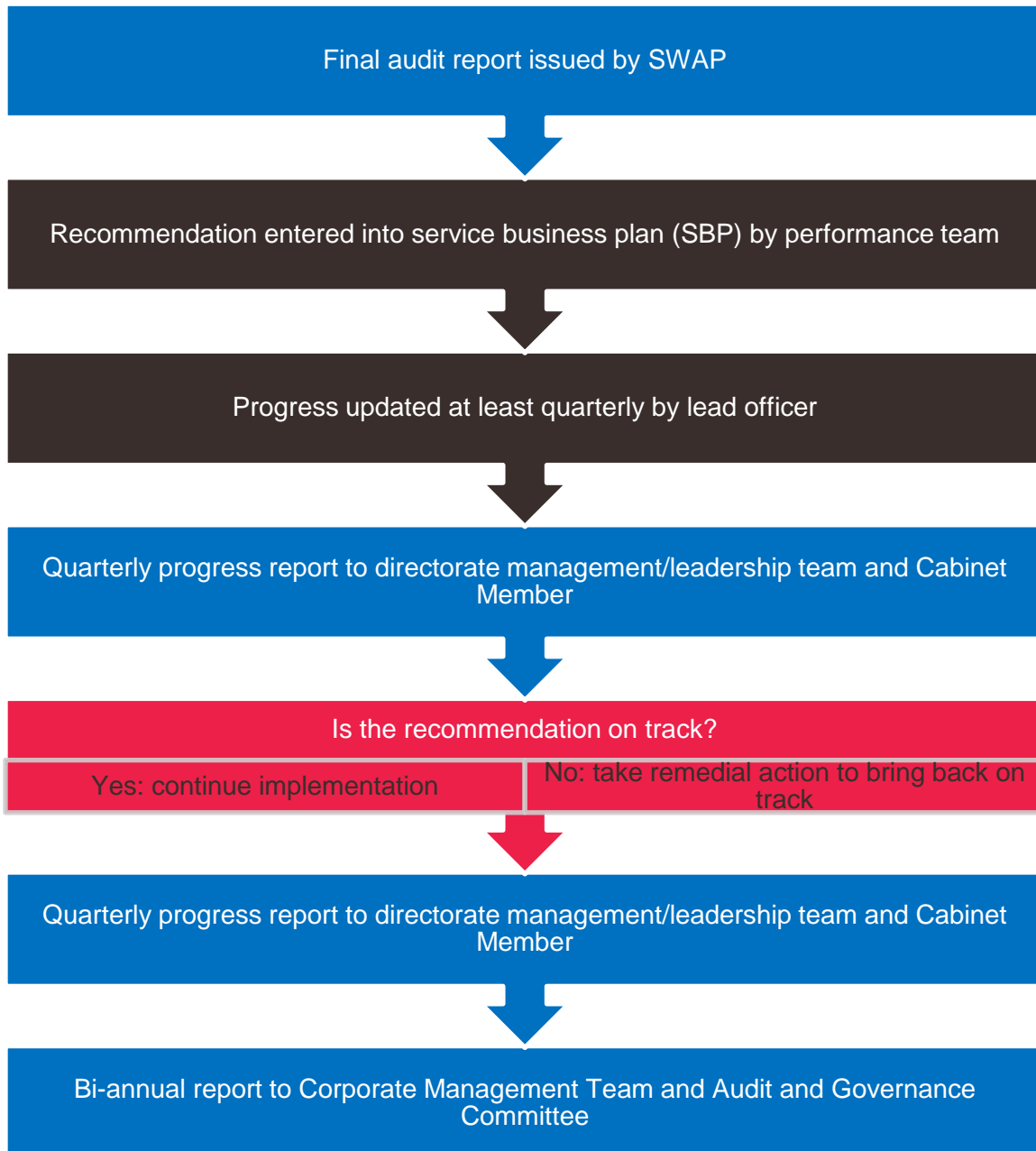
Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	identified that possibly 542 of the total journals were duplicates. A small sample was tested as part of the audit looking at more significant transactions, and no concerns were raised. The data analysis has been shared with the service so they can carry out their own checks on the remaining journals to give assurance that none are duplicates.					
Pool Cars <b>FUTURE</b>	The process of transferring the data from the vehicle log sheets into a workable electronic format from which the recharges can be compiled is a cumbersome one. Records are often incomplete, and coding can be incorrect, which requires additional work from the Sustainability and Climate Change Officer to request/correct the information. The spreadsheets can also be prone to errors, which were found to have occurred during 2019/20. The current electronic booking system for the pool cars should be enhanced to require the users to input their mileage and journey details, which will then allow the production of a more comprehensive report which can be used to facilitate the recharging process. Early notification to managers by email as confirmation of the pool car booking or as a prompt to them for non-completion of vehicle mileage details by their employee would also be advisable. This would allow for management oversight of the use of pool cars It would be beneficial to review booking system upgrades after three months to assess its effectiveness and correct any issues identified, thus ensuring it meets its objectives.	2	30-Apr-22	Draft online system has been developed by Hoople and currently being tested. This should go live by 30th April but there may be slippage with staff Easter leave. The new system does not yet include the automatic link of cost codes to the BW accounts system. It is unclear as to the additional (if any) costs of this, and whether indeed it is necessary.	On track	Sustainability and Climate Change Officer
Pool Cars <b>FUTURE</b>	We have identified that there are missing vehicle mileage sheets and recharges since April 2019. However, considering that	2	22-Apr-22	All available mileage sheets and accompanying recharges are almost complete. Any gaps in mileage are being	On track	Sustainability and Climate Change Officer

