

Agenda

Audit and Governance Committee

Date: **Tuesday 30 January 2024**

Time: **2.00 pm**

Place: **Conference Room 1, Herefordshire Council Offices,
Plough Lane, Hereford, HR4 0LE**

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

For any further information please contact:

Jen Preece, Democratic Services Officer

Tel: 01432 261699

Email: jennypreece@herefordshire.gov.uk

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Agenda for the meeting of the Audit and Governance Committee

Membership

Chairperson **Councillor David Hitchiner**
Vice-chairperson **Councillor Aubrey Oliver**

Councillor Chris Bartrum
Councillor Frank Cornthwaite
Councillor Peter Hamblin
Councillor Robert Highfield
Councillor Mark Woodall

Agenda

		Pages
1.	<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence.</p>	
2.	<p>NAMED SUBSTITUTES (IF ANY)</p> <p>To receive details of any councillor nominated to attend the meeting in place of a member of the committee.</p>	
3.	<p>DECLARATIONS OF INTEREST</p> <p>To receive declarations of interest in respect of items on the agenda.</p>	
4.	<p>MINUTES</p> <p>To approve and sign the minutes of the meeting held on Tuesday 12 December 2023.</p>	11 - 18
<p>HOW TO SUBMIT QUESTIONS</p> <p>Deadline for receipt of questions is 9.30 am on Thursday 25 January 2024.</p> <p>Questions must be submitted to councillorservices@herefordshire.gov.uk.</p> <p>Questions sent to any other address may not be accepted.</p> <p>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 www.herefordshire.gov.uk/getinvolved</p>		
5.	<p>QUESTIONS FROM MEMBERS OF THE PUBLIC</p> <p>To receive any questions from members of the public.</p>	
6.	<p>QUESTIONS FROM COUNCILLORS</p> <p>To receive any questions from councillors.</p>	
7.	<p>CODE OF CONDUCT FOR COUNCILLORS - 6 MONTHLY UPDATE</p> <p>To enable the committee to be assured that high standards of conduct continue to be promoted and maintained. To provide an overview of how the arrangements for dealing with complaints are working together.</p>	19 - 30
8.	<p>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</p> <p>To report the progress of external audit in delivering its responsibilities to the council.</p>	31 - 48
9.	<p>EXTERNAL AUDITOR'S ANNUAL REPORT 2022/23</p> <p>To present to the Audit and Governance Committee the External Auditor's Annual Report 2022/23 for information and discussion.</p> <p>(Papers to follow).</p>	To Follow

- | | |
|---|-----------|
| 10. ANTI-FRAUD, BRIBERY & CORRUPTION ANNUAL REPORT | 49 - 64 |
| <p>This report is to provide an overview on all counter fraud activity across the Council's services throughout the previous calendar year and represent an up-to-date account of the work undertaken, including progress and outcomes aligned with our strategy and core objectives.</p> | |
| 11. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES | 65 - 132 |
| <p>To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes. To ensure council financial and contract procedure rules are up-to-date and provide clarity of roles, accountabilities and process in order to ensure transparency about how public resources are used and controlled to mitigate the potential for fraud and ensure compliance with relevant legislation.</p> | |
| 12. INTERNAL AUDIT UPDATE REPORT QUARTER 3 2023-24 | 133 - 150 |
| <p>To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan.</p> <p>To assure the committee that action is being taken on risk related issues identified by internal audit.</p> | |
| 13. WORK PROGRAMME | 151 - 154 |
| <p>To consider the work programme for the committee.</p> | |
| 14. DATE OF NEXT MEETING | |
| <p>Tuesday 26 March 2024.</p> | |

The public's rights to information and attendance at meetings

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- Attend all council, cabinet, committee and sub-committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting. Agenda and reports (relating to items to be considered in public) are available at www.herefordshire.gov.uk/meetings
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting (a list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees. Information about councillors is available at www.herefordshire.gov.uk/councillors
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title. The council's constitution is available at 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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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-

**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 David Hitchiner (Chairperson)	Independents for Herefordshire
Councillor Aubrey Oliver (Vice-Chairperson)	Liberal Democrats
Councillor Chris Bartrum	Liberal Democrats
Councillor Frank Cornthwaite	Conservative Party
Councillor Peter Hamblin	Conservative Party
Councillor Robert Highfield	Conservative Party
Councillor Mark Woodall	The Green Party

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 Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 12 December 2023 at 2.00 pm

Committee members present in person and voting: **Councillors: Chris Bartrum, Frank Cornthwaite, Robert Highfield, David Hitchiner (Chairperson) and Aubrey Oliver (Vice-Chairperson)**

Committee members participating via remote attendance: **Councillor Mark Woodall**

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

Others in attendance: B Davies (Senior Lawyer), I Halstead (Assistant Director, South West Audit Partnership), R Hart (Head of Strategic Finance), J Higgins (Governance Support Assistant), K Lloyd (Performance Team Lead), S O'Connor (Head of Legal Services and Deputy Monitoring Officer), T Page (Complaints and Children's Rights Manager), J Preece (Democratic Services Officer) and H Worth (Information Governance Manager)

54. APOLOGIES FOR ABSENCE

No apologies were received.

55. NAMED SUBSTITUTES (IF ANY)

There were no substitutes.

56. DECLARATIONS OF INTEREST

No declarations of interest were made.

57. MINUTES

RESOLVED:

That the minutes of the meeting held on 24 October 2023 be confirmed as a correct record and signed by the chairman.

58. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

59. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

60. ANNUAL REVIEW OF THE COUNCILS INFORMATION REQUESTS AND COMPLAINTS 2022/23

The committee considered a report on performance in the areas of complaints, data incidents and requests for information made to the council over the municipal year 2022/23.

The Information Governance Manager (IGM) informed the committee that the information held in the report was from 1 May 2022 to 30 April 2023. The following points were highlighted:

1. The volumes of freedom of information (FOI) and environmental information regulations (EIR) requests fell slightly in comparison to the previous municipal year.
2. The information governance team (IGT) have continued to see a steady decrease in requests received since April, however it was highlighted the number of subject to access (STA) requests had increased.
3. The IGT are responsible for investigating data breaches and risk assessing and advising service areas of how to ensure that those breaches do not reoccur.

In response to committee questions, it was noted:

- I. The information request process was explained.
- II. The IGM informed the committee that where a similar request had been made previously or where they knew the information was held on the website or could be found quickly, these are being treated as “business as usual” rather than being recorded as an FOI.
- III. The IGM informed the committee of the [disclosure log](#) on the Councils website which members of the public can use to search published requests responded to since January 2022. The website also provides a frequently asked questions which suggests what the Information Governance Team (IGT) may not respond to founded on previous responses.
- IV. The IGM provided the committee with examples of data incidents.
- V. It was noted that the Council was moving across to Office 365 which meant address books are no longer shared which would decrease the number of emails being sent to the wrong recipient.
- VI. The IGM confirmed that making employees aware of “phishing emails” is the responsibility of the IGT and that the team undertake “phish exercises” by sending out “spoof test” emails to employees at random. At the last test 6% of staff were found to still be clicking on the links which was felt to be too high and further reminder emails were sent out to all staff.
- VII. Based on the Information Commissioner’s Office (ICO) guidance the IGM clarified that in order for a breach to meet the threshold for reporting an assessment would be carried out on the number of people involved, the information and the sensitivity of that information. The breach would then be scored. A score of two or above would be reviewed with the Ofwat’s Senior Information Risk Owner (SIRO) before it is considered reporting to the ICO.
- VIII. It was reported of the breaches reported to the ICO over the last 12 months, the ICO have been pleased with the actions that the Council had taken and they considered that no further action was required from themselves.
- IX. The IGM confirmed the status of the Councils storage and back-up systems.

The Complaints and Children’s Rights Manager (CCRM) informed the committee there had been a significant increase in complaints made from the previous year, this was

thought to be due to the complaints procedure having been made more accessible to the public in particular Children and Families.

1. The CCRM provided a brief overview of the operation of the Corporate Complaints Policy and Procedure, and of the separate Children's Representations and Complaints Policy and Procedure.
2. It was highlighted that more complaints were being dealt with "in house" by working with the relevant service areas and complainants by means of mediation.

In response to committee questions, it was noted:

- i. The CCRM highlighted that although there had been an increase in Children's complaints the way in which complaints were assessed had been changed. The Local Government and Social Care Ombudsman (LGSCO) had issued much clearer guidance on assessing complaints and it was thought the increase was due to the complaints now being processed under the correct policy. The increase was thought to mean that members of the public felt they could complain, they would be listened too and that their concerns would be resolved.
- ii. The CCRM explained that her team would try to resolve any issues for members of the public such as the retrieval of information or connecting them with a relevant members of the council in order to avoid going through the formal complaints procedure.
- iii. In relation to a question surrounding the increase of escalations, the CCRM explained that it was her responsibility to inform everybody of their rights to complain. An example was given of a corporate complaint and that once investigated if the complainant was not content with the response, they have a right to go to the ombudsman. She was unconcerned with the increase as the public were being made more aware of their rights to escalate their complaints.
- iv. The CCRM confirmed that there was no "laid down" procedure for informal resolutions. Some examples of recurring themes and resolutions were given from the Economy and Environment and Children's and Families Directorates.
- v. Quarterly reports are sent to directorate management teams which highlight the areas of complaints and recommend action to be taken, complaints trend data can be actively used to anticipate problem areas for service users and training needed for council staff.

It was highlighted that although some of the aspects of the Annual review of the council's Information Requests and Complaints report align with the Audit and Governance Committee functions it was not currently listed under the committees terms of reference and the Head of Legal service in conjunction with the Monitoring Officer would determine whether this report was presented to the Committee moving forward.

Resolved:

That the information set out in the report regarding requests for information, data protection compliance and complaints over the past year has been reviewed.

Action 2023/24-016 The Head of Legal service in conjunction with the Monitoring Officer conclude whether this report is still presented to the Audit and Governance Committee moving forward.

61. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The Performance Team Lead (PTL) provided the committee with an update on the progress made in the council's response to audit recommendations made by South West

Audit Partnership (SWAP) in their audit reports issued before September 2023. It was highlighted;

1. Of the 34 recommendations that were previously reported to the committee as overdue, 7 have since been completed, 1 deferred and 26 remain outstanding.
2. Of those recommendations due between April 2023 and September 2023, 21 of 34 recommendations were reported as completed. This was compared to 47% when last reported to the committee 6 months ago.
3. Whilst the PTL found the proportion of recommendations being actioned within period to be improving, 13 of those recommendations had not been completed and will be added to the 26 previously overdue and reported as still outstanding recommendations, meaning the actual number of recommendations reported as overdue when next reported would have increased.
4. The PTL noted that focus would be given in ensuring those historical recommendations are acted on or at least a statement to the committee within the report to state changes that had taken place within the service that meant those recommendations are no longer relevant. The PTL suggested that when SWAP audits are conducted more consideration be given in setting target dates to ensure dates are less likely to be missed in the future.
5. Of the 3 future recommendations, all are on track to be completed within planned timescales, or have already been completed; it was noted that from previous forecasts it was expected that these would all be completed when the report was brought back to committee in six months' time.

In response to committee questions, it was noted:

- I. The PTL explained the completion rates had improved since previously reported but the percentage still could be improved and should be higher. As highlighted previously more focus needed to be on the completion of historical recommendations and service areas needed to work with SWAP initially to identify realistic target completion dates.
- II. In response to questions received surrounding the unspent green homes grant funding, the PTL explained as he is only responsible for chasing and updating actions he was unable to provide an answer. The questions were noted and a written response would be established from the relevant service area.

The Chair of the committee made a request that all recommendations are reviewed and to establish whether any could be removed with an explanation provided and also that when target dates are set they are realistic.

- III. The PTL confirmed over the next 6 months his intention was to follow up with all the service areas that had incomplete recommendations to establish whether or not these recommendations were still live and worth completing. If it was found that they were not, a statement and agreement between ourselves and swap that they were content for them to be removed would be provided in the report brought to the committee.
- IV. The PTL explained the priority levels, however in his role as an action tracker he treats each recommendation equally in trying to obtain an update.

Resolved: That

- a) **the status of current audit recommendations be noted and;**
- b) **all historic recommendations and their priorities to be reviewed by relevant service areas and Swap to see if they are still relevant.**

Action 2023/24-017 The PTL to source answers following the questions asked around the unspent green homes grant funding.

62. ENERGY FROM WASTE LOAN UPDATE

The Head of Strategic Finance (HSF) introduced the report the purpose of which was to update the Audit and Governance Committee on the current status of the energy from waste loan arrangement and to enable the Committee to fulfil its delegated functions. The following principal points were made:

1. The HSF explained that the Council acted as a joint lender with Worcestershire County Council to Mercy Waste Management limited (MWML). The loan was used to buy and operate an energy from waste plant in Hartlebury in Worcestershire. The asset is used to recycle and recover energy from waste collected across the two counties.
2. The report confirms that the repayments have been made by the borrower in line with the loan agreement.
3. The HSF explained that financial covenants look at the position and performance of the borrower and provide assurance over the risk of their ability to meet future debt repayments. It was confirmed that these had been met by the borrower.

In response to committee questions, it was noted:

- I. The HSF provided the committee with further explanation of the “ratios” listed on [page 75 paragraph 9](#).
- II. The HSF explained that there are a number of working papers underneath the assessment of compliance and that some of that information will be available in those companies accounts but in terms of cash flow it is not reported on a monthly basis in a set of published or audited accounts but is information that is provided to the Council as part of the requirement of the agreement with MWML.
- III. The HSF explained the compliance value is the value set within the loan agreement (the value that we are expecting them to meet) and the actual value is how they have performed.
- IV. The HSF was unable to confirm that the loan agreement would be repaid by the end of its term, however confirmed the terms and conditions of the loan agreement and provided assurance through this mechanism that they are currently meeting the conditions within that loan so the current loan agreement provides for the repayment of the outstanding balance in full in January 2029 via a bullet payment for the remaining balance.
- V. The HSF confirmed a review had taken place by an external body in the last 12 months of the loan agreement which included a review of the conditions attached and the compliance ratios.

Resolved that:

- a) **The risks to the Council, as lender, were confirmed as being reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice; and**
- b) **Arrangements for the administration of the loan were reviewed and confirmed as satisfactory.**

63. AMENDMENTS TO THE CODE OF CONDUCT REPORTING PROCESS

The Head of Legal Services (HLS) introduced the report the purpose of which was to propose changes to the code of conduct arrangements in particular the way that members of the standards panel are made aware of the decisions made by the monitoring officer and officers. The proposal is to improve transparency, usefulness and time of member feedback for officers and the monitoring officer.

The HSL provided the committee with a presentation highlighting the relevant changes proposed, in response to committee questions, it was noted:

1. In relation to concerns with the new process taking up more time of officers, the HLS said the situation would be monitored but suggested having looked at the time that had been spent preparing for a particular meeting the new process would be considerably less as it would just be information sharing over email or an informal conversation with members in real time rather than an official meeting and preparing for an official meeting six months to a year after the actual issue had been dealt with.
2. The HSL explained that the Council has 4 independent persons who are usually picked on their availability to sit on the standards panel. Once a complaint is started, the same independent person would be used throughout the process. It was confirmed that the parish council representative is nominated by Herefordshire Association of Local Councils (HALC).
3. The HSL confirmed there was no official sanctions under the Council's code of conduct. The code of conduct reporting process / a standards hearing was the only sanction in place.
4. A report from the standards commission went before central government two years ago with regards to making changes around sanctions but the response back was they had no current plans to make any changes to the to the current regime.
5. The HSL explained that the Chairperson of the committee only has authority as set out in the constitution which is typically in relation to the conduct and efficient discharge of a meeting and currently does not give them the power to remove a member from the panel/ committee. It was explained that only full council could remove a member from a committee, but where a sub-committee had been created, the owners of the Sub-Committee were entitled to remove / amend members as necessary.
6. It was highlighted that the Audit and Governance committee were responsible for appointing the three members to the standards panel.
7. With regards to the wording in Appendix 2 "Such notices will be retained until the later of 6 years, or the subject member ceasing to be an elected member". the HSL recognised comments made surrounding councillors whom leave and return to the authority. It was suggested that the wording be revised to state notices will be retained for 6 years.
8. It was suggested and agreed that should for any reason a member of the standards panel be unable to act (a complaint made against them, a conflict of interest, sickness etc.), the committee appoints a further 2 members as "reserves".