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	charges are internal, and the accounts have been closed down for previous years, efforts to bring records up to date should be focused on the current financial year (2021/22). We advise that the Sustainability and Climate Change Officer should locate all mileage sheets for the current financial year and refer back to the booking records to ensure that these are complete, i.e., mileage records are consecutive, confirming that all mileage sheets have been accounted for. This will then provide a basis to review costings and will also go to inform management as to the need for an increase in recharge costs for the scheme.			cross referenced with intranet booking records and staff contacted to submit journey details where relevant. If (due to Easter leave) these are not processed by 14/04/22, the costs will be carried forward to Period 1 2022/23. Note that there will be come small mileage gaps that may never be accounted for e.g. as a result of cars going for repair and dates/mileages have not been recorded in these instances. These will all be noted.		
Pool Cars <b>FUTURE</b>	The current block booking of a pool car to the Clerk of Work is effectively a company/lease car, as it does not meet the HMRC definition of a pool car. As such, arrangements should be made to report this to HMRC in order to address relevant tax implications. A car only qualifies as a pooled car if all the following conditions are satisfied: (a) it's available to, and actually used by, more than one employee; (b) it's made available, in the case of each of those employees, by reason of their employment; (c) it is not ordinarily used by one of them to the exclusion of the others; (d) any private use by an employee is merely incidental to their business use of it; (e) it is not normally kept overnight on or near the residence of any of the employees unless it's kept on premises occupied by the provider of the car. The above must also be adhered to should consideration be given in future to block booking cars for teams / services.	2	30-Sep-22	Pool car block booking discontinued, Clerk of Work using own vehicle, booking pool car as and when needed.	On track	Engineering Manager  Sustainability and Climate Change Officer



Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Pool Cars <b>FUTURE</b>	No central record is retained of pool cars that are returned late. Maintaining such a record could help to indicate any trends, which could then be used to alert the Sustainability and Climate Change Officer when reviewing mileage, or to alert budget holders. We have been informed that the Facilities Management staff do a daily check on the keys to see what's missing if any however this does not identify if keys were returned late.	3	30-Sep-22	Anticipate bringing this date forward.	On track	Sustainability and Climate Change Officer
Pool Cars <b>FUTURE</b>	There is insufficient data available at present to accurately gauge whether there is a need to retain all current pool cars, although it is clear from reviewing the booking records that are available that there are periods of time when some cars are not in use. The Service should initially look to encourage use of pool cars across the Council over the coming months and follow this with a review of usage six months after this has taken place, in order to ascertain whether current fleet numbers can be justified or whether some pool cars can be relinquished. This review should also take into account the two pool cars currently loaned to Wye Valley Trust (WVT) should they no longer wish to retain them past the current loan end date of 31st March 2022.	3	31-Dec-22	Anticipate bringing this date forward.	On track	Sustainability and Climate Change Officer
Pool Cars <b>FUTURE</b>	There have been no cost increases over the last six years for the administration of the pool car scheme. Although some analysis was recently carried out on the cost, that would not have been based on accurate and up to date records, as we have identified some vehicle mileage sheets and bookings that have not been recharged. It would therefore be beneficial to carry out further analysis on the cost of the scheme once there is enough accurate	3	31-Dec-22	Anticipate bringing this date forward.	On track	Sustainability and Climate Change Officer

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	data to base this on, i.e., at least six months after the upgrades to the booking system have been made. A costing review also encompasses a review of fuel purchases, made using the fuel cards attached to the car key. However, fuel use is not monitored on an ongoing basis. Consideration should be given to this task, so that fuel usage can be monitored against mileage to ensure that it is reasonable. A review of fuel costs is outside the scope of this audit.					

**SWAP audit recommendation reporting process**





# Title of report: Anti-Fraud, Bribery & Corruption Policy

**Meeting: Audit and Governance Committee**

**Meeting date: Monday 27 June 2022**

**Report by: Counter Fraud Manager**

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose

For the committee to review and approve the updated Anti-Fraud, Bribery and Corruption Policy attached at appendix A and consider recommendations for improvements.

## Recommendation(s)

**That:**

- a) **The updated Anti-Fraud, Bribery and Corruption Policy attached at appendix A be reviewed and the committee determine any recommendations it wishes to make to ensure its effectiveness; and**
- b) **The updated Anti-Fraud, Bribery and Corruption Policy is approved by the committee and recommended for adoption by the cabinet member for finance**

## Alternative options

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

## Key considerations

- 2. This report recommends an updated Anti-Fraud, Bribery and Corruption Policy, which is a detailed procedural document. The Audit and Governance committee has the remit 'To

maintain an overview and agree changes to the council policy on 'Anti-Fraud, Bribery and Corruption'.

3. The Anti-Fraud, Bribery and Corruption Policy (policy) provides a clear framework alongside the council's Counter Fraud and Corruption Strategy (strategy), for the council to undertake necessary, legal and proportionate actions wherever the evidence supports an investigation into an allegation of fraud, and to seek recovery of defrauded monies through all possible legal means.
4. Both the policy and strategy reflects that the council is continually striving to develop the organisation's counter fraud maturity.
5. The minimisation of losses to fraud and corruption is essential for ensuring that public resources are used for their intended purpose of providing services to its local residents. The council is therefore ensuring that structured guidance and policy framework is available to all staff, councillors, contractors, the council's partners and to the public.

### **Community impact**

6. The policy at Appendix A will assist in protecting public resources and support the code of corporate governance principle which states that:
  - a) Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External and internal audit contribute to effective accountability.

### **Environmental impact**

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

### **Equality duty**

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

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

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

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

### **Resource implications**

11. The policy supports the best use of council services. An effective policy is essential for the responsible management of public finances and to ensure best practise procedures are available to assist the organisation in countering fraudulent activity.

### **Legal implications**

12. There are no legal implications arising from the proposed update to the Anti-Fraud, Bribery and Corruption Policy.

### **Risk management**

13. Through the provision of an up to date and informative Anti-Fraud, Bribery and Corruption Policy, the Council is providing internal staff, associated organisations and members of the public with the essential information needed, to understand and report instances of alleged fraud.
14. The policy also sets out clear guidance and procedures in managing the organisation's risk to fraud, bribery, tax evasion and corruption, which further supports the Council's counter fraud risk assessment.

### **Consultees**

16. None

### **Appendices**

Appendix A - Anti-Fraud, Bribery and Corruption Policy

### **Background papers**

None identified





# Anti-fraud, Bribery and Corruption Policy

## Document Control

Approved by	Audit and Governance Committee
Date approved	
Version	4.0
Category	Corporate Governance
Policy Owner	Chief Finance Officer [Section 151 Officer]
Policy Author	Counter Fraud Manager
Applies to	All council staff, councillors, contractors, the council's partners and the public

## Review of Policy

Last reviewed	30 <sup>th</sup> October 2019
Review date	27 <sup>th</sup> June 2022
Next Review date	

This policy will be subject to continuous review and amendment to ensure that it remains compliant with good practice, national and public sector standards and meets the needs of the council.