RESOLVED

That Committee:

- a) **Considered and approved the proposals in principle; and**

b) recommended to full Council to change the Constitution as set out in Appendix 1 to enable:

- (i) a change to process used by Standards Panel to better enable concurrent oversight of the Code of Conduct standards arrangements as set out in the report; and**
- (ii) a change to the Code of Conduct, in relation to Disclosure of Non-Registerable Interests, to reflect case law on this issue and to protect the position of all members by clarifying the circumstances in which disclosure in a relevant meeting will be appropriate, and, in such case, what appropriate participation may follow;**
- (iii) the Audit and Governance committee to have the provision to appoint a further two members to the standards panel in reserve should a permanent member be unable to act for any reason; and**
- (iv) the Terms of Reference for the Committee is changed to include the established oversight and monitoring of the Complaints and Information Governance processes.**

c) approved the amendments to the website procedure to be used when dealing with complaints, set out at Appendix 2 with the amendments to the retention of notices and to reflect the Code and the adopted arrangements, subject to the committee's recommendation that notices are retained for a period of 6 Years.

64. WORK PROGRAMME

The committee's updated work programme was presented, the Head of Strategic Finance explained to the committee that the "External Audit Progress Report" was a legacy item and was removed from the work programme.

RESOLVED

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

65. DATE OF NEXT MEETING

Tuesday, 30 January 2024, 2pm.

The meeting ended 3:26pm.

Chairperson

Title of report: Code of Conduct for Councillors - 6 monthly Update

Meeting: Audit and Governance committee

Meeting date: 30 January 2024

Report by: Head of Legal Services and Deputy Monitoring Officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To enable the committee to be assured that high standards of conduct continue to be promoted and maintained. To provide an overview of how the arrangements for dealing with complaints are working together.

Recommendation(s)

That the Committee:

- a) notes this 6 monthly update on the Code of Conduct complaints arrangements; and
- b) delegates to member(s) of this Committee to be an early consultee on the changes to be recommended on the Code of Conduct arrangements (investigation process) as set out in paragraph 7 to 9 of this report.

Alternative options

1. There are no alternative options, the constitution requires the committee to annually review overall figures and trends from code of conduct complaints. This committee agreed that this should be 6 monthly and the committee's recommendation will be put to Council in March

2024. This report assumes changes will be agreed and provides a summary of the work undertaken during the period 31 March 2023 to 31 October 2023 the ('review period').

Key considerations

2. Herefordshire Council, and all parish, city and town councils in the county, have a statutory duty under the Localism Act 2011 to 'promote and maintain high standards of conduct by members and co-opted members of the authority'.
3. The Monitoring Officer is responsible for dealing with allegations that councillors have failed to comply with the members' code of conduct and for administering the local standards framework. The Committee is responsible for receiving an annual review by the Monitoring Officer.

Changes to Code Arrangements (Investigation Process)

4. In December 2023, this committee approved recommendations to changes to the transparency and reporting of the Code of Conduct. This included officers making full disclosure of all decisions made under delegated powers to the Standards Panel and included fixing the membership of the Panel and chairing responsibilities.
5. The recommendation will be received by Council in March 2024 and it is intended that the changes will take effect from the new administrative year.
6. In addition to the above, officers have agreed with the Chair of this committee to review and simplify the existing Code of Conduct arrangements and present this back to this committee. The Council adopted the LGA model code of conduct (as amended) in [May 2022](#) but unusually adopted the accompanying [LGA guidance](#) as Herefordshire's arrangements for dealing with complaints.
7. The Guidance is a 47 page guidance document rather than a precise process. This in itself causes issues. There is a lack of clarity about exactly what is expected in the process. The guide gives options rather than precision and often uses words such as 'can', 'may', 'may wish' and 'should' where as procedure should be exact on what 'must' be done. This causes issues for officers in that it is not clear exactly what the delegated authority wants us to do.
8. The important point is that there will not be any actual change to the arrangements but greater clarity and precision in exactly what the process is.
9. This will need approval by Council and we will consult with group leaders and independent persons prior to this committee receiving this recommendation. It is also recommended that one or more members of this committee acts as an early consultee as part of the initial review process.

Staffing Arrangements

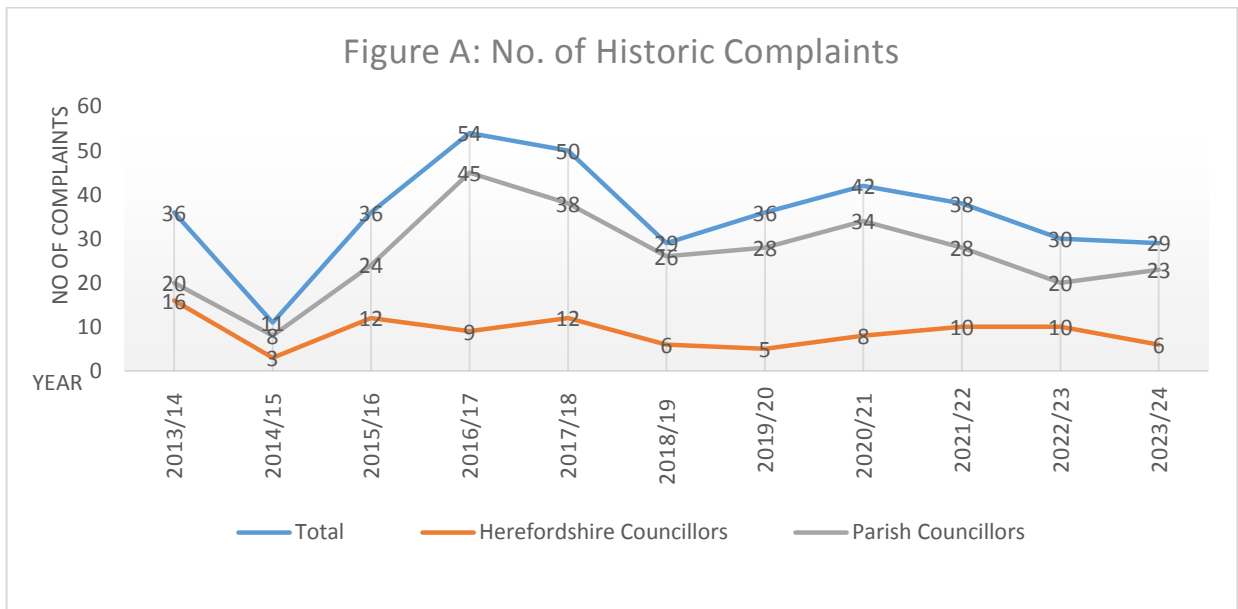
10. It has been clear from historic records that the Code of Conduct arrangements have been transacted by lawyers in legal services supporting the Monitoring Officer. This process is in addition to their normal duties and responds to complaints being received. This means that the arrangements are transacted not in accordance with the adopted timelines but as dictated by workloads and other priorities.

11. Further, the majority of tasks involved with the arrangements is process driven using rules based workflows and templates documentation. There is only a small number of stages in the process that, although extremely important, require legal judgment and the attention of a lawyer. The majority of tasks in the process are time intensive but administrative.
12. As such, legal services has now dedicated non-lawyer staffing resources to perform the majority of tasks and recruited to this role. The individual will be in post from February 2024. The cost of the post is considerably lower than a lawyer.

Code of Conduct Complaints

Number of Complaints

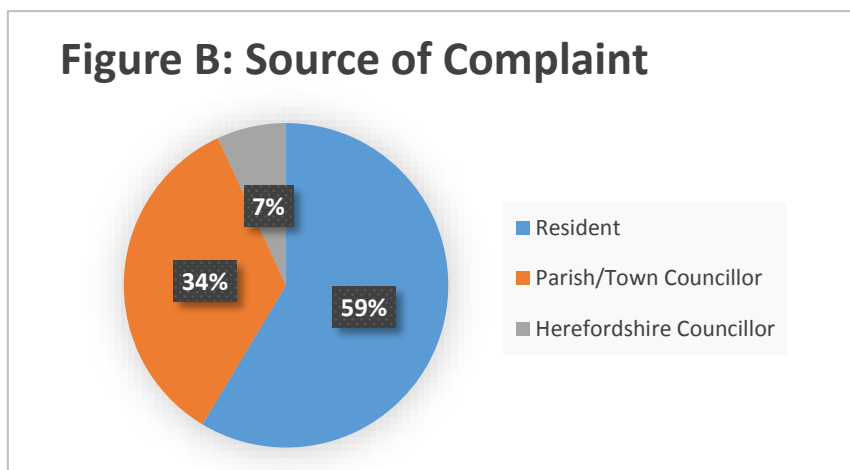
13. Since the introduction of the Localism Act 2011, the number of complaints handled by Herefordshire Council has been tracked. There are 53 Herefordshire councillors and approximately 1300 parish councillors each of whom is subject to a councillor code of conduct.
14. During the period 31 March 2023 to 31 October 2023 there were 29 Code of Conduct complaints received. Some of these complaints cited multiple councillors for Bartestree with Lugarwardine Parish Council and were considered with 3 complaints from the previous administrative year (total 17 processed complaints).
15. Figure A below shows the number of complaints received since 2013. The numbers have been reducing since 2021 but the first 6 months of 2023 has generated 29 complaints, being almost the same numbers of complaints as the previous year. The vast majority of complaints continue to be against Parish/Town Councillors.



Source of Complaints

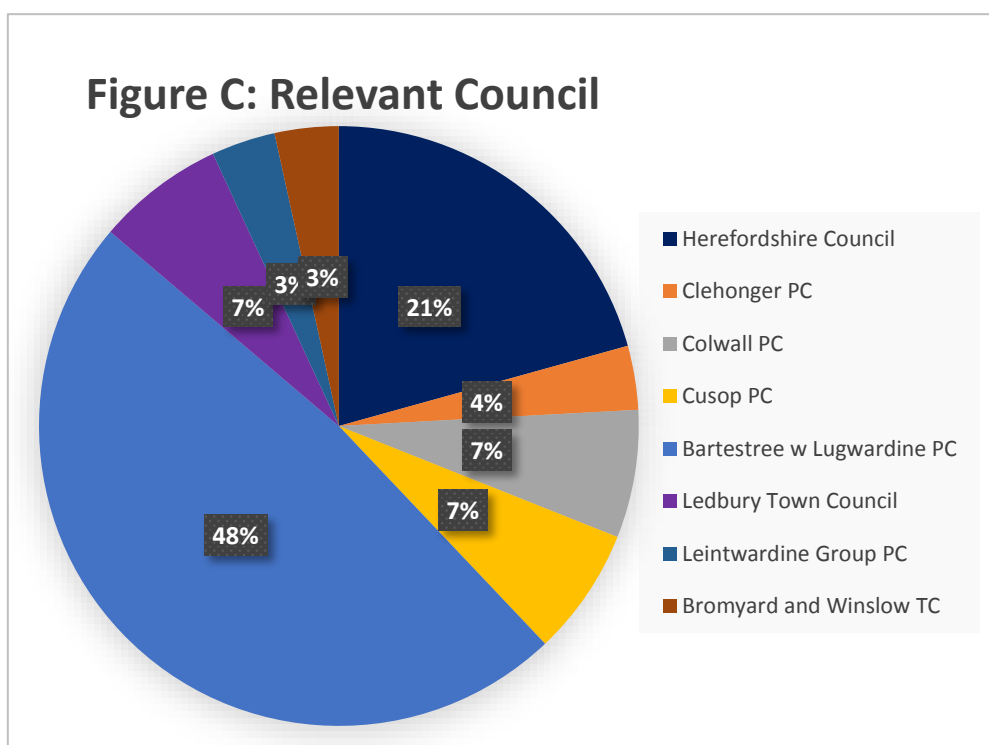
16. For the period, the source of complaints has been almost two thirds from residents. However as Figure B shows 34% of complaints have been generated by Parish/Town Councillors. Only two complaints have been generated by members of Herefordshire Council.
17. The number of complaints generated by Parish/Town Councillors appears to be very high when we consider that the Code of Conduct complaints process is predominately meant to be for the use of the public. However, increasingly it appears to be the means that some Parish/Town Councillors resolve differences of opinion where matters are not resolved locally by the

Councillors themselves. Local views appear to be in some instances that the matters should be dealt as a Code matter rather than Councillors and clerks settling their differences of opinion appropriately.



Relevant Council

18. Figure C shows which Council where the complained about Councillor is located. The majority of complaints relates to members of Parish/Town Councils and almost half of all complaints relate to Bartestree with Lugwardine Parish Council. 6 complaints were received in respect to Councillors of Herefordshire Council.

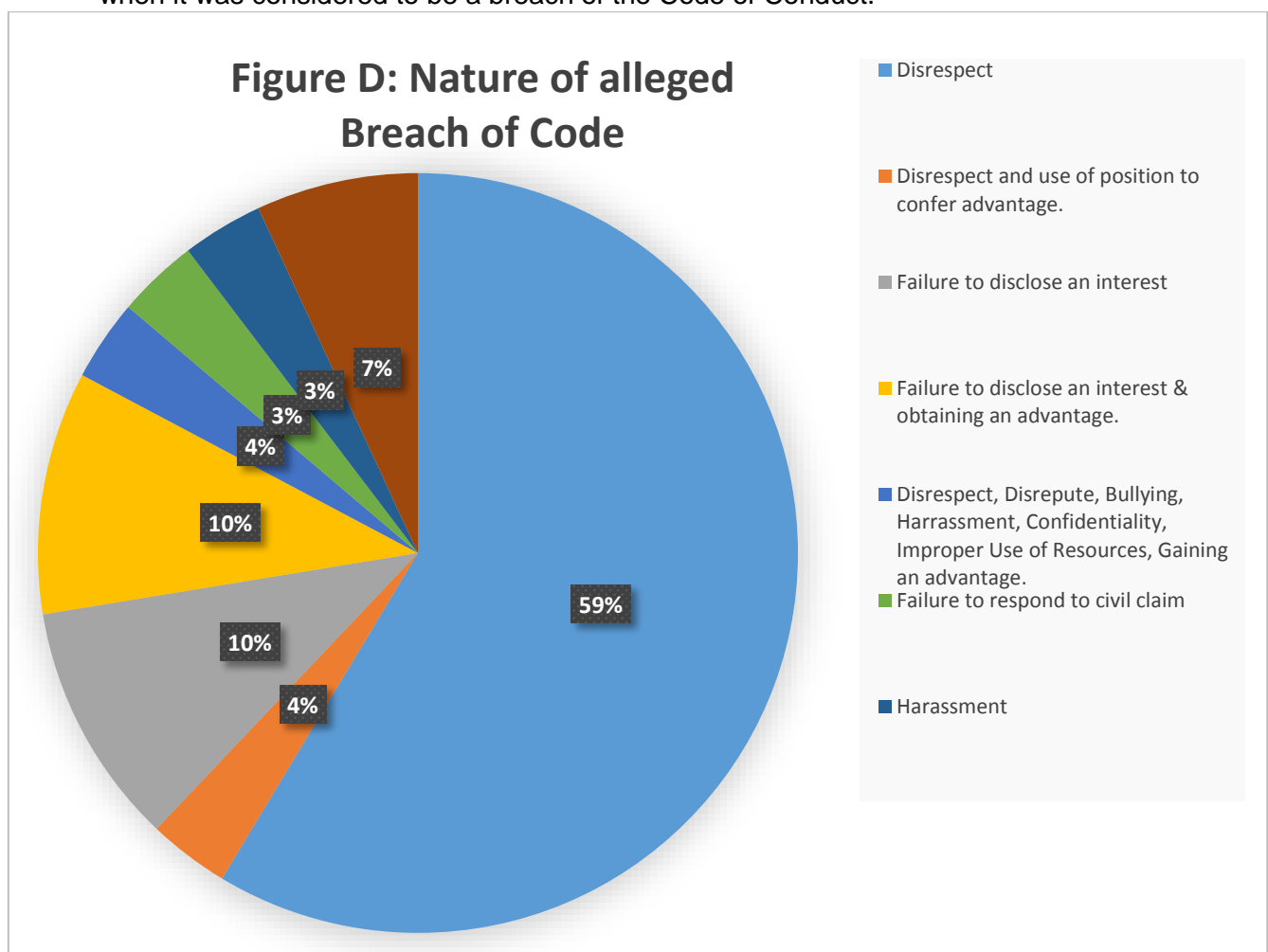


Nature of Complaints

19. A complaint requires a potential breach of the relevant Code of Conduct. Although this has been recorded by officers, due to the fact there is not a standard Code of Conduct (not all Parish/Town Councils have adopted the Herefordshire Code), this means that there is overlap in the recorded

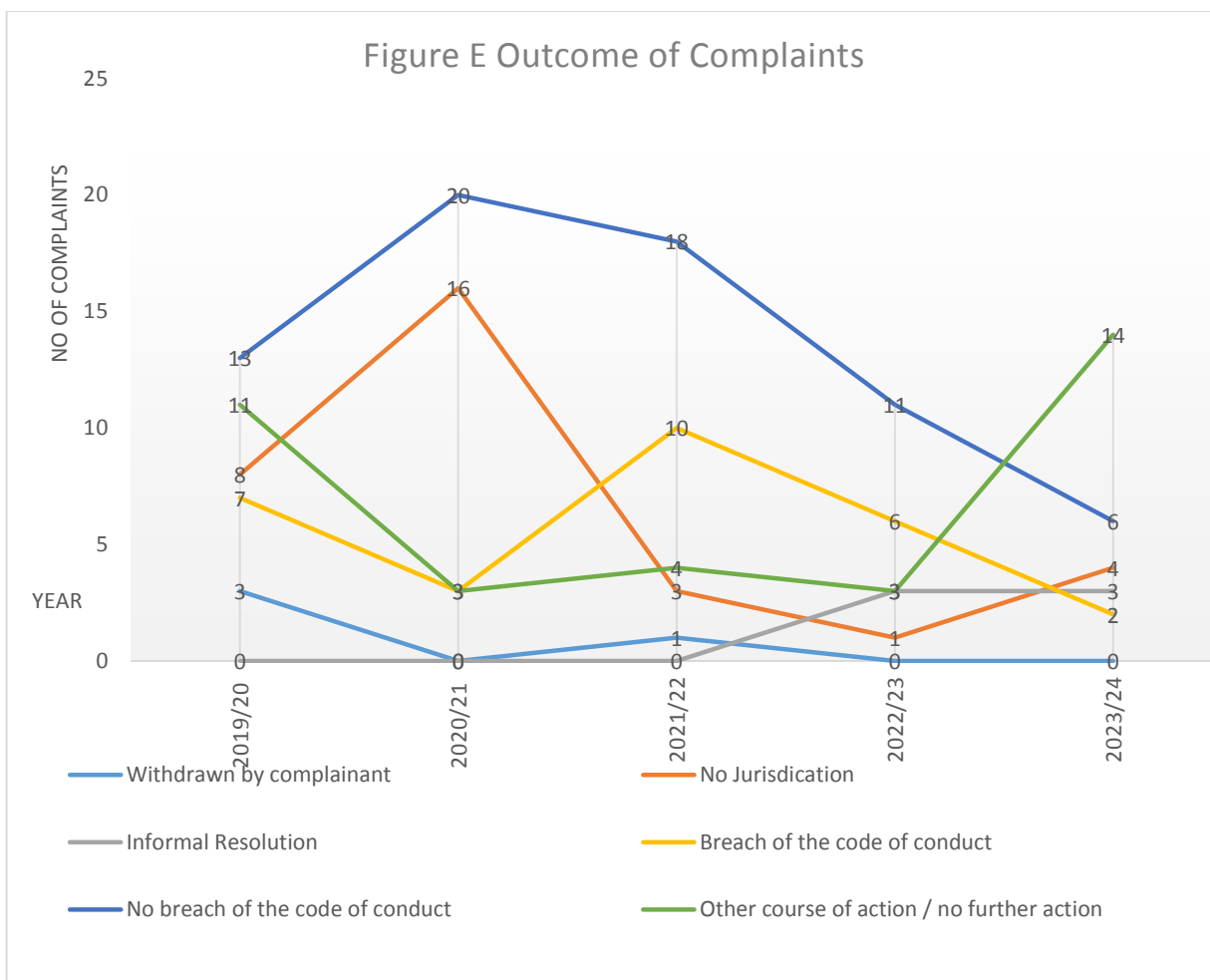
potential breaches. As such there are wide ranging descriptions of potential breaches of the Code of Conduct of the relevant council.

20. Figure D shows the range of allegations raised. It is clear that the majority of complaints relate to 'disrespect' (sometimes in combinations with other allegations) and a failure to disclose an interest.
21. In respect to disrespect, although often unwarranted and undesirable, complainants are unaware of the wide discretion given to Councillors when expressing political views and the fact that only the most egregious of comments could be in breach of the Code. The Courts have repeatedly upheld a Councillor's Article 10 Human Rights Act 1998 (right of freedom of expression) even when it was considered to be a breach of the Code of Conduct.



Outcome of Complaints

22. Figure E shows the outcomes of complaints registered against Councillors. Overall the numbers of complaints were reducing and as such the different outcomes were likewise reducing. This has changed for the review period.
23. As of 30 October, 27 of the complaints were closed from the period. In addition, 4 complaints from the previous administrative year were closed. Closed includes where a complaint was withdrawn, or resolved at the initial assessment stage and after the subsequent full investigation stage. Resolved includes where there is a finding of a breach, no breach or where there is no further action taken. NFA includes where the member has already taken remedial action to correct the matters in the complaint.



24. After a full investigation, the Monitoring Officer determined that there were 2 breaches of the Code of Conduct relating to Councillors at Bartestree with Lugwardine Parish Council. A further 15 complaints relating to this Parish Council found either no further action/no breach.
25. The Monitoring Officer has made a series of recommendations to Bartestree with Lugwardine Parish Council to assist them with future inappropriate behaviours in meetings but also to draw a line under the current dispute between different councillors. The Parish Council was notified on the 26 October 2023 and requested that it considers the recommendations and formally responds within 3 months (25 January 2024). No response has yet to be received but a cursory review of the website has indicated that recommendation about the unlawful activity of not publishing minutes of meetings has been addressed. Herefordshire cannot compel the Parish Council to adopt the recommendations but bearing in mind the cost of investigating this matter already, we have recommended that all meetings are recorded in full by the Parish Clerk and the recordings are publically available.
26. In addition to the 2 breaches mentioned above, a further 4 findings of breaches of the Code from the 2022/23 period were concluded.

Current Complaints

27. As of 30 October, there are 2 current open continuing complaints. In respect to one of these complaints, a full investigation was commissioned by the Monitoring Officer. The amount of time

and resource in respect to this is comparable to the Bartestree complaint. This complaint will be reported to committee in the next full year report.

Historic Complaints per Parish/Town Council.

28. The appendix to this report contains the number of complaints received against each Parish/Town Council since 2019/20.
29. Over that period, 62% of all complaints have been generated by 6 Parish/Town Councils (83 out of total 134). However, of the 6, there have not been any complaints this year for 4 councils and 2 of the 6 also did not have complaints last year.

Sanctions

30. Our arrangements are that where there has been a breach of the code and recommendations are made by the monitoring officer, the subject member is asked to comply. In the event it is a parish councillor, then the report and recommendations are sent to the Parish Council for them to agree. Under our revised procedures, they are not able to substitute their own sanction and either have to agree with the Monitoring Officer's recommendation, or not.
31. Both subject members (for Herefordshire Council) and the Parish Council are asked to confirm whether or not sanctions have been complied with.
32. Decision notices for all breaches are made public on the Council's [website](#).

Standards Panel

33. A Standards Hearings panel was not convened during the period.

Key Performance Indicators

34. These are currently in an early form as there has not been any dates captured before the current administrative year. Currently there are two captured indicators.

Time for Initial Assessment

35. This is the average time taken in days from receipt of the complaint to the initial decision of the Monitoring Officer. This date is not a pure measure as it is dependent on the subject member's response who often requests further time. This has reduced from an average of 61 days in March 2023 to 15 days in October 2023.

Time for Independent Person Response

36. This is the response time for the Independent Persons to provide their views on matters before a decision is made by the Monitoring Officer (as required by the Localism Act 2011). This is currently on average of 1.7 days which is considered to be exceptional but in many cases the response time is the same day.

Conclusions

37. Although this data largely only represents 6 months of data in many aspects, the following is considered to be an undesirable pattern:
 - a. Bartestree with Lugwardine Parish Council has generated a large number of complaints at Parish/Town level;
 - b. A third of all complainants are generated by Parish/Town Councillors; and

c. The majority of complaints are in respect to disrespect and do not reach the required threshold to amount to a breach especially when raised by a councillor against another councillor.

38. If the above patterns continue, then the Monitoring Officer and Chair of Audit & Governance may wish to write to the Chairman of the Parish/Town Councils to advise of these patterns and request that they take necessary action and training to avoid further reoccurrence. Where appropriate, the Council will consider action necessitating reducing the cost of receiving and dealing with these complaints from the Parish Council where complaints are between Parish Councillors.

Community impact

39. This report provides information about the council's performance in relation to the Code of Conduct.

40. Having an effective process for dealing with Code of Conduct complaints upholds principles A and G of the code of corporate governance by ensuring that councillors behave with integrity and are accountable for their actions. This should provide reassurance to the community that councillors are behaving in the best interests of their constituents.

Environmental impact

41. There are no environmental impacts arising from this report.

Equality duty

42. 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.

43. 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. However, the model Code of Conduct requires that Councillors do not discriminate unlawfully against a person and should any complaint be received alleging this as a breach, then we would investigate accordingly and report such within this report.

Resource implications

44. There are no resource implications arising directly from this report which is for information.
45. The Council has a statutory duty in the Local Government and Housing Act 1989 to provide the monitoring officer with sufficient resources to allow them to perform their duties.
46. The Independent Persons receive no allowances and are only reimbursed their travel expenses for meetings with the Monitoring Officer, or for panel hearings/meetings.

Legal implications

47. There is no statute that specifically requires the Monitoring Officer to produce an annual report. However, the report evidences that the council complies with the duties required under the Localism Act 2011.

Risk management

48. There are no risks arising directly from this report which is for information. Maintaining high standards of conduct mitigates risks to the reputation of the Council. The fact that the Monitoring Officer is only able to make recommendations regarding a breach of the code of conduct exposes the Council and Monitoring Officer to risk of criticism, which was recognised by The Committee on Standards In Public Life.

Consultees

49. None.

Appendices

Appendix 1 – Historic Complaints per Parish Council

Background papers

None identified.

Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 09/01/2024
Finance	N/A	
Legal	Sean O'Connor	Date 09/01/2024
Communications	Luenne Featherstone	Date 11/01/2024
Equality Duty	Harriet Yellin	Date 09/01/2024
Procurement	N/A	
Risk	N/A	

Approved by	Claire Porter	Date 18/01/2024
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Appendix 1: Historic Complaints per Parish Council

Parish Council	2019/20	2020/21	2021/22	2022/23	2023/24	Total Per Council
<i>Total</i>	28	34	30	19	23	134
Bartestree Parish Council		4	1	3	14	22
Ledbury Town Council	4	3	6	4	2	19
Walford Parish Council	6	7	4			17
Llangarron Parish Council	6	5	2			13
Belmont Rural Parish Council		3	1	2		6
Upton Bishop Parish Council			3	3		6
Callow Parish Council		1	1	2		4
Lyonshall Parish Council		4				4
Bromyard and Winslow Town Council	2				1	3
Tarrington Parish Council	3					3
Ballingham, Bolstone & Hentland Parish Council		2				2
Colwall PC					2	2
Cusop PC					2	2
Holmer & Shelwick Parish Council			1	1		2
Stoke Lacy Parish Council		1		1		2
Wigmore Parish Council			2			2
Ashton Ingram Parish Council		1				1
Bishopstone Parish Council			1			1
Bodenham Parish Council	1					1
Bridstow Parish Council			1			1
Brimfield and Little Hfd Parish Council				1		1
Burghill Parish Council				1		1
Cradley Parish Council				1		1
Clifford Parish Council	1					1
Clehonger PC					1	1
Dilwyn Parish Council		1				1
Dorstone Parish Council			1			1

Eardisland Parish Council			1			1
Edwyn Ralph Parish Council	1					1
Leintwardine Group					1	1
Leominster Town Council			1			1
Linton Parish Council	1					1
Little Birch Parish Council			1			1
Madley Parish Council			1			1
Orcop Parish Council		1				1
Orleton Parish Council			1			1
Pencombe Parish Council		1				1
Pixley and District Parish Council	1					1
Vowchurch Parish Council	1					1
Welsh Newton & Llanrothal Group Parish Council	1					1
Weston-Under-Penyard Parish Council			1			1
Avenbury Parish Council						0
Eardisley Parish Council						0
Marden Parish Council						0
Mathon Parish						0
Much Cowarne Parish Council						0

Title of report: External Audit Progress Report and Sector Update

Meeting: Audit and Governance Committee

Meeting date: Tuesday 30 January 2024

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To report the progress of external audit in delivering its responsibilities to the council.

Recommendation

That:

- a) **The committee reviews the external auditor's report, notes the progress in 2022/23 and considers the emerging national issues.**

Alternative options

1. There are no alternative recommendations. External audit is a statutory requirement.

Key considerations

2. The external auditor's Progress Report and Sector Update is included at Appendix A. The report notes the timely completion of the financial statement audit and resulting unqualified audit opinion for the year ended 31 March 2023 and the completion of the Value for Money (VFM) work for 2022/23; the findings of this work is reported as a separate agenda item for this committee.
3. The report outlines the proposed arrangements for the financial statement audit for the year ending 31 March 2024 with a detailed audit plan expected to be presented to this committee in April 2024.

4. The statutory deadline for the publication of the draft financial statements for 2023/24 is 31 May 2024. The council's finance team has appropriate resources and plans in place to meet this deadline and will be able provide audit working papers and evidence to the external audit team from early June 2024 in order to support a timely audit opinion for 2023/24.
5. The sector update outlines emerging national issues and developments. These include:
 - a) Reasons for the delayed publication of audited local authority accounts in England;
 - b) Department for Levelling Up, Housing and Communities (DLUHC) proposals to clear the audit backlog;
 - c) School buildings constructed using reinforced autoclaved aerated concrete (RAAC);
 - d) Local Government Pension Scheme (LGPS) valuations; and
 - e) Sustainability reporting in the public sector.

Community impact

6. 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

7. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
8. Whilst this is a report for information 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. 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 decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

11. There are no specific resource implications from the report itself. However, there may be resource implications from implementing specific recommendations. If these cannot be contained within approved budgets, then a specific decision will be presented for approval.

Legal implications

12. There are no specific legal implications arising from this report itself.

Risk management

13. Specific risks are included within the external auditor's report.

Consultees

14. None.

Appendices

Appendix A Audit Progress Report and Sector Update

Background papers

None identified.

Herefordshire Council Audit Progress Report and Sector Update

2022/23 and 2023/24

19 January 2024

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Sector Update	6

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

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Introduction

Your key Grant Thornton team members are:

Peter Barber (Outgoing)

Key Audit Partner

T 0117 305 7897

E Peter.A.Barber@uk.gt.com

Grace Hawkins (Incoming)

Key Audit Partner

T 0292 034 7542

E Grace.E.Hawkins@uk.gt.com

Roz Apperley

Audit Manager

T 0117 305 7810

E Roz.E.Apperley@uk.gt.com

Tsitsi Ganga

Audit In-Charge

T 0117 305 7772

E Tsitsi.Ganga@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress

Changes to the audit team

Due to rotational requirements elsewhere, Peter Barber will be rotating off the Herefordshire Council audit following the conclusion of the 2022/23 cycle. Grace Hawkins will be taking over as the Council's appointed auditor with effect from 2023/24. Peter will support Grace in the transition ensuring cumulative audit knowledge is not lost.

Financial Statements Audit

We issued an unqualified opinion on the Council's 2022/23 financial statements on the 25 October 2023.

Our planning work for 2023/24 is now underway and we will look to issue our 2023/24 Audit Plan, setting out our approach to discharging our responsibilities in April 2024.

The deadline for drafting the 2023/24 financial statements is 31 May 2024 and conversations with finance officers indicate that they anticipate this earlier deadline being achieved.

Given the timely completion of prior year audits we will look to prioritise the 2023/24 Herefordshire Council audit, and the post-statements visit is currently scheduled for phase 1 of our delivery plan commencing in late June/early July 2024.

Value for Money (VFM)

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office (NAO) have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

For 2022/23 audits, the NAO have confirmed that where the Auditor's Annual Report cannot be issued by 30 September it should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

Our 2022/23 VFM work is now complete and the 2022/23 Auditors Annual Report, setting out the findings of our work in this area is a separate item on the January 2024 Audit and Governance Committee agenda.

Audit Deliverables

2022/23 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

June 2023

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the October Audit Committee.

October 2023

Completed

Auditors Report

This includes the opinion on your financial statements.

October 2023

Completed

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

January 2024

Issued in January



2023/24 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2023/24 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

April 2024

Status

On track

Sector Update

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

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

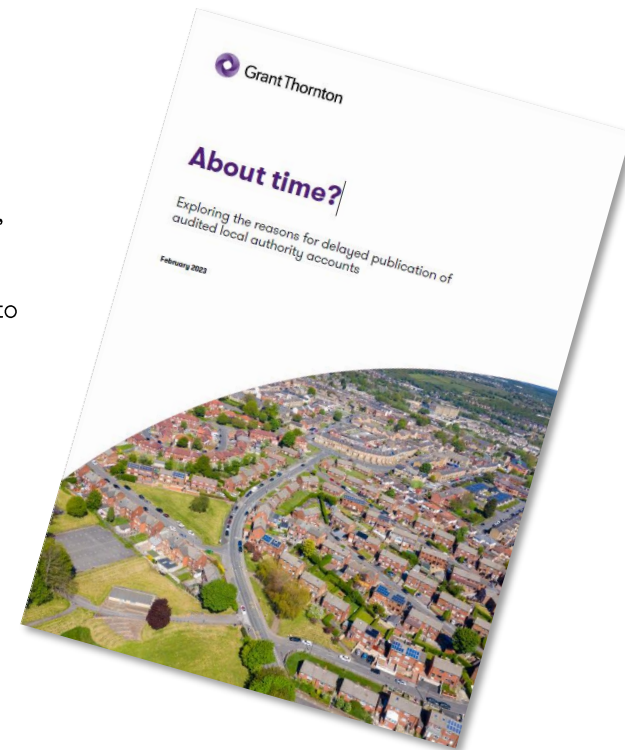
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”



Current local audit deadline ‘unachievable’- Grant Thornton(cont.)