After the review date has expired, this document may not be up-to-date. Please contact the document owner or document author to check the status after the review date shown above.

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## **1. INTRODUCTION**

- 1.1 This policy provides a clear framework alongside the council's Counter Fraud and Corruption Strategy, for the council to undertake necessary, legal and proportionate actions wherever the evidence supports an investigation into an allegation of fraud, and to seek recovery of defrauded monies through all possible legal means.
- 1.2 The council maintains high standards of probity and has a good reputation with the residents which it serves, for protecting public finances. Sound systems of public accountability are vital to effective management and in maintaining public confidence. The minimisation of losses to fraud and corruption is essential for ensuring that public resources are used for their intended purpose of providing services to its local residents.
- 1.3 The council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. The public is entitled to expect the council to conduct its business with integrity, honesty and transparency and demand the highest standards of conduct from those working for it, aligned to the Nolan Principles for Standards in Public Life.
- 1.4 The council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud, theft, bribery or corruption, which it recognises the impacts can:
  - Undermine the standards of public service that the council is attempting to achieve.
  - Reduce the level of resources and services available for the residents of Herefordshire.
  - Result in major consequences which reduce public confidence in the council.
- 1.5 Appropriate sanctions and redress will be pursued against anyone perpetrating or attempting to commit fraud, and every effort will be made to recover any losses incurred by the council.

## **2. AIMS AND OBJECTIVES**

- 2.1 The aims and objectives of this Anti-Fraud, Bribery and Corruption Policy are to:
  - Protect the council's valuable resources by ensuring they are not lost through fraud, but are used to provide quality services to Herefordshire residents and visitors.
  - Create and promote a robust 'anti-fraud' culture which highlights the council's zero tolerance of fraud, theft, bribery, tax evasion and corruption.
  - Have in place a Counter Fraud Service which:
    - Proactively deters, prevents and detects instances of fraud, theft, bribery and corruption.
    - Investigates suspected or detected fraud, theft, bribery and corruption.
    - Enables the council to apply appropriate sanctions and recover losses.
    - Provides recommendations to inform policy, risk and control improvements, thereby reducing the council's exposure to fraudulent activity.
  - Create an environment that enables the reporting of any genuine suspicions of fraudulent activity, ensuring that the rights of people raising legitimate concerns are properly protected.
  - Work with our partners and other investigative bodies to strengthen and continuously improve our arrangements to prevent fraud.

### 3. SCOPE, ROLES & RESPONSIBILITIES

- 3.1 The council will not tolerate fraud, bribery, corruption or other forms of financial irregularity by anyone. This policy therefore applies to:
- All council employees (including volunteers, temporary staff and agency staff);
  - Elected members;
  - Staff and Committee members of council funded voluntary organisations;
  - Council partners;
  - Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
  - Service users; and
  - Members of the Public.
- 3.2 It is important that everyone within the council, or associated with the council, understands what their specific responsibilities are in relation to fraud prevention.

Stakeholder	Specific Responsibilities
<b>Audit and Governance Committee</b>	To monitor and oversee the council's strategies and policies, and consider the effectiveness of the Whistleblowing Policy, Money Laundering and Counter-Fraud and Corruption Strategy. The committee also oversees the progress within the annual fraud report.
<b>Chief Executive</b>	The Chief Executive is ultimately accountable for the effectiveness of the council's appetite and arrangements for countering fraud and corruption.
<b>Finance Portfolio Holder</b>	The Finance Portfolio Holder is the cabinet member responsible for Finance and Corporate services, and has the responsibility of signing off the Counter Fraud and Corruption Strategy.
<b>Councillors</b>	To promote and support the council's stance on fraud, corruption and bribery.
<b>Chief Financial Officer/ (Section 151 Officer)</b>	To oversee that the council has an effective Counter-Fraud and Corruption Strategy, there is an effective internal control environment and there is an effective internal audit service to provide an objective view.
<b>Monitoring Officer</b>	To help ensure that the council does not act unlawfully and to monitor the whistleblowing function. The Monitoring Officer undertakes an initial assessment on any referrals made through this reporting method, to determine the type of allegation.
<b>Counter Fraud Team</b>	To raise fraud awareness internally within the council and externally to the public. To train and educate employees about fraud and create / implement an effective strategy. To assess risk of fraud across the organisation alongside Audit and implement mitigation to help deter and prevent crime. Point of contact for fraud investigations and to actively pursue the recovery of public monies and take action, to include, but not limited to, prosecution. To function effectively with all stakeholder's in the counter fraud process.

Stakeholder	Specific Responsibilities
<b>Internal Audit</b>	To provide advice and assurance to the council on the effectiveness of internal controls which are designed to reduce the risk of fraud, corruption, bribery and theft. To undertake risk assessments across the organisation and work with the council's internal Counter Fraud Team to help mitigate fraud risk.
<b>External Audit</b>	A statutory duty to ensure that the council has in place sufficient arrangements for the prevention and detection of fraud, corruption, bribery and theft.
<b>Trading Standards</b>	To function effectively with the Counter Fraud Team by sharing intelligence, resources and assisting in the facilitation of fraud prosecutions.
<b>Human Resources</b>	To function effectively with the Counter Fraud Team by working together in relation to any internal fraud, corruption, theft or bribery investigations.
<b>Heads of Service and Service Managers</b>	To assist in promoting staff awareness and ensuring that all suspected or reported irregularities are immediately referred to Internal Audit & the Counter Fraud Team. To ensure that strong internal controls are in place and that these are properly implemented within their departments.
<b>Staff</b>	To comply with the council's policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerns to management and Internal Audit and/ or the Counter Fraud Team, taking into consideration if necessary, the Whistleblowing Policy.
<b>Public, Partners, Suppliers, Contractors and Consultants</b>	To be aware of the possibility of fraud, corruption, theft and bribery against the council and report any genuine concerns or suspicions.