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

43

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

committees.parliament.uk/writtenevidence/118580/pdf/



DLUHC proposals to clear audit backlog

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

44 In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines [for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice](#).

[Legislative change may also be needed](#) to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/



Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, Timeliness of local auditor reporting, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

45 The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.



Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



LGPS valuation gives ‘cause for optimism’ – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

47 Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

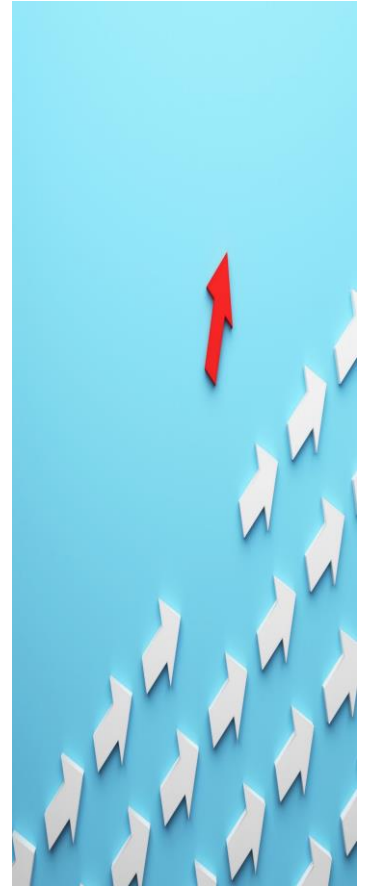
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \[hymans.co.uk\]](#)



Sustainability reporting in the public sector - CIPFA

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \[cipfa.org\]](https://www.cipfa.org)



Title of report: Anti-Fraud, Bribery & Corruption Annual Report

Meeting: Audit and Governance Committee

Meeting date: 30 January 2024

Report by: Counter Fraud Manager

Classification

Open

Decision Type

This is not an executive decision

Wards Affected

(All Wards);

Purpose

This report is to provide an overview on all counter fraud activity across the Council's services throughout the previous calendar year and represent an up-to-date account of the work undertaken, including progress and outcomes aligned with our strategy and core objectives.

Recommendation

That;

- a) **the annual fraud arrangements be reviewed and confirmed as satisfactory by the committee to provide members with an accurate account of the latest counter fraud activity across services.**

1. Alternative Options

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

2. Key Considerations

- 2.1 All counter fraud work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. The Council's Counter Fraud Manager supports the Chief Finance Officer (Section 151) in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero-tolerance approach to fraud, corruption, bribery, and other irregularity including any Money Laundering activity.

3. Transparency Code

- 3.1 The Local Government Transparency Code requires the Council to publish data regarding its fraud arrangements. These are published on the Herefordshire Council Website in the [open data principles](#) section.

4. Introduction

- 4.1 Fraud against the public sector is a crime that impacts us all and fraudsters are often committed, capable, opportunistic and evolving. As a result, it affects the quality and quantity of public services that are available to local residents, as every pound stolen by fraudsters, is one pound less that could have been available to spend on schools, highways, social care, and community services. Therefore the impact can have a devastating effect on the public purse.
- 4.2 During 2023, economic factors such as the Cost of Living Crises continued to drive the rise of fraud nationally, with new emerging threats being identified. This included organisations across the UK adopting new ways of working remotely and flexibly, which has subsequently increased risks associated with workers occupying multiple undeclared jobs. Furthermore, the rise of artificial intelligence has presented criminals with more sophisticated methods of committing organised fraud. This has contributed to a significant increase of referrals to the Counter Fraud Service (CFS).
- 4.3 Herefordshire Council continues to operate a very proactive counter fraud function. Since it was established in April 2020 the CFS has generated significant savings, was a finalist in two nationally recognised public sector awards for its achievements, and has helped a number of other Local Authorities improve by sharing best practice. The CFS has been involved in many high profile prosecutions during this period and it continues to collaborate effectively in partnership with agencies to tackle fraud.
- 4.4 The CFS has responsibility for investigating fraud, theft, irregularity and corruption across the authority. The Counter Fraud Manager (CFM) is responsible for introducing measures to help prevent the risk of fraud, irregularity, bribery and corruption. This includes training staff, maintaining risk assessments, integrating new prevention technology and producing the relevant policies relating to fraud, theft and irregularity. The service works closely with Internal Audit, Human Resources and other services across the Council, as well as external law enforcement agencies, to mitigate fraud risks to the Council. The CFS further provides support, advice and guidance to service areas on all fraud prevention matters.

5. Key Performance Summary for 2023

89%	of all new starters completed fraud awareness training
109%	increase in the number of fraud intelligence alerts circulated
142%	increase in new fraud referrals to the CFS
281%	increase in the number of fraud cases investigated by the CFS
69%	of corporate fraud cases were closed in 2023
£800,467	total value attributed to counter fraud activity
£444,811	under civil recovery
£355,656	fraud prevented
331	fraud cases detected using NFI
334	cases actioned for civil recovery using NFI
76	misused or fraudulent Blue Badges were seized
41	malicious software incidents were prevented
3	successful prosecutions

6. Strategic Approach

6.1 Herefordshire Council's Counter fraud and Corruption Strategy, sets out the four core pillars detailed below, as a blueprint to assist the Council and which are aligned to nationally recognised standards. These key principles underpin the Council's strategic approach to support the management of fraud risk and counter fraud activity.



LINK TO STRATEGY: GOVERN

7. Council Policies

- 7.1 The Council has effective arrangements to support governance, which includes the following policies, which are in place to support counter fraud measures:
- i. Anti-fraud, Bribery and Corruption policy
 - ii. Whistleblowing policy
 - iii. Anti-Money Laundering policy
 - iv. Debt Recovery policy
 - v. Information Security Policy
 - vi. Employee Interests, Gifts and Hospitality policy
 - vii. Employee Code of Conduct policy

8. Counter Fraud Support

- 8.1 The Counter Fraud Service (CFS) is a member of the grants working group panel. The presence of the CFS on this working group helps to ensure that fraud is being considered by services responsible for the delivery of grant funding across the Council. Throughout 2023 the CFS engaged with departments to consider grant fraud risks and where appropriate, implement robust due diligence controls at the earliest opportunities within the application stage of grant schemes. Some of the schemes supported included the following:
- i. UK Shared Prosperity Fund
 - ii. Homes for Ukraine Travel Grant Scheme

9. Counter Fraud Maturity

- 9.1 Effective governance and improvement within the organisation is measured through reviews of the Council's counter fraud maturity. The last review was undertaken by SWAP internal audit in 2022, during which the Council was reported to have strong arrangements in place.

10. Declarations of Interests

- 10.1 A declaration of interest (DOI) is a formal statement completed by workers, stating that the information provided about their personal circumstances, is both truthful and accurate. It is therefore important for effective governance that the Council has in place a robust process and policy on declarations, to ensure that the transparency of workers meets the highest standards of conduct and integrity.
- 10.2 The risk of polygamous working fraud (working for multiple undeclared employers) has been raised as a risk area by the CFS. This risk type has been identified as a common trend nationally by both private and public sector organisations across the UK during 2023. As a result, the CFS has worked closely with our Human Resources (HR) department and ICT Applications team to review how declarations of interests are managed.

LINK TO STRATEGY: **ACKNOWLEDGE**

11. Risk Management

- 11.1 Fraud risk management is a vital tool used to assist the authority in the prevention of fraud. In Q1 and Q2 of 2023 the CFS undertook and led an extensive fraud risk assessment, during which the Counter Fraud Manager met with directors, managers and operational workers across service areas within the Council. This risk assessment ensured that services proactively acknowledged and took ownership of their fraud risks.
- 11.2 The Corporate Performance team have since integrated all fraud risks into the Council's risk registers and the CFS has worked closely with SWAP internal audit to ensure that fraud risks are considered during the assessment of any relevant new audit.

12. Training

- 12.1 The Council's bi-annual mandatory fraud awareness training module was rolled out to all employees in 2022, therefore during 2023, completion of the module was only required by new starters as part of the council's Induction process. A combined 89% completed the training.
- i. **Completion figures for all new Council starters in 2023 – 82%**
 - ii. **Completion figures for all new Hoople starters in 2023 – 96%**
- 12.2 The CFS has made a number of significant updates to the fraud awareness training module, ready for its next distribution to all workers in 2024, which includes new sections specifically on declarations of interests.

LINK TO STRATEGY: **PREVENT**

13. Fraud Awareness

- 13.1 The Midlands Fraud Group (MFG) is a group comprising of 26 members across Local Authorities and other enforcement agencies. During 2023 the Counter Fraud Manager became the facilitator for this group and proactive intelligence sharing has helped members increase the number of alerts circulated.
- 13.2 Raising intelligence alerts are a vital method of increasing awareness and the chances of prevention. Throughout 2023 the CFS raised a total of 23 fraud intelligence alerts across the Council's services. This was 12 more alerts raised compared to the previous year.
- 13.3 International Fraud Awareness Week (IFAW) took place in November 2023. During this week the Counter Fraud Manager worked closely with the communications department and multiple social media posts, articles and digital media screens were used to raise awareness of fraud. Resources and videos were made available to workers and there was a key focus internally throughout the week on declarations, whilst external publicity focused on the importance of referrals.

14. Technological Advancement

- 14.1 Herefordshire Council and Hoople continue to remain active members of the CIFAS fraud intelligence database, which is used to assist in the prevention and detection of crime across the organisation. This is funded by internal audit. CIFAS stands for 'Credit Industry Fraud Avoidance System', which is a not-for-profit fraud prevention organisation. The database has been utilised by the procurement and delegated grants teams since 2022. However in 2023, the CFS also enrolled it into the insurance department, to check claims for fraud indicators.
- 14.2 A new case management system has been procured which will enable best practice governance of referrals and fraud cases. Furthermore, the system is being linked to Power BI which will help in better understanding patterns and trends between fraud referrals and associated risks.

15. Partnerships and Collaboration

- 15.1 A new joint working arrangement has been established between Herefordshire CFS and the Department for Work and Pensions (DWP). The new agreement will enable both organisations the ability to pursue multiple types of benefit offences under a singular investigation and prosecution process.
- 15.2 Further collaborative working remains a core focus of the service and joint working on relevant cases with NATIS (National Investigation Service), as well as other Local Authorities and West Mercia Police.

16. Publishing Success

[Herefordshire Council's Counter Fraud Service shortlisted for another award](#)

- i. In February 2023 a news article was released by the Council raising awareness of the Counter Fraud Service being nominated as a finalist in the 'Local Excellence' category of the Public Sector Fraud Awards.

[Council encourages greater awareness this fraud awareness week](#)

- ii. In November 2023 the Council issued a press release promoting awareness of fraud and encouraging public referrals during the International Fraud Awareness Week.

[Fraudsters prosecuted for laundering business grants](#)

- iii. An article was published in December 2023 for a successful prosecution of three fraudsters who had defrauded the Council of £110,000 in Covid Business Grants. The case was part of a three year long investigation that Herefordshire CFS supported, alongside other Local Authorities and the National Investigation Service. Funds are still undergoing recovery under the Proceeds of Crime Act.

LINK TO STRATEGY: PURSUE

17. CORPORATE FRAUD

There have been **121** corporate fraud cases dealt with by the counter fraud department in 2023 relating to fraud against services provided by the Council.

22 cases carried forward from 2022

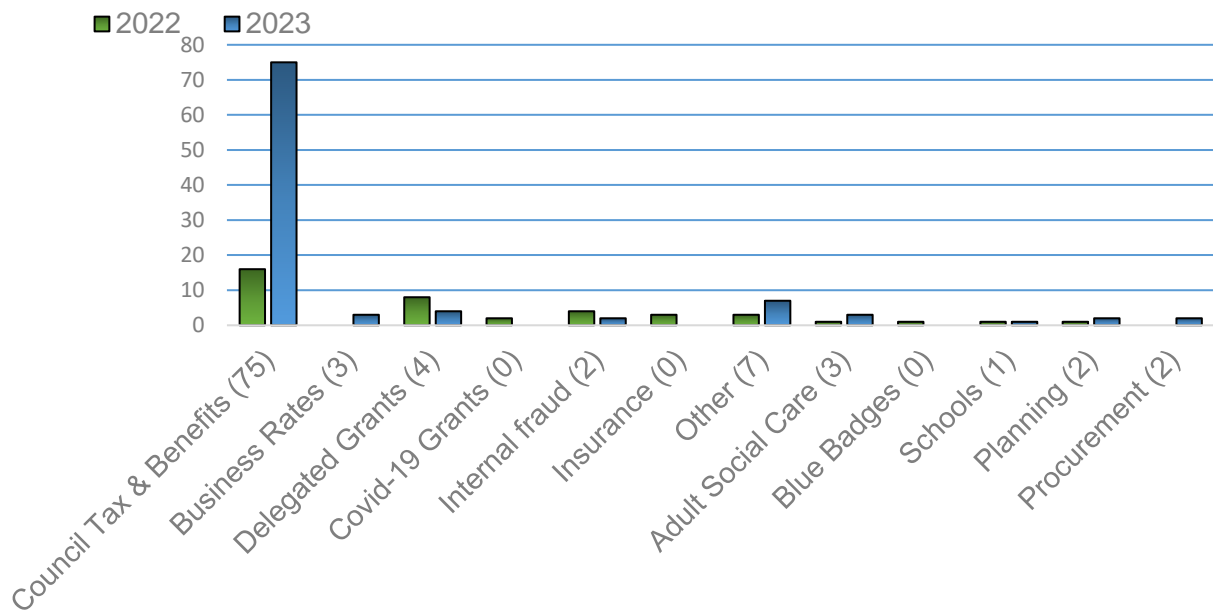
99 New referrals received in 2023

84 cases were closed in 2023

37 on-going investigations

142% increase in new referrals in 2023 compared to 2022

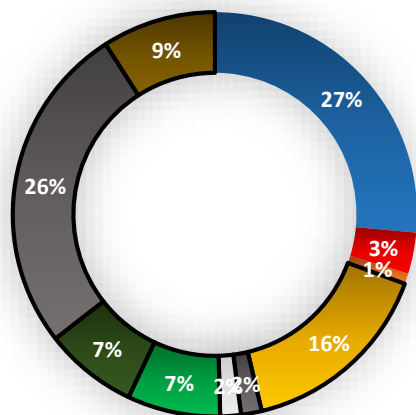
New referrals received in 2023



17.1 The highest area of new corporate fraud referrals during 2023 related to Council Tax and Benefits, with a significant **368% increase** in referrals within this individual service area. These statistics only relate to new referrals directly made to the counter fraud department and do not include the additional cases detected and managed through the National Fraud Initiative (NFI) exercise listed below.

17.2 The increase in corporate fraud referrals in Council Tax and Benefits can be attributed to the increased visibility and awareness of the CFS amongst local residents. The increase could also be a result of the inherent risk of fraud within this particular service and due to the Cost of Living Crises having an effect on the motivation of households to commit fraud in order to meet rising financial pressures.

18. Summary of Corporate Fraud case outcomes in 2023



- 32 Pending Investigations (open) - 27%
- 4 Criminal Investigations (open) - 3%
- 1 Prosecuted, Pursuing POCA (open) - 1%
- 19 Civil Recovery (closed) - 16%
- 2 Formal Warning (closed) - 2%
- 2 Prevented (closed) - 2%
- 9 Referred to Other Agency (closed) 7%
- 9 Included in NFI SPD Exercise (closed) 7%
- 32 No Fraud (closed) 26%
- 11 Insufficient Evidence (closed) - 9%

18.1 Ongoing Investigations

Currently there are a total of 37 ongoing corporate fraud cases that remain open. These cases are categorised as the following;

■ 32 Pending Investigations (open) – 27%

- 32 cases are pending further investigation, however the CFS is yet to determine the course of action and redress required at this stage. Of these, 2 relate to Social Care, 1 Business Rates, and 29 Council Tax and Benefits.

■ 4 Criminal Investigations (open) – 3%

- 1 case involves allegations of Council Tax and benefit fraud and is part of a joint working investigation with the DWP.
- 1 case relates to allegations of financial abuse of Direct Payments and is part of a joint working investigation with the Police.
- 2 internal fraud cases remain under joint working investigations. Due to the highly sensitive nature of these we are unable to provide any further details at this stage.

■ 1 Prosecuted, Pursuing POCA (open) – 1%

- 1 case has already been successfully prosecuted but is awaiting the outcome of recovery, under the Proceeds of Crime Act (POCA). Details of this case have been published and the relevant article referred to within section 16 of this report.

18.2 Closed Investigations

During 2023 the CFS investigated and closed 84 corporate fraud referrals. These cases are categorised as the following;

■ 19 Civil Recovery (closed) - 16%

- 15 cases involved fraudulent applications or undeclared circumstances to Council Tax Reduction reliefs and/ or discounts and benefits. The value under recovery is £31,296.
- 1 further case was an external fraud against a Direct Payment user's card. This card was subsequently de-activated and the £970 was reimbursed in full from the card supplier.
- 2 cases related to abuse of a grant scheme, whereby items obtained through the scheme were being sold for profit on social marketing sites. In both cases the items were all recovered.

- The final recovery involved an internal investigation which identified a case of polygamous working fraud. The employee resigned with immediate effect and the full value totalling £2,119 is under recovery by the CFS.

■ **2 Formal Warnings (closed) – 2%**

- 1 internal case was identified involving the misuse of a company device. This was low value and a formal warning was issued. The employee has since resigned.
- 1 external case was identified and referred to the CFS by the Planning department. A formal warning was issued after a number of false complaints had been received on a planning application.

■ **2 Prevented (closed) – 2%**

- 2 cases of mandate fraud was prevented and stopped before a combined total of £9,012 in payments were issued. Mandate fraud is a request to divert funds to a fraudulent account.

■ **9 Referred to Other Agency (closed) – 7%**

- A total of 9 cases were referred to other agencies as they were out of the CFS remit to investigate. Of these, 4 allegations were referred to the Valuation Office Agency (VOA) for assessment. A further 3 benefit fraud allegations were referred to the Department for work and Pensions (DWP). 1 case of a suspected money laundering scam was referred to Trading Standards, and 1 case of alleged tenancy fraud was referred to a Housing Association.

■ **9 Included in NFI SPD Exercise (closed) – 7%**

- 9 cases of alleged Single Persons Discount (SPD) fraud was included as part of the NFI SPD exercise. Further details of the outcomes from this review are listed below.

19. National Fraud Initiative (NFI)

- 19.1 The NFI is a national data matching exercise run by the Cabinet Office which Local Authorities are mandated to partake in. During 2023 the CFM continued to work collaboratively alongside the Revenues and Benefits departments to undertake a data matching exercise on individuals who were in receipt of Council Tax Single Persons discount, with the aim of identifying erroneous and fraudulent relief claims.

Council Tax Reliefs and Benefits Data Matching Exercise

331 matches categorised as fraud **334** cases actioned for civil recovery

£369,813 actioned for civil recovery **£346,644** value of prevention

- 19.2 The savings identified for civil recovery relate to the cases where accounts were incorrectly in receipt of ineligible Council Tax Reduction and/ or Single Persons Discount. The additional savings identified through prevention, is the estimated savings figure from preventing future incorrect payments, as calculated directly by the Cabinet Office.
- 19.3 The statistics provided above in this report only represent the work undertaken during the calendar year 2023. The NFI SPD review remains an active review going into 2024.

20. Covid Grant Recovery

20.1 As Herefordshire Council exited from the administration of the Covid business grants delivered through the pandemic, the work undertaken on grant recovery continued into 2023, with Local Authorities across the UK working closely with the Department for Business, Energy and Industrial Strategy (BEIS).

£40,211 civil recovery in 2023 from the outstanding clawbacks raised

£37,283 outstanding recovery on repayment plans

£110,000 being pursued under Proceeds of Crime (POCA)

21. Concessionary Travel Fraud

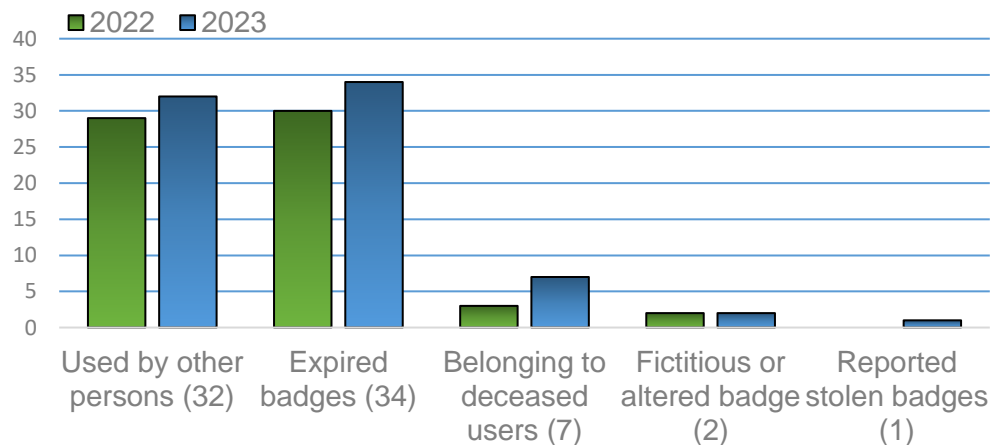
21.1 This section details the investigation by the parking enforcement team of Blue Badge misuse and Disability Permit fraud. Blue Badges can only be used by the named badge holder, or by a person who has dropped off, or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a Blue Badge in any other circumstances.

76 new cases in 2023

18.7% increase in new cases up from 2022

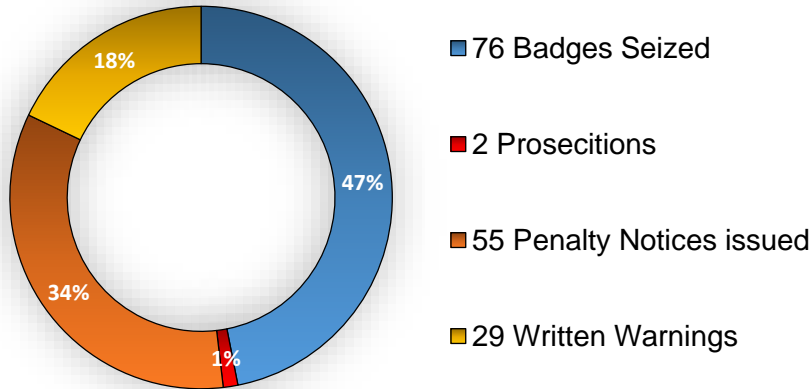
Blue Badge fraud and misuse case types 2022-2023

During 2023 the Parking Enforcement team experienced an **18.7% increase** in blue badge cases. Of the 76 new cases the department detected, most case types remained at similar levels compared to 2022 figures, however a slight rise has been noted in the number of blue badges being used belonging to deceased users.



22. Outcomes of Blue Badge cases in 2023

22.1 The number of badges seized, penalty fines, written warnings issued and successful prosecutions during the year, demonstrates the Council's continued resolve to tackle the issue.



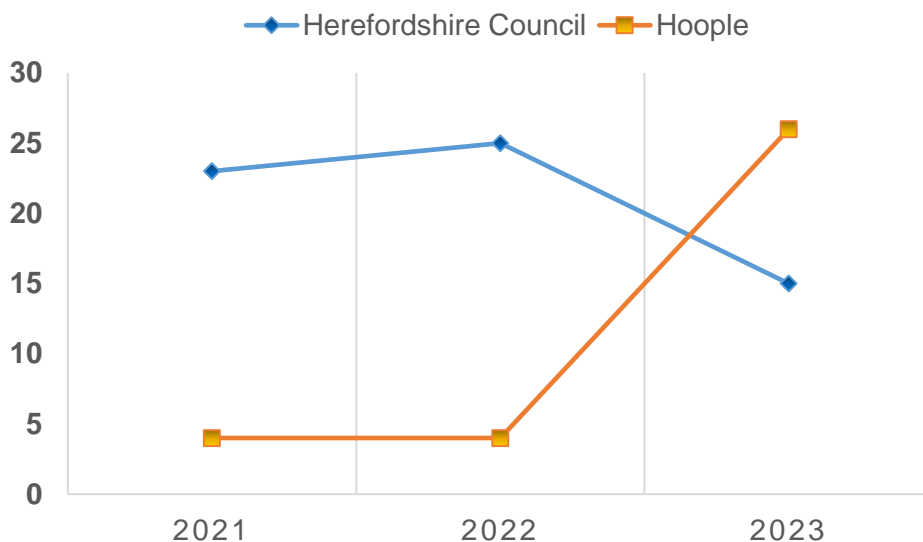
23. Cyber Fraud

23.1 This section relates to instances of cyber related fraud attempts against Herefordshire Council and Hoople services as recorded by the Information Governance department. An example of cyber fraud could be a ransomware attack or a phishing email.

15 recorded malicious software incidents for Herefordshire Council in 2023

26 recorded malicious software incidents for Hoople in 2023

Total number of recorded Malicious Software incidents



23.2 The graph above displays the total number of recorded malicious software incidents for both Herefordshire Council and Hoople over a period covering the last 3 years. It shows that the number of incidents targeting the Council have dropped over the last year, whilst the number of incidents targeting Hoople has greatly increased. It is important to note that **none of the incidents** targeting the Council or Hoople were successful during 2023, demonstrating the robust controls we have in place to prevent these cyber-attacks.

23.3 In 2023, local governments faced three primary cyber security issues: phishing attacks, ransomware attacks, and insider threats. These threats have been progressively advancing in complexity and potential harm.

23.4 The evolution of these threats underscores the importance of understanding why local governments are targeted. By comprehending the motivations behind these attacks, the Council can better prepare and protect themselves. Fostering a culture of security awareness is vital. This involves training staff to recognise and respond appropriately to cyber threats, promoting safe online behaviour, and creating a workplace where security is everyone's responsibility.

24. Community impact

24.1 Counter fraud activity supports 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.

25. Environmental Impact

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

Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

26. Equality duty

26.1 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.

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.

26.2 Counter fraud activity undertaken across the Council’s services can have a positive equality impact to members of the public. For example, enforcement of correct usage for disability parking permits (blue badges) has a positive impact on disabled people who are genuine holders, as it maximises their opportunity to use available car parking spaces. In addition, counter fraud activity can have a positive equality impact on many other services, such as Adults Social Care and Council Tax. By ensuring that individuals are not falsely claiming disability reliefs or benefits through these services, helps provide assurance that public funds are only provided in support of those with genuine needs.

27. Resource implications

27.1 Counter fraud activity supports the best use of Finance, ICT, Human Resources and Property resources. The recovery of funds also prevents the financial support of illegal activities. Resources allocated to counter fraud activity should be sufficient to meet the demands of increased fraudulent activity.

28. Legal implications

28.1 The Terms of Reference for the Committee includes monitoring the effectiveness and operation and the anti-fraud and corruption strategy (para. 3.5.12 of Constitution). There are no direct legal implications other than those already disclosed in this report.

29. Consultees

29.1 None

30. Appendices

30.1 Appendix 1 – Glossary of abbreviations and terms

31. Background papers

31.1 None identified

Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 18/01/2024
Finance	Wendy Pickering	Date 18/01/2024
Legal	Sean O’Connor	Date 15/01/2024
Communications	Leanne Featherstone	Date 15/01/2024
Human Resources	Tracey Sampson	Date 15/01/2024
Equality Duty	Harriet Yellin	Date 16/01/2024
Procurement	Lee Robertson	Date 16/01/2024
Risk	Kevin Lloyd	Date 16/01/2024

Approved by	Andrew Lovegrove	Date 18/01/2024
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APPENDIX 1
Glossary of Abbreviations and Terms

Abbreviations	Meaning
ACFM	Accredited Counter Fraud Manager
ACFS	Accredited Counter Fraud Specialist
BEIS	Department for Business, Energy and Industrial Strategy
CIFAS	Credit Industry Fraud Avoidance System
CFM	Counter Fraud Manager
CFS	Counter Fraud Service
DOI	Declarations of Interest
DWP	Department for Work and Pensions
FTE	Full Time Equivalent
HR	Human Resources
ICT	Information and Communication Technology
IFAW	International Fraud Awareness Week
MFG	Midlands Fraud Group
NATIS	National Investigation Service
NFI	National Fraud Initiative
POCA	Proceeds of Crime Act
Q1/ Q2	Quarter 1/ Quarter 2
SPD	Single Persons Discount (Council Tax Discount)
SWAP	South West Audit Partnership (Internal Audit)
VOA	Valuation Office Agency

Term	Meaning
Phishing	A technique for attempting to acquire sensitive data, through a fraudulent solicitation in email or on a web site, in which the perpetrator impersonates as a legitimate business or reputable person.
Ransomware Attack	Ransomware is a type of malware and cybercrime that attempts to hold data for ransom.
Malicious Software Incidents	Malicious software, refers to any intrusive software developed by cybercriminals to steal data, and damage or destroy, computers and computer systems.
Polygamous working	Individuals associated with working for multiple employers.
Intelligence Alert	The circulation and sharing of intelligence, which refers to processed, evaluated and perspective-driven data that is gathered from trusted sources.
External Case	Alleged fraud committed by a third party against a Local Authority funded or operated service.
Internal Case	Alleged fraud of persons employed or contracted to the organisation.
Mandate Fraud	Bank Mandate fraud occurs when an unauthorised request is made to change the details of a bank transfer mandate to divert funds to a fraudulently operated account.
Fraud	Fraud is wrongful or criminal deception intended to result in financial or personal gain.
Theft	The dishonest appropriation of property belonging to another with the intention to permanently deprive the other of it.
Bribery	The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust.
Corruption	Corruption is the abuse of power entrusted to them, for personal gain.
Money Laundering	Money laundering is the disguising of financial assets so they can be used without detection of the illegal activity that produced them

Title of report: Update to Finance and Contract Procedure Rules

Meeting: Audit and Governance Committee

Meeting date: Tuesday 30 January 2024

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes. To ensure council financial and contract procedure rules are up-to-date and provide clarity of roles, accountabilities and process in order to ensure transparency about how public resources are used and controlled to mitigate the potential for fraud and ensure compliance with relevant legislation.

Recommendations

That the committee review and approve the following updates as technical changes to the constitution:

- a) **The Contract Procedure Rules at Appendix 1;**
- b) **Financial Procedure Rules at Appendix 2**
- c) **Financial Procedure Rules Guidance Notes at Appendix 3.**

Alternative options

1. The council could continue with its current financial and contract procedure rules. This is not recommended as this introduces the risk that they would not be fit-for-purpose and provide clarity of roles and processes for those charged with undertaking financial and procurement

activity. Further this would mean that the contract procedure rules were not in accordance with the revised procurement thresholds set out in PPN11/23.

Key considerations

2. The council's Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
3. The Financial Procedure Rules set out the framework which the council will use in managing its financial affairs. They set out levels of responsibility and give authority to the Cabinet Members and Officers and are intended to promote good practice in the use of public funds.
4. The Financial Procedures Rules give detailed guidance on how the overarching framework is implemented.
5. In line with good practice, a regular review of these rules is important to ensure that they remain up-to-date with any changes to the council's statutory responsibilities, relevant legislation, the council's constitution and/or how the council conducts its business.
6. Both the contract procedure rules and finance procedure rules were last reviewed, updated and approved by the Audit and Governance Committee on 25 July 2022.

Contract Procedure Rules

7. The 2024 updates to the CPRs are intended to provide clarity as to roles and processes and update to reflect current legislation.
8. The Local Government Act 1972 requires the Council to have standing orders governing how it enters into contracts. The CPRs satisfy this requirement. The Council is subject to UK law with regard to public procurement which requires all contract procedures to be open, fair and transparent. The CPRs provide a basis for fair competition, with clear and auditable procedures.
9. The CPRs ensure a clear and consistent approach to procurement, set the minimum standard of best practice and assurance of good contract management practice within the organisation. The amendments enable officers and members to demonstrate best value and best practice.
10. A final copy of the updated CPRs is attached at Appendix 1. Key Changes include:
 - a) The current CPRs and CPR guidance documents have been consolidated into one document namely the CPRs to simplify for officers and members. Further guidance on how to apply the CPRs is contained in the Contracting Toolkit on the intranet at [Commercial and procurement - The contracting toolkit](#)
 - b) The above threshold values for the Public Contract Regulations 2015 have been updated by government to take account of currency fluctuations, and to ensure the UK complies with its obligations under the World Trade Organisation's Agreement on Government Procurement (GPA). From 1 January 2024 the values have been increased slightly with the exception of Light Touch Regime which has remained the same. The below threshold competition requirements remain unchanged.
 - c) The requirement when purchasing from a compliantly let framework has changed. The rules currently state that a framework must have more than one supplier, but as

frameworks are procured in accordance with Public Contract Regulations 2015, this requirement has been removed.