#### 4. **DEFINITIONS**

<b>Fraud</b>	<b>Deception</b>
Put simply, fraud is an act of <u>deliberate deception</u> intended for personal gain or to cause a loss to another party.  This can include fraud by abuse of position, false representation, or failure to disclose where there is a legal duty to do so.	An act or statement which misleads, hides the truth, or promotes a belief, concept, idea or identity that is not true. It is often done for personal gain or other advantage.
	<b>Corruption</b>
	Unlawful behaviour through the abuse of entrusted power or position of authority, for personal gain or other advantage.
<b>Theft</b>	<b>Bribery</b>
When someone dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.	Giving, receiving or promising someone a financial or other advantage, to encourage that person to perform their functions or activities improperly, or to reward that person for having already done so.

##### 4.1 **Fraud**

The Fraud Act 2006 identifies fraud as a criminal offence which can be committed in a number of separate ways, such as the following categories:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

##### 4.2 **Theft**

The 1968 Theft Act defines “a person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”.

##### 4.3 **Corruption**

The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

##### 4.4 **Bribery**

Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. The key offences under the Bribery Act 2010 are:

- Active bribery: promising or giving a financial or other advantage; Passive bribery: agreeing to receive or accepting a financial or other advantage;
- Bribing of foreign public officials;
- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years.

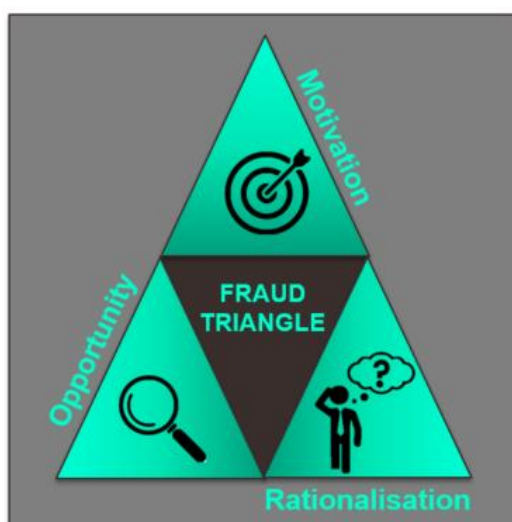
##### 4.5 **Tax Evasion** is the non-payment or under-payment of taxes, usually resulting from making a false declaration or no declaration at all of taxes due to the relevant tax authorities, resulting in legal penalties (which may be civil or criminal) if the perpetrator of tax evasion is caught.

- 4.6 **Tax Avoidance** is seeking to minimise a tax bill without deliberate deception (which would be tax evasion) but contrary to the spirit of the law. It therefore involves the exploitation of loopholes and gaps in the tax and other legislation in ways not anticipated by the law.
- 4.7 **Relevant Body** – The government guidance for the corporate offences of failure to prevent criminal facilitation of tax evasion, (1st September 2017) states that only a 'relevant body' can commit the new offences. This means that only incorporated bodies (typically companies but also includes the council) and partnerships can commit the new offences, not individuals.

However, a relevant body can commit the new offences if a person acting in the capacity of a person associated with it criminally facilitates a tax evasion offence. A person is associated with a relevant body if that person is an employee, agent or other person who performs services for or on behalf of the relevant body (such as sub-contractors).

## 5. ANTI-FRAUD CULTURE

- 5.1 It is first important to understand the psychology of why an opportunistic fraudster may choose to commit fraud. This can be best explained by the 'Fraud Triangle' theory outlined below;



- Motivation – The first step in the theory is motivation and it is sometimes also referred to as 'Pressure'. A person who commits fraud may be pressured to, or needs to be willing to commit fraud. This can be separated into the following:  
'**Fraud for need**' - It might be due to a financial need such as living beyond their means, debts, or to feed an addiction.  
'**Fraud for greed**' – committing fraud simply as a desire for more status, or a desire for material goods. The sense of 'beating the system' may also act as a further motivator.
- Rationalisation - A fraudster will often justify to themselves why they have committed fraud. They may see their act as revenge for inadequate pay or excessive workload. They may convince themselves that they will pay the money back one day; or that the organisation is so big it won't miss the small amount taken.
- Opportunity - The fraudster will usually look for opportunities to commit fraud. They may have heard stories from others who have cheated an organisation in a certain way before and may seek to copy this. Detailed knowledge of internal systems may make it easier for fraud to occur, particularly if the fraudster is aware of its weaknesses or has excessive control responsibility. Weak internal controls make it easier for fraud to be successful and reduce the likelihood of it being identified.

- 5.2 The council's members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, theft, bribery and corruption, regardless of seniority, rank or status, confident in the knowledge that such concerns will be investigated and wherever possible be treated with confidentiality. Suppliers/ contractors to the council and the public also have roles to play in this process and should inform the council if they feel that fraud, theft, bribery or corruption may have occurred.
- 5.3 The prevention and detection of fraud, theft, bribery or corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The anti-fraud culture and associated procedures within the organisation assists the council in its overarching fraud risk management.
- 5.4 Through the use of fraud awareness training, regular communication, comprehensive assessments and ongoing support from all responsible parties, the council will continue to have robust processes in place to help embed counter fraud arrangements across the council services.

## **6. TRAINING AND AWARENESS**

- 6.1 The council recognises that an important aspect of its Anti-Fraud, Bribery and Corruption Policy is the general awareness and responsiveness of employees throughout the council. To facilitate this, the council supports the concept of ongoing training. All council employees are therefore required to complete mandatory annual fraud awareness training. In addition, bespoke fraud awareness training is provided to high risk service areas on an adhoc basis.
- 6.2 All employees are made aware of this policy and the accompanying Counter Fraud and Corruption Strategy via various channels of communication. Up to date fraud awareness content is also available to all employees and the council endorses International Fraud Awareness week each year.

## **7. TYPES OF FRAUD**

- 7.1 Local authorities have reported a wide range of fraud types. The main areas of fraud that were reported in the 'Fighting Fraud Locally Campaign', continue to feature as significant risks. There are also new fraud types emerging and some of these are more prevalent in particular parts of the county. It is therefore important that everyone understands what risks there are, in order to be able to prevent and detect fraud occurring. Further details on the types of fraud effecting Local Authorities can be found in the council's Counter Fraud and Corruption Strategy.

## **8. STRATEGIC APPROACH TO COUNTERING FRAUD**

- 8.1 It is vitally important that the council tackles the risk of fraud using a structured approach. Therefore, the council has developed a 'Counter Fraud and Corruption Strategy', which accompanies this policy, and outlines the principles to which it will focus its counter fraud resources. These principles are aligned to the key pillars published by CIPFA's 'Fighting Fraud Locally' campaign.