- d) Enhanced clarity has been provided relating to information that should be included when tenders are advertised.
- e) Additional information has been provided on what services fall within the 'Light Touch Regime'
- f) Inclusion of the new competition requirements for Health Care Services in line with Health Care Services (Provider Selection Regime) Regulations 2023 which comes into force on 1 January 2024.
- g) Clarification on the competition requirements for Concessions Contracts in line with the Concessions Contract Regulations 2016
- h) A new section has been added detailing requirements on when a bond and/or parent company guarantees would be required in a contract.
- i) Update to the Modification of contracts section to align to the Public Contract Regulations 2015, The Health Care Services (Provider Selection Regime) Regulations 2023 and the Concessions Contract Regulations 2016.
- j) Update to Exemptions (Waivers) section to highlight that exemptions should only be used in exceptional circumstances and provide details of what those circumstances may be and the internal consultation process that should be followed.
- k) New sections on trading and disposal of property, Glossary of Terms and Officer Responsibilities. This information was previously contained with the CPR guidance document. These sections have been reviewed, updated and incorporated into the revised CPRs.

Financial Procedure Rules and Guidance Notes

- 11. A final copy of the latest proposed Financial Procedure Rules is attached at Appendix 2.
- 12. A final copy of the Financial Procedures Rules Guidance Notes is attached at Appendix 3. The key changes which have been made to both documents can be summarised as follows:
 - a) Addition of roles and responsibilities in respect of delivery of projects; and
 - b) Updates to procedures in respect of journal transactions.

Community impact

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

Environmental Impact

15. 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.
16. Whilst this is a procedural update and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example both sets of procedure rules encourage the use of online facilities available rather than using a paper trail.

Equality duty

17. 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.
18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this decision relates to improving internal processes, we do not believe that it will have an impact on our equality duty.

Resource implications

19. There are no specific resource implications from this report and the updating of the Council's rules.

Legal implications

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

Risk management

21. The current rules require updating. In some places there was the potential for confusion, errors and misunderstandings. Updating the rules clarifies what is required and supports officers and members in dealing with these issues and ensure that the Council acts in a consistent manner

with regard to procurement. The consolidation of the contract procedure rules and guidance ensures ease of reference. Amendments have also been made to reflect current legislation.

Consultees

None.

Appendices

- Appendix 1 Updated Contract Procedure Rules
- Appendix 2 Updated Financial Procedure Rules
- Appendix 3 Updated Financial Procedure Rules Guidance Notes

Background papers

None identified.

Section 6 - Contract Procedure Rules

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
Low value Below £25,000	Evidence best value	<ul style="list-style-type: none"> • Best value must be demonstrated. <ul style="list-style-type: none"> ○ This might be a comparison of costs for services that you have procured previously and where you understand and can evidence the costs. ○ Or, where you have been able to compare costs with information published such as catalogues or framework pricing. • Consider local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector interest. • Otherwise, identify at least three suppliers to obtain a simple quote. • The procurement process can be undertaken outside of the council's e-tendering portal. <p>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</p>	Director's delegated authority under Scheme of Delegation	<p>Operational decisions- Only service director or above are authorised to award and sign a contract.</p> <p>Key Decisions: Only service director or above are authorised to award and sign a contract, subject to approval or specific delegation by cabinet/cabinet member.</p>
Medium Value £25,001 to £75,000	4 quote process	<ul style="list-style-type: none"> • A minimum of 4 competitive quotes sought from appropriately qualified and competent suppliers. • Include at least two suppliers within the county and/or local VCSE and /or SME sector interest where appropriate. • Where 4 suppliers cannot be identified, the opportunity must be: <ul style="list-style-type: none"> ○ Openly advertised using the councils e-tendering portal or ○ Procured via a compliantly let framework agreement. ○ The procurement process for both scenarios must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. • Where the opportunity is advertised, adverts shall include as a minimum: <ul style="list-style-type: none"> ○ Date and time response to be received by the Council ○ How and to whom the supplier must respond ○ Any requirements for participating in the procurement • Where the opportunity is being openly advertised and is above £25,000, the opportunity must also be advertised on Central government's Contracts Finder. • Where adverts are placed on Contract Finder they must include unrestricted and full direct internet access to relevant contract 	Director's as per delegated authority under Scheme of Delegation and FPR authorised spend levels	<p>All amounts exclude VAT.</p> <p>The following must be sealed by the council: contracts above the key decision value (£500,000);</p> <p>all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer</p>

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
		<p>documents free of charge when the advert is placed.</p> <ul style="list-style-type: none"> The opportunity must be advertised for a minimum of 15 working days. Advertising in trade journals and other local publications if appropriate (recommended). <p>Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder.</p>		<p>limitation period of 12 years is required. decision value (£500,000);</p>
<p>High Value £75,001 to:</p> <ul style="list-style-type: none"> £179,087 (goods and services £214,904 Incl VAT) £4,477,174 (works £5,372,609 Incl VAT) <p>£552,950 (light touch regime for health/ social services £663,540 Incl VAT)</p>	Open tendering	<ul style="list-style-type: none"> Open tendering procedures must be followed. The opportunity must be advertised using the invitation to tender template to the open market or Make the purchase via a compliantly let framework agreement. The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by Commercial Services. The opportunity must also be advertised on Central government's Contracts Finder. Adverts place on Contract Finder must include unrestricted and full direct internet access to relevant contract documents free of charge when the advert is placed. Where the opportunity is above £25,000 you must publish a contract award notice on Central government's Contracts Finder. The opportunity must be advertised for a minimum of 15 working days. <p>The Authorised Officer shall consult Commercial Services early to determine the procedure for conducting the procurement exercise.</p>		
<p>Above UK Threshold. Over:</p> <ul style="list-style-type: none"> £179,087 (goods and services £214,904 Incl VAT) £4,477,174 (works £5,372,609 Incl VAT) 	Use UK compliant procedures	<ul style="list-style-type: none"> Open tendering procedures must be followed, or Make the purchase via a compliantly let framework agreement. The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by Commercial Services. The opportunity must also be advertised on Central government's Contracts Finder and the UK Find a Tender service (FTS). Contract award notices must also be published on these portals. Adverts placed on Contract Finder and the UK Find a Tender Services (FTS) must include unrestricted and full direct internet 	Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.	

Part 4 – Procedure Rules - Updated: February 2024

Unless otherwise stated all figures **exclude VAT**. *Note UK Threshold Figures have changed on 1st January 2024. The methodology for estimating contract values is to be inclusive of VAT for the purposes of applying the thresholds. This does not require a change to the publication of procurement notices which will continue to be exclusive of VAT.

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
£552,950 (light touch regime for health/ social services £663,540 Incl VAT)		access to relevant contract documents free of charge when the adverts is placed. <ul style="list-style-type: none"> • The opportunity must be advertised for the periods set out in the Public Contract Regulations 2015. • Produce a procurement summary report in accordance with regulation 84 of the Public Contract Regulations 2015 • Consult Commercial Services Team early to determine the procedure for conducting the procurement exercise. • Seek advice and support from Commercial Services before progressing the procurement. 		
<u>Light Touch Regime</u>	Use UK compliant Light Touch procedures	<ul style="list-style-type: none"> • Contracts involving the following supplies and services are subject to a 'light touch' regime if the value of the contract is above the UK Threshold; <ul style="list-style-type: none"> ○ Health, social and related services (unless included in the Health Care Services (Provider Selection Regime) Regulations 2023) ○ Administrative social, educational, healthcare and cultural services ○ Compulsory social security services ○ Benefit services ○ Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other 9 membership organisation services ○ Legal services ○ Other administrative services and government services ○ Provision of services to the community ○ Prison related services, public security and rescue services ○ Investigation and security services ○ International services ○ Postal services ○ Miscellaneous services listed in schedule 3 of the Public Contracts Regulations 2015 • Advice must be sought from Commercial Services before undertaking a light touch regime procurement. 		

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
<p>Health Care Services (including mixed procurements where at least 50% of the services fall with these regulations.)</p>	<p>Compliant process under the Health Care Services (Provider Selection Regime) Regulations 2023</p>	<p>Procurement Processes: The Health Care Services (Provider Selection Regime) Regulations 2023 provides three processes for procuring applicable healthcare services. (Applicable CPV codes are listed in Schedule 1 of the Health Care Services (Provider Selection Regime) Regulations 2023:</p> <ul style="list-style-type: none"> • Direct Award Process: <ul style="list-style-type: none"> ○ Direct Award Process A (one capable provider): must be used where there is an existing provider for the healthcare services and the council assesses and can evidence that there is only one capable provider. Publish a notice of the award. ○ Direct Award Process B (patient choice): must be used when patients have the freedom to choose their provider and the number of providers is not restricted by the council. Publish a notice of the award. ○ Direct Award Process C (incumbent extension): may be used when the council is not required to follow direct award processes A or B, can assess and evidence the existing provider is satisfying its existing contract, has the ability to satisfy the new contract, and the proposed new contract has no considerable changes. Publish a notice of intention to make an award to the existing provider. After the standstill period, the contract is awarded and a notice of the award is published. • Most Suitable Provider Process: This process involves awarding a contract to a provider without running a competitive process because the council can identify the most suitable provider. It may be used when all of the following apply: <ul style="list-style-type: none"> ○ the council is not required to follow direct award processes A or B 		

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
		<ul style="list-style-type: none"> ○ the council cannot or does not wish to follow direct award process C ○ the council is of the view, taking into account likely providers and all relevant information available to the relevant authority at the time, that it is likely to be able to identify the most suitable provider (without running a competitive process). The council submits a notice of intention to follow this process and identifies potential providers, assesses them based on key criteria, and selects the most suitable provider. After the standstill period, the contract is awarded and a notice of the award is published. ● Competitive Process: involves running a competitive process to award a contract. The competitive process must be used when all of the following apply: <ul style="list-style-type: none"> ○ the council is not required to follow direct award processes A or B ○ the council cannot or does not wish to follow direct award process C, and cannot or does not wish to follow the most suitable provider process. <p>The council determines the criteria, invites offers from providers, assesses the offers, and makes a decision on the successful provider. After the standstill period, the contract is awarded and a notice of the award is published.</p> ● The council must consider five key criteria when applying direct award process C, the most suitable provider process or the competitive process. These are: <ul style="list-style-type: none"> ○ quality and innovation ○ value ○ integration, collaboration and service sustainability ○ improving access, reducing health inequalities and facilitating choice ○ social value. 		

Part 4 – Procedure Rules - Updated: February 2024

Unless otherwise stated all figures **exclude VAT**. *Note UK Threshold Figures have changed on 1st January 2024. The methodology for estimating contract values is to be inclusive of VAT for the purposes of applying the thresholds. This does not require a change to the publication of procurement notices which will continue to be exclusive of VAT.

Whole contract period total Value Excluding VAT *	Competition Requirements	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (sign/seal)
		<ul style="list-style-type: none"> Framework agreements can only be concluded using the competitive process. For all three processes, officers must keep records of their assessments, decision making process, and decisions made, <p>Where the Health Care Service required is outside of the scope for these regulations then the Public Contract Regulations 2015 must be followed where appropriate.</p>		
<u>Concessions</u>	Use UK compliant procedures under the Concession Contracts Regulations 2016	<p>A concession contract is an agreement where Suppliers are given the right to exploit works or services provided for their own gain. Suppliers can either receive consideration for their services:</p> <ul style="list-style-type: none"> solely through third party sources or partly through payment from the council along with income received from third parties e.g. a services Concession is where a Supplier has a contract to manage the council's subsidised catering services for its staff. <p>The risk in the concession making a profit is with the supplier and not the council.</p> <p>Advice must be sought from Commercial Services before undertaking a concessions procurement</p>		
<u>Creating new Framework Agreements</u>	New framework Use one of the above procedures relative to the framework type and value.	<p>The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using:</p> <ul style="list-style-type: none"> FTS advert and contract award notice (where above UK threshold); and, Central government's Contracts Finder (mandatory); or, Make the purchase via a compliantly let framework agreement. You must follow the procedure set out in the framework agreement for direct awards and mini competitions. The Authorised Officer shall consult Commercial Services early to determine the procedure for conducting the procurement exercise. 		New frameworks must be sealed by the council

Part 4 – Procedure Rules - Updated: February 2024

Unless otherwise stated all figures **exclude VAT**. *Note UK Threshold Figures have changed on 1st January 2024. The methodology for estimating contract values is to be inclusive of VAT for the purposes of applying the thresholds. This does not require a change to the publication of procurement notices which will continue to be exclusive of VAT.

INTRODUCTION

What are Contract Procedure Rules?

- 4.6.1 The Contract Procedure Rules (CPRs), the Procurement and Commissioning Strategy, the Contracting Toolkit and the Contract Management Framework together with the Public Contract Regulation 2015, the Concession Contracts Regulations 2016 and the Health Care Services (Provider Selection Regime) Regulations 2023 provide the framework for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. They apply to all officers and elected members across the council.
- 4.6.2 The CPRs should not be seen in isolation, but rather as part of the overall regulatory framework of the council as set out in the Constitution.

Why are CPRs needed?

- 4.6.3 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These CPRs are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.4 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2012 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties and associated council policies. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.5 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, utilities and concessions to the council, regardless of value. Maintained schools, and the council where it acts on a school's behalf, must comply with these CPR when procuring contracts.
- 4.6.6 It is important to respect confidentiality during all stages of the formal tendering process. Officers must not disclose any information they have about potential suppliers to other persons/suppliers potentially competing for the same contract.
- 4.6.7 The CPRs do not apply to:
- (a) The acquisition, disposal, or transfer of land (including leasehold interests) for which the financial regulations applies except where services or works are required by the council as part of the land transaction. e.g. development agreements. Note that this does not apply to any external professional services linked to the purchase or sale.
 - (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
 - (c) Grant agreements
 - (d) Sponsorship agreements regulated by the sponsorship rules.
 - (e) Supply of works, goods and services by the council to a third party. However, the Solicitor to the council must be consulted where the council is contemplating this route.
 - (f) Contracts procured in collaboration with other local authorities where the council is not

the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules and the Public Contract Regulations 2015

- (g) Purchases made at public auction
- (h) Contracts relating to the placement of deposits or raising loans under the Financial Procedure Rules.

Authority to conduct procurement activity

4.6.8 The authority for an officer to undertake;

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

is provided by either of the following;

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

Basic principles

4.6.9 All procurement procedures must:

- (a) Realise value for money by seeking to achieve the optimum combination of whole life costs and quality of outcome,
- (b) Be consistent with the highest standards of integrity,
- (c) Operate in a transparent manner, ensuring fairness and equal treatment in evaluating tenders and allocation of public contracts,
- (d) Support all relevant council priorities and policies including the Medium Term Financial Plan,
- (e) Comply with the Council's Procurement and Commissioning Strategy and the Social Value Statement, and:
- (f) Comply with all legislative requirements including the Human Rights Act 1998 and the Equality Act 2010
- (g) Comply with the Public Contract Regulations (2015) Procurement Principles, which are as follows:
 - i. transparency - contract procedures must be transparent and contract opportunities should generally be publicised;
 - ii. equal treatment and non-discrimination - potential suppliers must be treated equally;
 - iii. proportionality - procurement procedures and decisions must be proportionate;

iv. – procurement procedures must be designed in a manner that does not intentionally seek to exclude it from the rules

(h) Be funded through the allocation of an appropriately established budget or external grant funding.

4.6.10 These Rules shall be applied to the contracting activities of any partnership for which the council is the accountable body unless the council expressly agrees otherwise.

4.6.11 All members and officers¹ of the council must disclose any conflict of interest that they may have relating to a procurement or a contract to which these rules relate and in which they are acting on behalf of the council. If any member or officer has such an interest, they may be excluded from taking any further part in the procurement process and must ensure that they comply with Part 5 (the codes and guidance) of the constitution. If there is any risk of a perception of a conflict of interests, then the relevant Director will decide how serious that risk is and decide whether that person should continue to take part in the procurement.

4.6.12 Where contracting a consultant which does not fall inside the IR35 regulations (i.e. be considered an employee for tax and NI purposes); or the consultant is not filling an established post, CPRs must be complied with. Any ambiguity on whether a contract is an employment contract or a consultancy contract covered by these rules should be referred to HR Services.

Operational or non-key executive decisions

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

- (a) Officers as authorised by managers who report to Heads of Service may commence a procurement activity for total aggregate contract value up to £25,000.
- (b) Heads of service (as defined by head of service pay grades) may authorise commencement of a procurement activity for total aggregate contract value up to £250,000.
- (c) Service Directors, Directors or the Chief Executive (as defined by the requisite pay grade) may authorise commencement of a procurement activity for total aggregate contract value up to £500,000.
- (d) Commencement of a procurement activity in excess of £500,000 must be authorised by Directors or the Chief Executive (as defined by the requisite pay grade) and in accordance with 4.6.14.