## 9. KEY FRAUD INDICATORS

9.1 A number of frauds can come to light because of suspicions aroused by, for example, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indications or warning signs. However the following are indicators that may, either alone or cumulatively / repeatedly with other factors, suggest the possibility of fraud and may therefore require reporting.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long hours, job dissatisfaction / unhappy employee, secretiveness or undue defensiveness.
- **Financial Irregularities:** Key documents missing (e.g. invoices, contracts), absence of controls and audit trails, missing expenditure vouchers and official records, general ledger out of balance, bank and ledger reconciliations are not maintained or cannot be balanced, excessive movements of cash or transactions between accounts, numerous adjustments or exceptions, constant overdue pay or expense advances, suplicate payments, ghost employees on the payroll, large payments to individuals, excessive variations to budgets or contracts.
- **Poor procurement practice:** Too close a relationship with suppliers/contractors, suppliers/contractors who insist on dealing with one particular member of staff, unjustified disqualification of any bidder, or quote passed over with minimal explanation recorded, defining needs in ways that can be met only by specific contractors, single vendors, vague specifications, splitting up requirements to get under small purchase requirement or to avoid prescribed levels of review or approval.
- **Control inadequacies:** Understaffing in key control areas, consistent failures to correct major weaknesses in internal control, inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed, lack of senior management oversight, inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation), low staff morale, weak or inconsistent management.
- **Lax corporate culture:** Management frequently override internal control, climate of fear or a corporate culture employees under stress without excessive workloads, new employees resigning quickly, crisis management coupled with a pressured business environment, high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common sense controls, work is left until the employee returns from leave, post office boxes as shipping addresses, documentation that is photocopied or lacking essential information, lack of rotation of duties, unauthorised changes to systems or work practices.

## 10 **BRIBERY**

- 10.1 It is a criminal offence for an individual to give or receive a bribe. Offences under The Bribery Act 2010 include the following;
- bribing another person
  - requesting, accepting or agreeing to receive a bribe
  - bribing a foreign public official
  - failure to prevent bribery
- 10.2 Individuals involved in bribery can receive up to 10 years' imprisonment and/or an unlimited fine. Organisations can receive unlimited fines. Within the organisation, senior officers or directors can also be convicted if they are deemed to have given their consent to giving or receiving a bribe.
- 10.3 It is also a corporate offence if a business is found to have failed to prevent bribery. The Bribery Act 2010 includes the corporate offence of 'Failing to prevent bribery on behalf of a commercial organisation' (corporate liability). To protect itself against the corporate offence, the Act requires an organisation to have "adequate procedures in place to prevent bribery".

## 11. **TAX EVASION**

- 11.1 In 2017, the U.K. Government made it a Corporate Criminal Offence for businesses to fail to put in place reasonable procedures to prevent employees and other associated persons from facilitating tax evasion. The new offences were set out in Part 3 of the Criminal Finances Act 2017.
- 11.2 Under the CFA 2017, it is an offence to fail to prevent the facilitation of the evasion of UK or foreign taxes. The intention of the Criminal Finances Act 2017 was to impose criminal liability on organisations whose employees, for example, helped clients evade taxes.
- 11.3 The Government guidance refers to both the 'Relevant body', namely the council and 'persons acting as associates,' (any employee, agent or other person who performs services for, or, on behalf of the council). The associate person can be individual or an incorporated body.
- 11.4 For Corporate offences to be committed a criminal offence must have been committed at the taxpayer level (stage one);

- **Stage one:** The criminal tax evasion by a taxpayer (either an individual or a legal entity) under existing law.

It is criminal offence to deliberately and dishonestly facilitate the commission of revenue fraud or to assist a person to fraudulently evade tax. It is also a crime to aid and abet another person in committing a revenue fraud.

- **Stage two:** The criminal facilitation of the tax evasion by an associate person of a relevant body.

Only a relevant body can commit the new offences. If an associate deliberately and dishonestly criminally facilitates a tax evasion offence whilst performing services for or on behalf of Herefordshire Council, the Council could also be accountable, unless they could evidence that reasonable prevention procedures have been put in place to prevent its associated persons from committing tax evasion.

- 11.5 Government guidance suggests the proportionate prevention measures should be taken based on an assessment that identifies the specific risks of the organisation. The Government has set the same threshold for Tax Evasion prevention measures as those set for Bribery (under S7 of the Bribery Act 2010). i.e. When an offence has been committed, an organisation must be able to evidence that they have adequate procedures in place designed to prevent persons associated with the council from undertaking such conduct.
- Risk Assessment
  - Proportionality of risk-based prevention procedures
  - Top Level Commitment
  - Due Diligence
  - Communication (including training)
  - Monitoring and Review
- 11.6 The council must ensure that their policies and procedures are up-to-date and that staff are made aware of their responsibility around the recognition and prevention of tax evasion. This will not only provide a safeguard against tax evasion but also enable the council to evidence that prevention procedures are in place.
- 11.7 In the council, reasonable due diligence is exercised when processing all transactions particularly high value/high risk area payments. Regular monitoring takes place and particular caution is exercised when making payment to new suppliers.
- 11.8 The council shows a top level commitment by having a zero tolerance for anyone committing tax evasion and recognises its responsibility to prevent the facilitation of tax evasion. This is reflected in the governance process and procedures to address specific risks. In addition, the council has the following practices in place that all contribute to staff awareness and Governance:
- Anti-fraud, Bribery and Corruption Policy
  - Anti-Money Laundering Policy
  - Whistleblowing Policy
  - Employee Codes of Conduct
  - Contract Procedure Rules
  - Finance Procedure Rules
  - Counter fraud & corruption strategy
  - Counter fraud & corruption action plan
  - Fraud risk assessment
  - Mandatory fraud awareness training
- 11.9 The reporting process for anyone who may have concerns that either tax evasion or the facilitation of tax evasion offences may have been committed are detailed in Section 16 of this policy.

## **12. INVESTIGATIONS, DISCIPLINARY & REDRESS**

- 12.1 Fraud, theft, bribery and corruption are serious offences against the council and employees will face disciplinary action if there is evidence that they have been involved in these activities. The council's Counter Fraud Department will collaborate with other public-sector bodies and law enforcement agencies, including the Department of Work and Pensions, the Police, HMRC, Immigration Service, Insolvency Service, the National Anti-Fraud Network (NAFN) and the National Investigations Service (NATIS) for the purposes of preventing, detecting and investigating crime. This is not an exhaustive list and other agencies may also be utilised.
- 12.2 The council participates in all mandatory data matching exercises most notably the National Fraud Initiative (NFI). In addition, further internal data matching exercises are undertaken at various times, for example matching council tax single person discount records with Electoral Role data. All exercises adhere to data protection requirements under the Data Protection Act 2018.
- 12.3 Section 151 of the Local Government Act (1972) sets out that in every local authority in England & Wales should: "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs". This role is designated to the council's Section 151 Officer.
- 12.4 Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Chief Financial Officer (to report to the Council if the authority, one of its committees, the Leader and Cabinet Executive or one of its officers:
- Has made – or is about to make – a decision which has or would result in unlawful expenditure;
  - Has taken, or is about to take, an unlawful action which has or would result in a loss or deficient to the authority; or
  - Is about to make an unlawful entry in the council's accounts.
- 12.5 Any allegation of fraud received will be followed up through the council's agreed Disciplinary Procedures. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case, but in a consistent manner.
- 12.6 All individuals will face appropriate action under this policy if there is evidence that they have been involved in theft, fraud, bribery, tax evasion or corruption against the Authority. If the matter is a potential breach of the Code of Conduct for Members, then it will also be referred to the Monitoring Officer.
- 12.7 Any sanction against Housing Benefit will be taken by the Department for Work and Pensions. Although, authorisation for administration penalties (fine as an alternative to prosecution) can be provided by the appropriate department within the council.
- 12.8 In relation to any misuse or fraud identified with disability parking permits (blue badges), the council's Parking Enforcement team will actively investigate these cases. Where appropriate and within the public interest, penalty fines can be issued and prosecution may be pursued.
- 12.9 Any investigation undertaken may highlight were there has been a failure of supervision, or a breakdown/ absence of control(s). Where a confirmed fraud has occurred within the council, a review of internal controls will be undertaken and management must make any changes necessary to systems and procedures to ensure that similar frauds will not reoccur.

### **13. RECOVERY OF LOSSES**

- 13.1 The council will always attempt to recover losses incurred as a result of fraud, theft, bribery and corruption.
- 13.2 If anyone under investigation offers money in settlement of any losses to the council, it should be made clear that any monies offered will be accepted, through the appropriate process:
- Without prejudice to any other actions the council may wish to take;
  - That acceptance is only in respect of losses identified to date; and
  - That the council reserves the right to seek recovery in any further losses that may come to light in the future.
- 13.3 Consideration will be given to legal action against the perpetrator of fraud or those benefiting from fraud in order to cover the council's losses.

### **14. REPORTING, ADVICE, SUPPORT**

- 14.1 Reporting is essential and:
- Ensures the consistent treatment of information regarding fraud, bribery and corruption.
  - Facilitates proper investigation.
  - Ensures the proper implementation of a fraud response investigation plan.
  - Ensures appropriate employment procedures are followed.
  - Ensures the interest of the people of Herefordshire are protected.
- 14.2 The council recognises that responsibility for the prevention and detection of fraud rests with everyone. We also recognise the difficulties that can be associated with reporting concerns, which is why all referrals are treated with complete confidentiality.
- 14.3 If you believe someone is committing a fraud or you suspect corrupt practices, these concerns should be raised immediately. It is encouraged to include as much information as possible when making a referral, to assist in the investigation process a referral can be made through a number of different ways, which are detailed as follows;
- **Fraud Referral Form**  
Fraud referrals are encouraged to be made directly to the council's Counter Fraud Department by utilising the council's [Fraud Referral Form](#), to ensure a timely investigation is undertaken. For internal employees, this is located on the council's "Fraud Awareness" Intranet Page and this form provides guidance on what information is required within your referral. You also have the option to remain anonymous when using this function.
  - **Confidential Fraud Reporting Inbox**  
This function is encouraged for external referrals (public & organisations not directly employed by the Council), we recommend that these be made using the confidential email inbox [counterfraud@herefordshire.gov.uk](mailto:counterfraud@herefordshire.gov.uk)
  - **Whistleblowing Policy**  
Fraud concerns can also be reported directly to the council's Monitoring Officer by emailing the confidential whistleblowing inbox, detailed within the [Whistleblowing Policy](#). All referrals of alleged fraud are then referred to the Counter Fraud Team.

The council's Whistleblowing Policy is intended to encourage and enable employees and/or partners to raise serious concerns. Members of the public can also report concerns through the Council's complaints procedures or by contacting their elected member, the External Auditor or the Local Government Ombudsman.

- **Alternative Reporting Methods**

All referrals of alleged fraud that are reported through alternative routes must subsequently be referred to the Council's Counter Fraud Team immediately for an assessment of the allegation to be undertaken.

Employees can choose to escalate suspicions of fraud to their senior manager for an initial review (only if appropriate). The senior manager or director can then make the referral to the Counter Fraud Team on behalf of the employee. To avoid potentially compromising any obtainable evidence, managers should not investigate concerns themselves without having sought relevant authority to do so.

Where managers are made aware of suspected fraud by employees, they have responsibilities for reporting these concerns. Managers should react urgently to evidence of potential fraud or corruption. Head teachers of maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality.

## **15. GOVERNANCE OF FRAUD**

- 15.1 Good corporate governance procedures are a strong safeguard against fraud and corruption. The Audit and Governance Committee is a key member forum for ensuring sufficient weight and support is given to counter fraud, theft, bribery and anti-corruption activity.
- 15.2 As with any risk faced by the council, it is the responsibility of managers to ensure that fraud controls are adequately considered when preparing strategic priorities, business plans, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring in addition to any actual incidence of fraud having occurred in the past. Once the fraud risk has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.
- 15.3 Whilst all stakeholders in scope have a part to play in reducing the risk of fraud, the council's Members, Directors and Management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.

## **16. SUPPORTING POLICIES**

16.1 The following policies, procedures and guidance documents support or are linked to the Council's Anti-Fraud, Bribery and Corruption Policy. Please note that some of these documents may only be accessible to internally employed staff, and they can be located by searching [here](#).