4.6.14 Where an award of a contract is above £50,000, a Record of Operational decision (RoOD) and/or Key Decision dependent on value will be required and will need to be published, including the financial amount in the decision / recommendation. Additionally, a decision will be required for procurements of contracts jointly with one or more other contracting authorities.

Key executive decisions

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

¹ Including those contracted to deliver services on the council's behalf.

Planning a procurement

- 4.6.16 Sufficient planning time must be built into any procurement activity to allow for adequate pre-tender market engagement /testing where relevant, development of good quality specifications and tender documentation, and a reasonable time for the market to respond to the tender paying due regard to the procurement timescales set out in the Public Contract Regulation 2015, the Concession Contracts Regulations 2016 or the Health Care Services (Provider Selection Regime) Regulations 2023 and/or the Contracting Toolkit or seek advice from Commercial Services. Ensure sufficient time is also allocated to the tender evaluation and due diligence stages of the procurement process.
- 4.6.17 Pre- procurement market testing can be carried out to gauge market interest prior to the issue of an invitation to tender or request for quotation.
- 4.6.18 Prior to carrying out the procurement process an assessment of the total value of the contract must be carried out to determine the competition requirements. The estimated value of a procurement must be based on the total amount the Council as a whole plans to or might spend over the whole duration of the contract, incorporating any potential extension periods, which may be awarded. It must take into account the scope of any anticipated goods, services or works that will be supplied. Where this is not known precisely, a reasonable estimate should be made. Where the procurement is split into the lots, the total cost of all the lots must be included in the valuation. Contracts must not be artificially under or over-estimated or divided into two or more separate contracts where the effect is to avoid the application of the CPR's, the Public Contract Regulations 2015, the Concession Contracts Regulations 2016 or the Health Care Services (Provider Selection Regime) Regulations 2023.
- 4.6.19 When engaging with potential suppliers, the council must not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from a single supplier, who may have a commercial interest in the procurement opportunity, as this may prejudice the equal treatment of all potential bidding organisations or distort competition and prohibit them from submitting a bid or result in them be excluded from the bidding process. The council may carry out market testing to inform the specification from a number of potential suppliers in the form of a request for information.
- 4.6.20 Wherever it is mutually advantageous to do so, the council may seek to conduct procurements in collaboration with partner organisations. Where shared costs, joint procurements or joint contracting is taking place between collaborating authorities it is advised that an agreement detailing such arrangements is drawn up between the partners. The partners should appoint a lead partner and agree to comply with the lead partner's contract rules as long as they are no less stringent than the council's and comply with the Public Contract Regulations 2015, the Concession Contracts Regulations 2016 or the Health Care Services (Provider Selection Regime) Regulations 2023.
- 4.6.21 All procurements require a tender pack, which as a minimum should include:
- The specification (describing the service you require)
 - A draft copy of the contract terms and conditions (describing what the contract will look like with any successful bidder)
 - An invitation to quote (ITQ) or invitation to tender (ITT) or other document which sets out the tender process, instructions for bidding and the evaluation criteria.
 - Other documents that are relevant to the tender, e.g. plans or drawings, TUPE information, draft property rental/lease agreement, a particular policy or procedure document(s), additional service data or information etc.

Specifications and options appraisal

- 4.6.22 At the start of any procurement activity, the Authorised Officer must develop the service specifications and/or existing service designs together with the requisite business case or service plans that identifies at a minimum:
- (a) Why the service is being commissioned; what is the need?
 - (b) The budget available and the length of the proposed contract.
 - (c) Assessment of the risks associated with the procurement and how they can be successfully managed
 - (d) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can actively participate in the designing, delivery and quality-monitoring of their service.
 - (e) Which, if any, social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
 - (f) Alternative options that have been considered.
 - (g) Financial implications.
 - (h) Where the procurement involves a potential change to services provided by the council ensure compliance with the council's duty to consult under Section 3 Local Government Act 1999, the Equality Act 2010.
 - (i) Ensure that the application of the Transfer of Undertaking Protection of Employment Regulations 2006 (TUPE) is considered and obtain advice from Commercial Services or Legal Services before proceeding with inviting tenders or quotes.
 - (j) Identify the contract to be used for the procurement. Seek legal advice from Legal Services at an early stage in the process.
 - (k) Ensure contract management is considered early and mechanisms for monitoring the contract is embedded in the specification and contract
- 4.6.23 The provision of 4.6.20(e) may apply to services contracts, or services together with the purchase or hire of goods or the carrying out of works, where it is proportionate and relevant to do so to enable or facilitate compliance with the duty imposed by section 1 of the Public Services (Social Value) Act 2012.
- 4.6.24 Decisions taken during the procurement process must be clearly documented and show options considered and recommendations to be taken forward.

Reserving below UK threshold procurements

- 4.6.25 On a case by case basis, procurements below the UK threshold may be reserved:
- (a) By supplier location - this means being able to run a competition and specify that only suppliers located in a geographical area can bid; or
 - (b) By supplier type: For Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.
- 4.6.26 Specific considerations and criterion must be met when using the provision of 4.6.25, therefore Authorised Officers must engage with Commercial Services and/or Legal Services for further guidance and written approval to use this provision. When opting to reserve a procurement by supplier location or supplier type Authorised Officers are required to record the rationale / approval of their decision and keep with other procurement documents.

EVALUATION CRITERIA AND STANDARDS

Evaluation criteria

- 4.6.27 Authorised Officers will use criteria linked to the subject matter of the contract to determine that an offer is the most economically advantageous. This can include:
- 4.6.27.1 Costs: whole life costs including running costs, exit costs, licencing costs, support and maintenance costs;
 - 4.6.27.2 Quality: such as previous experience, environmental characteristics, after-sales service, technical assistance, delivery date, delivery period and period of completion, technical merit, aesthetic and functional characteristics and;
 - 4.6.27.3 Where appropriate, social value considerations.
- 4.6.28 Issues that are important to the council in terms of meeting its corporate objectives can be used to evaluate bids. The criteria can include, for example considering sustainability and environmental characteristics, support for the local economy, or the use of subcontractors. The bidding organisations' approaches to continuous improvement and setting targets for service improvement or future savings could also be included. All criteria must relate to the subject matter of the contract, be set out clearly in the tender documents and be in line with the council's corporate objectives and must be objectively quantifiable and non-discriminatory.
- 4.6.29 Where Authorised Officers intend to carry out site visits, demonstrations, presentations or interviews as part of the evaluation process, this must be made clear in the ITT and include whether this will be scored separately to the tender submission or used to moderate scores. If scored separately, bidders must be informed of the evaluation criteria and weighting in the procurement documents.
- 4.6.30 These criteria can be assessed through either:
- (a) Essential Criteria – assessed on a pass / fail basis, or:
 - (b) Technical Questions – assessed on a scored basis.
- 4.6.31 The procurement documents shall clearly explain the evaluation criteria, making clear how the evaluation criteria specified in the process will be applied, the overall weightings to be attached to each of the high-level criteria, how the high-level criteria are divided into any sub-criteria and the weightings attached to each of those sub-criteria.
- 4.6.32 As part of the evaluation process the council must undertake due diligence checks which seek to determine the commercial stability of the successful bidders to inform the decision to award a contract. In determining the types of due diligence checks to undertake, consideration must be given to market risk, complexity and value of the tender. Depending on the value of the contract and the risk to the council, the check will include at least one or more of the following checks:
- Search on the governments Companies House database
 - A recent credit report on the organisation
 - An assessment of completed financial workbook
 - A recent assessment of fraud

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- 4.6.33 Tenders, quotations or selection questionnaires, which are received after the stated deadline shall be automatically rejected. In exceptional circumstances, Authorised Officers, in consultation with and following the approval of the Head of Strategic Finance, can accept a late tender. The core principle is that tenders should not be rejected if the delay is due to the actions of the council, a third party, or force majeure. If it is decided to accept a late tender, it must be treated in the same way as all other tenders. The full details of the decision to accept the late tender must be recorded. Where only one submission is received and where this submission has arrived late, but is compliant in every other respect, the Head of Strategic Finance may consider the tender for acceptance.
- 4.6.34 An evaluation panel of at least 2 people should be established for the assessment of any qualitative questions in the invitation to quote/tender. The panel should be made up of people with the requisite knowledge and skills relevant to the goods, services or works being procured. Above UK threshold contracts (as determined in the CPRs) shall be evaluated and agreed involving the Commercial Services team and any other officers relevant to the decision making process.
- 4.6.35 Sufficient time should be allocated for the completion of compliance checks, evaluation, moderation, due diligence and governance
- 4.6.36 Bidders can only alter their tenders or quotes after the date specified for their receipt (but before the formal acceptance of the tender or quote), where examination by the Authorised Officers reveals arithmetical errors or discrepancies that affect the tender or quote figure. The bidder shall be given details in writing of such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing their offer in writing.
- 4.6.37 All other post-tender clarifications shall only be undertaken following consultation with Commercial Services and Legal Services. Any clarifications cannot disclose commercially sensitive information supplied by other bidders.
- 4.6.38 The council shall require bidders to explain the price of costs proposed in the tender where the tender appears to be abnormally low in relation to the works, goods or services.

Tender/Quotation acceptance

- 4.6.39 The council shall only accept a tender and award a contract to the bidder submitting the most economically advantageous tender/quote and within budget
- 4.6.40 For procurements above £25,000 the Authorised Officer shall produce a procurement evaluation report showing:
- a) the subject matter and value of the contract
 - b) the procurement route followed
 - c) the names of the selected and rejected bidders and reasons for their rejection/selection.
 - d) any conflicts of interest detected and subsequent measures taken
 - e) the reasons for deciding not to award a contract/framework agreement/establish a Dynamic Purchasing System (if applicable)
 - f) the result of the assessment of each tender
 - g) comparison of assessment results
 - h) Details of due diligence checks carried out
 - i) the recommendation on which bidder should be awarded the contract detailing the value and term of the contract to be awarded including potential extensions, if applicable.

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- 4.6.41 Written notification to successful and unsuccessful bidders of the outcome of a procurement process, should be provided as soon as practicable and in accordance with the Public Contract Regulations 2015, the Concession Contracts Regulations 2016 or the Health Care Services (Provider Selection Regime) Regulations 2023 via the e-tendering system.
- 4.6.42 For procurements above UK threshold or where the relevant legislation provides for a standstill period, the contract cannot be formally awarded until the bidders have been informed and the mandatory standstill period has elapsed without any challenges arising from the bidders.
- 4.6.43 The successful bidder will not be allowed to commence provisions of the goods, services or works, until a formal written contract has been completed. The Authorised Officer must ensure a completed copy of contract is added to the council's contract register entry.
- 4.6.44 Where necessary the contract award notice must be published on the Find a Tender Service portal within 30 calendar days and on Contracts Finder within 90 calendar days after the contract award date.

Awarding a contract (signature and sealing).

- 4.6.45 Where the scheme of delegation provides the authority:
- (a) Service Directors and Directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract, or authorise Legal Services to sign or where sealing is required in 4.6.46, authorise the sealing of contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value up to £500,000
 - (b) Directors within the relevant directorate (as defined by the requisite pay grade) and the Chief Executive have authority to award and authorise the sealing of a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision.
- 4.6.46 Contracts can be signed in accordance with 4.6.45, however contracts must be executed as deeds by affixing the common seal of the council in the following circumstances:
- (a) contracts above the key decision value – unless agreed otherwise by Legal Services;
 - (b) new framework agreements;
 - (c) all building and works-related contracts – unless agreed otherwise by Legal Services;
 - (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
 - (e) other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.
- 4.6.47 Before a contract can be sealed by the council, the Authorised Officer must provide Legal Services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by Legal Services is simply affixing the common seal and does not indicate that legal advice has been sought or that Legal Services approve the contract.

Authorised Officers shall ensure that each contract is on one of the council standard contract templates or the terms and conditions or the contract is approved by Legal Services prior to going out to tender/quote.

Bonds and Parent Company Guarantees

- 4.6.48 A Bond or Parent Company Guarantee will be required on all works contracts above £1,000,000 unless considered inappropriate by the Director of Resources and Assurance following consultation with the Monitoring Officer.
- 4.6.49 Bonds or Parent Company Guarantee may be required for any other contract if considered appropriate by the Director of Resources and Assurance following consultation with the Monitoring Officer.
- 4.6.50 Bonds shall be a minimum of 10% of the contract value.

Urgent decisions

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

Contract management

- 4.6.56 Every contract entered into by the council will have a contract manager appointed by the relevant Director or Service Director to manage that contract.
- 4.6.57 All contracts over £5,000 are to be entered on the council's contract register. This information should be updated if there is a change in the contract value. Contract Managers and Commissioners are responsible for updating and adding additional contracts to the register, as they are let and using the register to inform subsequent tender planning.
- 4.6.58 The contract manager shall actively manage the contract throughout its life cycle in accordance with the council's Contract Management Framework and in particular shall:
- a) Classify the contract as Tier-3 "routine", Tier-2 "focused /leveraged", "and Tier-1 "strategic" by value and risk;
 - b) Undertake a series of activities for each stage of the contract's life cycle – set up, delivery and exit; and
 - c) Undertaking a formal contract review in accordance with the framework

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- 4.6.59 The contract manager shall manage the contract throughout its life cycle having regard to the council's Contract Management Toolkit and good contract management practices.
- 4.6.60 The contract manager shall manage a supplier's performance throughout the contract life to ensure milestones, KPIs, deliverables and outcomes are achieved. Risks and, where appropriate, business continuity shall be managed as detailed within the Contract documentation. Management data needs to be published in accordance with the Local Government Transparency Code.
- 4.6.61 The contract manager shall ensure that a new procurement is commenced in plenty of time to replace the current contract if the goods, services or works are still required at the end of the current contract.

Modifications to contracts

Under the Public Contract Regulations 2015

- 4.6.62 Where a contract extension or variation is provided for in the original contract agreement, is within budget and the aggregate value of the contract is under £500,000 there is no need for a new decision. Where the variation will take the value of the contract over £500,000 a key decision will be required.
- 4.6.63 Where the value of the contract is below the UK threshold and there is no provision in the contract for a variation or extension a decision will be required. Extension and variation will only be granted in limited circumstances having regard to the Public Contract Regulations 2015.
- 4.6.63.1 Where the variation or extension to the contract results in an increase in value of less than 10% of the original contract price for service and supply contract and less than 15% of the original contract price for works contracts, the decision can be made by the relevant Director or Service Director. Where several successive modifications are made, the value shall be the net cumulative value of the successive modifications.
- 4.6.63.2 Where the variation or extension to the contract results in the increase in value of more than 10% of the original contract price for service and supply contracts and more than 15% of the original contract price for works contracts and the value of the Contract remains below the relevant UK Threshold, the decision can be made by the relevant Director or Service Director in consultation with Commercial Services and Legal Services. Where several successive modifications are made, the value shall be the net cumulative value of the successive modifications.
- 4.6.64 Where the value of the contract exceeds the UK threshold, extension and variation will only be consider where they comply with Regulation 72 Public Contract Regulations 2015. The decision can be made by the relevant Director or Service Director in consultation with Commercial Services and Legal Services.
- 4.6.65 Any variation or extension must not alter the overall nature of the contract or the framework agreement and shall not be aimed at circumventing these rules and the legislation.

Under The Health Care Services (Provider Selection Regime) Regulations 2023

- 4.6.66 Modification to contracts that fall within the listed services under these regulations will only be consider where they comply with Regulation 13 The Health Care Services (Provider Selection

Regime) Regulations 2023. The decision can be made by the relevant Director or Service Director in consultation with Commercial Services and Legal Services.

Under the Concessions Contract Regulations 2016

4.6.67 Modification to contracts under these regulations will only be considered where they comply with Regulation 43 the Concessions Contract Regulations 2016.