- HC Counter Fraud and Corruption Strategy
- Hoople Anti-Fraud, Bribery and Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Codes of Conduct (employees and councillors)
- Financial Procedure Rules
- Procurement Card Policy
- EML Compromised Card Procedure
- Contract Procedure Rules
- Direct Payments Policy
- Adult Safeguarding Procedure
- Recruitment Procedure
- Employee interests, gifts and hospitality Policy
- Resourcing and Managing Performance Policy
- Conducting an Investigation Guidance
- Equality Policy
- Disciplinary Procedures
- Information Security Policy
- Debt Recovery Policy

## **17. DATA PROTECTION**

The personal information we collect across the council services will be shared with fraud prevention agencies who will use it to prevent fraud, money-laundering and to verify identities. If fraud is detected, the council retains the right to refuse certain services, finance, or employment. Further details of how your information will be used by the council and these fraud prevention agencies, are publically available on the council's website using the link below and are also detailed in this document:

<https://www.herefordshire.gov.uk/directory-record/6201/fraud-prevention-privacy-notice>

### **17.1 Information held about you**

Before we provide services, goods or financing to you, we may undertake checks for the purposes of preventing fraud and money laundering, and to verify your identity. These checks require us to process personal data about you. The personal data you have provided, we have collected from you, or we have received from third parties will be used to prevent fraud and money laundering, and to verify your identity.

Details of the personal information that will be processed include, for example: name, address, date of birth, contact details, financial information, employment details, device identifiers including IP address and vehicle details. We and fraud prevention agencies may also enable law enforcement agencies and other local authorities, to access and use your personal data to detect, investigate and prevent crime.

### **17.2 Who is processing your data**

The Data Controller is the council and Hoople Limited may process some information as the data controller on behalf of the council.

### **17.3 How we will use the information we hold about you**

### **Automated decisions**

As part of the processing of your personal data, decisions may be made by automated means. This means we may automatically decide that you pose a fraud or money laundering risk if our processing reveals your behaviour to be consistent with money laundering or known fraudulent conduct, or is inconsistent with your previous submissions, or you appear to have deliberately hidden your true identity. Read further information about your rights in relation to automated decision making.

### **Consequences of processing**

If we, or a fraud prevention agency, determine that you pose a fraud or money laundering risk, we may refuse to provide the services or financing you have requested, or to employ you, or we may stop providing existing services to you.

A record of any fraud or money laundering risk will be retained by the fraud prevention agencies, and may result in others refusing to provide services, financing or employment to you. If you have any questions about this, please contact us on the details above.

Fraud prevention agencies may allow the transfer of your personal data outside of the UK. This may be to a country where the UK Government has decided that your data will be protected to UK standards, but if the transfer is to another type of country, then the fraud prevention agencies will ensure your data continues to be protected by ensuring appropriate safeguards are in place.

#### **17.4 How the law allows us to use your information**

We process your personal data on the basis that we have legal obligations to do so under legislation such as the Fraud Act 2006 and that it is necessary in the public interest, or in exercising official authority for us to prevent fraud and money laundering, and to verify identity, in order to protect ourselves and to comply with laws that apply to us.

#### **17.5 How long we keep your personal information**

Fraud prevention agencies can hold your personal data for different periods of time, and if you are considered to pose a fraud or money laundering risk, your data can be held for up to six years.

#### **17.6 Your rights**

Your personal data is protected by legal rights, which include your rights to object to our processing of your personal data; request that your personal data is erased or corrected; request access to your personal data. Read more about your rights in relation to personal data processing.

You also have the right to make a complaint about our handling of your personal data to the Information Commissioner's Office.

#### **17.7 Providing accurate information**

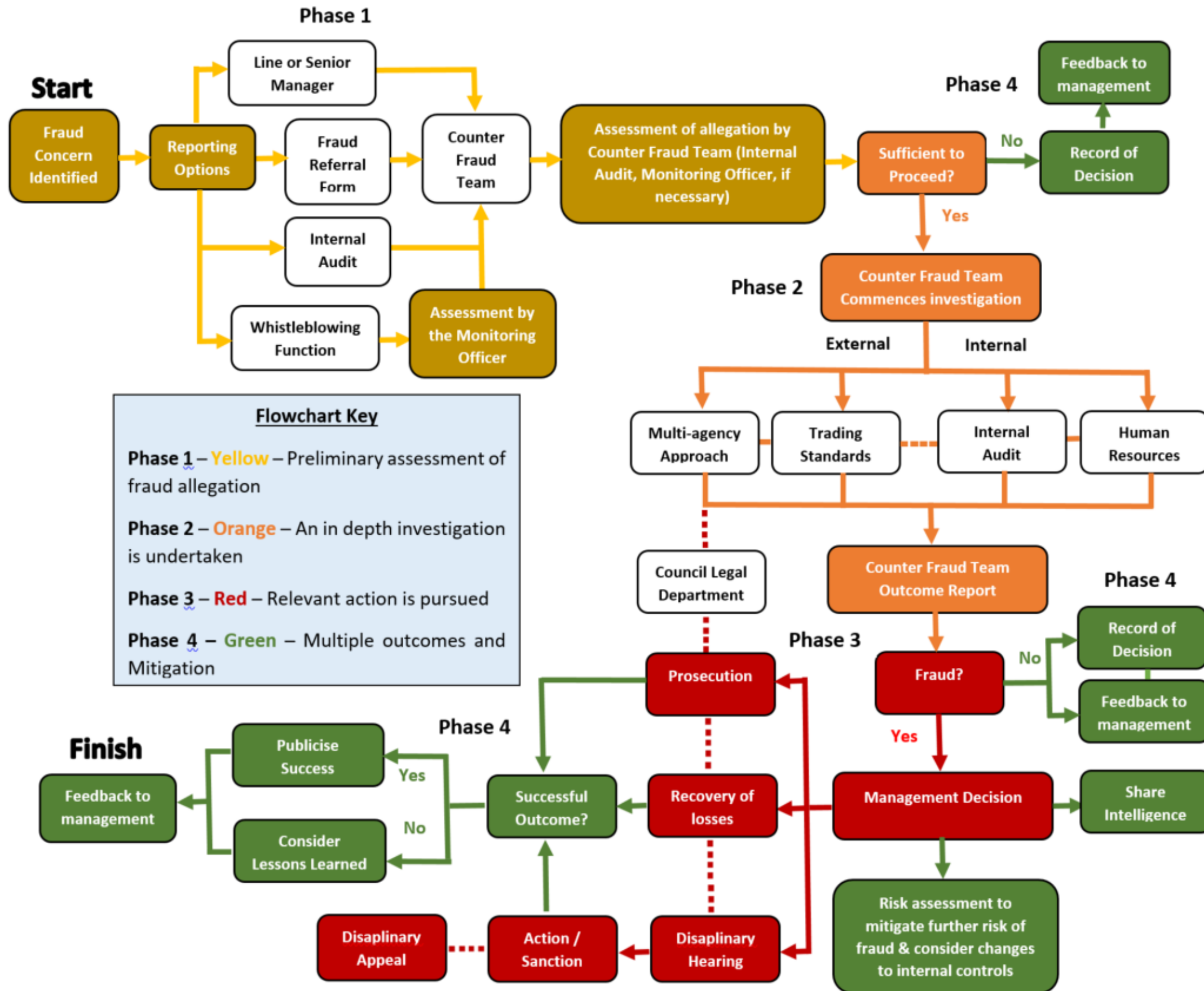
It is important that we hold accurate and up to date information about you to assess your needs and deliver the appropriate services. If any of your details have changed, or change in the future, please tell us so that we can update your records.

#### **17.8 Further information**

Further information about the processing of your data you can contact the council's Data Protection Officer, Carol Trachonitis, email [informationgovernance@herefordshire.gov.uk](mailto:informationgovernance@herefordshire.gov.uk)



18. FRAUD RESPONSE PLAN







# Title of report: Work programme update

**Meeting: Audit and Governance Committee**

**Meeting date: Monday 27 June 2022**

**Report by: Democratic Services Officer**

## **Classification**

Open

## **Decision type**

This is not an executive decision.

## **Wards affected**

(All Wards)

## **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 the committee requires such a programme in order to set out its work for the coming year.

## **Reasons for recommendations**

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

## **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.
- 5 An item on the draft Annual Governance Statement was initially scheduled for this meeting, 27

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Further information on the subject of this report is available from  
Ben Baugh, email: [ben.baugh2@herefordshire.gov.uk](mailto:ben.baugh2@herefordshire.gov.uk)

June 2022, but it will now be received at a later meeting (date to be confirmed).

- 6 At the General Scrutiny Committee on 27 January 2022 (minute 53 refers), in considering 2022/23 budget setting, recommended to the executive that: 'The Audit and Governance Committee be invited to consider the use of consultants and information providers.' The executive response, agreed by Cabinet on 31 January 2022 (minute 82 refers), resolved that: 'Cabinet will invite the Chair of Audit and Governance Committee to add this to the Committee's work programme.'

### **Community impact**

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

### **Environmental impact**

- 8 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**

- 9 This report does not impact on this area.

### **Resource implications**

- 10 There are no financial implications.

### **Legal implications**

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

### **Risk management**

- 12 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**

- 13 The Director of Finance and Assurance / S151 Officer, Director of Governance and Legal Services / Monitoring Officer, and committee members contribute to the work programme; the work programme is reviewed at each meeting of the committee.

### **Appendices**

Appendix A Work programme for Audit and Governance Committee

### **Background papers**

None identified.

Audit and Governance Committttee Constitution		Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.									
3.5.10	Internal Audit	Internal Audit								
a	To consider the Head of Internal Audit’s annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.	Internal Audit Plan and Internal Audit Charter Progress Report on internal audit plan (see part b for timing) Internal Audit Annual Opinion			Opinion					Internal Audit Plan and Audit Charter
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on internal audit plan	Progress report				Progress report		Progress report	Progress report
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services.									
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Tracking of internal and external audit recommendations		Tracking Report				Tracking Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.	Progress Report on internal audit plan (see part b for timing)								
3.5.11	External Audit	External Audit								
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress.	Annual audit fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) <del>Annual Audit Letter</del> Auditor's Annual Report External Audit Annual Plan	Auditor's Annual Report	External Audit Plan (including indicative fee)				Auditor's Annual Report	External Audit Plan	
b	To consider specific reports from the External Auditor.	External Audit progress update	Progress Report						Progress Report	Progress Report
c	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council’s local (external) auditor.									
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	Governance									
a	To maintain an overview of the council’s Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract and Finance Procedure Rules Re-thinking Governance	Re-thinking governance report		Accounting Policy Update (if required) Contract and Financial Procedure Rules		Re-presentation of the Constitution			
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work programme Corporate Risk Register	Work programme <del>Corporate Risk Register</del> (update received in April)	Work programme	Work programme	Work programme Corporate Risk Register	Work programme	Work programme Corporate Risk Register	Work programme	Work programme Corporate Risk register
c	To maintain an overview and agree changes to the council policies on whistleblowing and the ‘Anti-fraud and corruption strategy’.	Whistleblowing policy Anti-fraud & corruption strategy	Anti-fraud update as part of internal audit progress report	Anti-fraud, bribery and corruption policy				Whistleblowing	Annual update on anti-fraud, bribery and corruption	Anti-fraud update as part of internal audit progress report
d	To oversee the production of the authority’s Statement on Internal Control and to recommend its adoption.	Statement of Accounts			Statement of Accounts					
e	To annually conduct a review of the effectiveness of the council’s governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement		Draft AGS to be rescheduled (date to be confirmed0	Final AGS to be rescheduled (date to be confirmed0	➡				
f	The council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report					Progress update			Progress update
g	To annually review the council’s information governance requirements.	Information Governance Review						Annual review of information access / governance		

Audit and Governance Committttee Constitution		Report	May	June	July	September	October	November	January	March
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, caldicott guardian and equality and compliance manager reviews).	Annual Governance Statement Annual Governance Statement Progress Report								
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				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				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				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				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							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	Re-thinking Governance							
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.	Part of Re-thinking Governance Review	Re-thinking Governance							
d	To publicise the adoption, revision or replacement of the Council’s Code of Conduct.	Part of Re-thinking Governance Review	Re-thinking Governance							
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							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 of Accounts					