Exemptions (Waivers)

- 4.6.68 An exemption to the CPRs is only to be used **in exceptional circumstances**. Authorised Officers and/or Contract Managers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances. If an application to let a contract without genuine competition is granted, the Authorised Officer or Contract Manager must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value.
- 4.6.69 Exemptions will not be considered for administrative convenience or because of lack of time caused by inadequate forward planning.
- 4.6.70 Exemptions from these CPR's shall only be given in the following exceptional circumstances:-
- 4.6.70.1 Where the supplies, works or services are of a unique or specialised nature or are identical or similar to or compatible with an existing provision so as to render only one or two sources of supply appropriate, including:
- An upgrade or
 - Where the contract concerns, wholly or mainly, repairs to or the supply of parts for existing proprietary machinery, plant or equipment and the repairs to or the supply of parts cannot be carried out practicably by alternative suppliers; or
- 4.6.70.2 The supplies to be purchased are proprietary articles or are sold only at fixed prices; or
- 4.6.70.3 The price of services or supplies to be purchased is controlled by trade organisations, or if for other reasons there would be no genuine competition; or
- 4.6.70.4 Where in the opinion of the Director or Service Director in consultation with the Director of Resources and Assurance and the Monitoring Officer considers that the services to be provided or the work to be executed or the supplies or materials to be purchased are urgent; or
- 4.6.70.5 Specialist consultants, solicitor, barrister, agents, artist or professional advisers are required and:
- there is no satisfactory alternative; or
 - evidence indicates that there is likely to be no genuine competition; or
 - it is, in the opinion of the Director or Service Director, in the Council's best interest to engage a particular consultant, solicitor, barrister, agent, artist or adviser; or
- 4.6.70.6 Where the council is purchasing a property, or is taking a service back in-house, which has associated contracts and in the opinion of the Director or Service Director in consultation with the Monitoring Officer and S151 Officer it is in the council's best interests to acquire those contracts; or
- 4.6.70.7 The works to be executed or the supplies or materials to be purchased can only be carried out or supplied by a statutory body.
- 4.6.71 Where it is possible to exempt these Contract Procedure Rules, any such exemption must be approved in writing by the relevant Director or Service Director or the Chief Executive, in consultation with the Director of Resources and Assurance and the Monitoring Officer.

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- 4.6.72 An “Exemption to Contract Procedure Rules” form must be completed by the Authorised Officer or Contract Manager seeking the exemption, and must provide evidenced reasons as to the legitimate need for the exemption. The form is available from Commercial Services. The Authorised Officer or Contract Manager must ensure completed exemption forms are signed by the relevant Director or Service Director or the Chief Executive and returned to the Commercial Services team who will record them on the exemptions register.
- 4.6.73 No Exemption from the CPR’s is permissible for contracts above the UK Threshold under the Public Contract Regulations 2015 or for contracts that are regulated by the Health Care Services (Provider Selection Regime) Regulations 2023 or the Concessions Contract Regulations 2016.

Training

- 4.6.74 Any officer leading a procurement activity shall be appropriately trained or have experience commensurate with the nature of the procurement activity being undertaken.
- 4.6.75 Any officer designated contract management responsibilities shall be appropriately trained or have experience commensurate with the nature of the contract management activity being undertaken.
- 4.6.76 Completion of the council’s introductory finance and procurement module shall be mandatory on an annual basis for all officers with designated contract management or procurement responsibilities.

Trading and disposal of property

- 4.6.77 Any proposals to sell or trade in services, suppliers, or assets must be referred to the Head of Legal Services.
- 4.6.78 Any proposals to dispose of council property other than land must be referred to the Director of Resources and Assurance and comply with the Financial Procedure Rules and Financial Guidance. Proposals to dispose of land must be referred to the Strategic Assets Delivery Director.

Subsidy control

- 4.6.79 Where it is proposed to provide financial support to a contractor, or where a contractor’s proposal entails financial support or a benefit from the council or another public body necessary to ensure the continuance of contracting activity, this could amount to a subsidy under the Subsidy Control Act 2022. Assistance which could be considered a subsidy may be through payments to the contractor, subsidised payments, and the provision of free or low cost equipment, free or low cost support or low cost loans.
- 4.6.80 If there is an element of subsidy to the procurement or contract, a determination of the type and amount of subsidy must be carried out. The Subsidy Control Act 2022 allows for some assistance where it is deemed to be Minimal Financial Assistance (MFA) or for Services of Public Economic Interest (SPEI).

MFA has a financial threshold so no recipient can receive more than the specified amount over the applicable period set out in the Subsidy Control Act 2022.

SPEI are essential services provided to the public. To designate a service as an SPEI, the council must be satisfied that:

- the service is provided for the benefit of the public; and
- the service would not be provided, or would not be provided on the terms required,
- by an enterprise under normal market conditions

4.6.81 Where there is an element of subsidy to the proposed procurement, the advice of Legal Services must be sought prior to advertising the opportunity or concluding the contract.

1 GLOSSARY OF TERMS

Term	Definition
"Authorised Officer"	means the officer with delegated authority from the relevant director for the preparation of the tender pack and publication of the procurement opportunity, receipt of quotations and tenders and for facilitating the execution of contracts
"Best Value"	means the council's duty under Section 3 Local Government Act 1999 to promote economies, efficiencies, and effectiveness
"Commissioner"	means the person responsible for planning and scoping the requirements, which form the object of the contract.
"Concession Contract"	means an agreement whereby the council grants another person, whether legal or natural, the right to provide a service or function, or carry out works, at that person's risk, to the public, as more fully described in procurement legislation and with appropriate and measurable levels of service (KPIs)
"Contract Manager"	means the person responsible for the management of the contract, its scope and maintaining day-to-day relationships with the supplier.
"Contract"	means a contract (whether in writing or otherwise) for supplies, services, or for the execution of any works and also includes framework agreements, dynamic purchasing systems, and concession contracts.
"Contracting Authorities"	means Central Government, local government bodies, bodies governed by public law or associations formed by any one or more of these.
"Contract Management Framework"	means the framework that details how to classify a contract based on both the annual contract value and level of risk and depending on how the contract is classified, sets out the contract management activities to undertake throughout the contract lifecycle. The activities within the framework follow best practice principles and provide a clear approach to managing and administering contracts to comply with the Council's contract procedure rules and to demonstrate and evidence contract management accountability and governance. This can be found on the commercial services pages on the council intranet site.
"Council"	Means the County of Herefordshire District Council.
"Dynamic Purchasing System"	means a completely electronic process for making commonly used purchases, the characteristics of which, as generally available on the market, meet the requirements of the Contracting Authority and open throughout its validity to any Contractor, which satisfies the selection criteria and has submitted an indicative tender that complies with the specification.
"Equality Duty"	Any duty or requirement placed on the council or any other body by the Equality Act 2010 or any legislation amending or replacing it and any statutory instrument made thereunder.
"e-tendering portal"	means the on-line system maintained by the council for notifying potential suppliers and Contractors of Contract opportunities, issuing tender documentation, administration of clarifications, receiving and receipting bids, awarding and managing Contracts and maintaining compliance with the Local Government Transparency Code through the publication of Contract spend.

Term	Definition
"Framework Agreement"	means an agreement, which establishes the terms under which a contractor will enter into contracts with the contracting authority in the period during which the Framework Agreement applies. A contractor may be awarded a contract under a framework for a period which extends beyond the termination date of the framework providing that the contract is entered into before that date and is proportionate to the duration of the framework.
"Grant Agreement"	means an agreement whereby the council provides or receives monies to/from another person, whether legal or natural to provide a function or service without the expectation of any consideration to the council except the repayment of the monies if the services are not performed or not performed to a specified standard.
"Local Government Transparency Code"	means the information that the Council is required to publish under the Local Authority Transparency Code 2015 to be found at https://www.gov.uk/government/publications/local-government-transparency-code-2015 as amended or replaced from time to time.
"Procurement Document"	means any document produced or referred to by the council to describe or determine elements of the procurement or the procedure, including the Contract notice, the technical specifications, the descriptive document, the invitation to tender, proposed conditions of contact, formats for the presentation of documents by Contractors, information on generally applicable obligations and any additional documents
"Contracting Toolkit"	means procurement and contract management guidance and templates found on the commercial services pages on the council intranet site.
"Quotation"	means a written estimate of the cost to execute works or supply goods, materials or services.
"Specification"	means a clear and comprehensive description of the Council's requirements, including technical specifications, description of the works, goods and or services required. This will vary according to the value and complexity of the purchase
"UK Threshold"	means the threshold applying to local authorities at which supplies, services and works are subject to Part 2 Public Contract Regulation 2015.

2 OFFICER RESPONSIBILITIES

2.1 Directors' responsibilities

2.1.1 All Directors are responsible for:

- a) monitoring compliance with the CPRs in relation to contracts funded by their directorate budget
- b) appointing staff to carry out commissioning, procurement and contract management functions and ensuring they support them in their role and obtain regular briefings from them
- c) Ensuring the budget for any procurement has been approved
- d) awarding and signing and/or authorising sealing of contracts
- e) approving variations, extensions and exemptions in accordance with the CPRs.

2.1.2 The Head of Strategic Finance has overall responsibility for the preparation and review of the CPRs in agreement with the Monitoring Officer/Solicitor to the council and the Director of Resources and Assurance.

2.2 Solicitor to the council's responsibilities

The Solicitor to the council is responsible for:

- a) providing legal advice and guidance to members and officers on the operation of the CPRs and all contracting and procurement activity
- b) working with the Head of Strategic Finance and Commercial Services Manager on the preparation and review of the CPRs
- c) assisting the Chief Executive with the resolution of questions regarding the interpretation of the CPRs
- d) preparing or approving template contract documents
- e) advising on the preparation of contract documentation
- f) being consulted on exemptions from the formal tendering procedure in line with the CPRs.
- g) Facilitating the sealing of documents.

2.3 Contract Managers' responsibilities

Contract Managers are responsible for:

- a) keeping a record of all the procurement and contract documentation in respect of each contract they are managing, including all the quotes and letters they have received and notes of telephone calls and meetings about selecting suppliers. These records must be made available to internal or external audit as required by them and retained in accordance with retention schedule requirements
- b) actively managing the contract throughout its life cycle in accordance with the council's contract management framework
- c) entering contract information (including upload of a signed copy of the contract) onto the central contracts register for contracts in excess of £5,000. in order to comply with the transparency information/ code
- d) updating the contracts register together with associated documents if there is a change in contract value, scope or duration and where necessary ensure a FTS/ Contract Finder notice is published
- e) ensuring that signed contract documents are available and retained in accordance with the council's retention schedule
- f) ensuring that contracts have been signed and/or sealed (where applicable) prior to the contract commencement date
- g) reading and understanding the contract documents and managing the contract in accordance with contract documents

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- h) Where relevant, monitor and measure and report on supplier's progress in delivering any social value commitments / key value indicators
 - i) checking that valid insurance documents are provided by contractors, proving that the annual premium has been paid, to cover the duration of the contract, and that copies are stored appropriately
 - j) reviewing the aggregate spend on contracts to ensure it remains in budget
 - k) ensuring that the council and contractor carry out its duties in accordance with the terms and conditions of contract
 - l) providing timely information to Directors and Service Directors regarding the contractors' performance including, but not limited to, delivery of KPIs, health and safety, business continuity, risk, contract terms and other events of default
 - m) ensuring that business continuity plans, where they are part of the contract, are kept up to date during the life of the contract
 - n) ensuring plans are in place to re-procure the service before the contract expires
 - o) ensuring contract expiry and exit plans are reviewed regularly and at least 6-12 months prior to contract expiry in preparation for exit and/or transition
 - p) Notifying Legal Services of any transfers, novation and assignment required during the terms of the contract.

2.4 Commissioners'/ Authorised Officers responsibilities

The Commissioner /Authorised Officer will be responsible for:

- a) liaising early on in the process with the Commercial Services team and Legal Services on all matters relating to contracting and procurement
- b) ensuring non-council staff (as defined at 2.9) engaged in the procurement process comply with these rules and consult Commercial Services as appropriate
- c) ensuring that written requirements are provided to non-council staff and these must include key stages of the procurement process at which the council will be consulted prior to and or authorise progressing to the next stage of the process
- d) ensuring there is a budget for the procurement
- e) ensuring all necessary decisions are made in a timely manner and maintaining a comprehensive log of all decisions made for each procurement, including copies of signed decision reports and any relevant supporting evidence
- f) considering whether social value is relevant to include in the tender process through early market engagement in accordance with the council's social value statement and social value internal guide
- g) drafting quotation/ tender documents for competitions utilising the templates which can be found on the Commercial Services intranet pages. Selecting the appropriate contract for the procurement using the council's standard contracts or any other contract approved by Legal Services
- h) maintaining records during the procurement process of the:
 - i. contracts awarded including the nature and value of contracts and the names of successful tenderers
 - ii. total value of contracts awarded to each successful tenderer during each financial year, where a framework or Dynamic Purchasing System is used
 - iii. names of unsuccessful tenderers and reasons why their tenders were not accepted
 - iv. details of any failure by a tenderer to comply with instructions to tenderers
 - v. details of the reasons for any tenders being withdrawn
 - vi. details of failures by contractors to submit tenders after having requested and been invited to do so
 - vii. reasons for exceptions to tendering procedures
 - viii. reasons for accepting late tenders.

- i) undertaking required due diligence checks and obtain copies of insurance documents, together with any other self-certified docs included In the ITT
- j) ensuring that contracts have been signed and/or sealed (where applicable) prior to the contract commencement date
- k) making arrangements for the retention of tender and all contract documentation in accordance with the council's record retention schedule for a minimum of 6 Years (12 Years if signed under seal) after the termination of the contract, including any extension or defects periods
- l) advising the Contracts Manager and Commercial Services team of contracts awarded and recording the details of all contracts over £5,000 in the contracts register, providing all detail necessary under the transparency code (including uploading a signed copy of the contract to the corporate contracts register – do not embed documents)
- m) considering the approach to succession planning to ensure that there is adequate leadership and governance in place for the successful delivery of major projects/programmes
- q) in conjunction with the Contract Manager consider continuity of service before a contract expires and ensuring adequate plans are in place to re-procure the service before the contract expires.

2.5 Head of Strategic Finance responsibilities

Working to the Director of Resources and Assurance, the Head of Strategic Finance is responsible for:

- a) providing advice on all aspects of the CPRs
- b) providing oversight to ensure that the council has an up-to-date commercial and commissioning strategy
- c) monitoring compliance with the CPRs and reporting non-compliance to the Director of Resources and Assurance and the Solicitor to the council for appropriate action
- d) preparing an annual report on the operation of and compliance with the CPRs for the Director of Resources and Assurance, in consultation with the Solicitor to the council and the audit and governance committee
- e) continually reviewing the CPRs to ensure they keep pace with developing best practice and advising amendments as necessary
- f) preparing an annual report on the exemptions recorded for the solicitor to the council
- g) providing training and support for employees involved in procurement and contract management activities
- h) informing relevant officers of any information received that calls into question the suitability of a contractor, consultant, agency or any other person carrying out work for the council
- i) guiding the council's strategic approach to developing social value through collaboration with partners and market development.

2.6 Commercial Services team

The Commercial Services team are responsible for:

- a) maintaining a register of current contracts above £5,000, advising on the information needed from contracts and publish on the council website
- b) maintaining a pipeline of procurements above £25,000 in conjunction with the Commissioners and Authorised Officers and Contract Managers
- c) working with Commissioners and Authorised Officers to carry out procurements above

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- the UK Threshold
 - d) providing advice on all aspects of the CPRs and supporting the development of procurement strategies
 - e) monitoring compliance with the CPRs and reporting non-compliance to the Head of Strategic Finance and the Solicitor to the council for appropriate action
 - f) providing training and support for employees involved in procurement and contract management activities
 - g) informing relevant officers of any information received that calls into question the suitability of a contractor, consultant, agency or any other person carrying out work for the council
 - h) guiding the council's strategic approach to developing social value through collaboration with partners and market development
 - i) advising Directors and Services Directors on the appropriate use of the exemption process in conjunction with Legal Services
 - j) maintaining and reviewing a contract procedures exemption register
 - k) ensuring the Contracting toolkit and tender guidelines, and templates are reviewed annually to remain up-to-date with legislation and best practice.

2.7 Legal Services

The Legal Services team are responsible for:

- a) providing legal advice on the CPR's and procurement legislation
- b) providing template contracts and approving contracts for use in procurements
- c) advising Directors and Services Directors on the appropriate use of the Exemption process in conjunction with Commercial Services
- d) working with the Commercial Services Manager and the Commercial Services team to ensure compliance with the CPR's and the Public Contract Regulations.

2.8 Responsibilities of all council officers

All Officers are responsible for:

- a) following the CPRs and any codes of practice, guidance or instructions provided by Commercial Services team and Legal Services
- b) ensure non-council staff comply with these rules and consult Commercial Services as appropriate
- c) following all relevant UK procurement laws
- d) following relevant council policy requirements in relation to procurement and contract management
- e) seeking advice from the Commercial Services team and Legal Services in the case of any uncertainty
- f) ensuring that any departure from these CPRs is agreed with the Commercial Services Manager or Head of Strategic Finance and Head of Law - Contracts and Property or the Solicitor to the council and follow the appropriate procedure
- g) reporting any suspected fraudulent, corrupt or other irregularity to the Chief Internal Auditor
- h) informing relevant officers of any information received that calls into question the suitability of a contractor, consultant, agency or any other person carrying out work for the council.

2.9 Non-council staff

- 2.9.1 Any person who is not an officer of the council, but is engaged by the council to advise, conduct, or supervise any stage of a tender, must:

- a) comply with the CPRs and financial rules
- b) produce on request, all records relating to the contract he/she are engaged on, to the Director; and
- c) pass all relevant records to the Authorised Officer/Contract Manager at the end of his/her appointment/engagement
- d) sign a declaration of interest relating to any procurement and/or contract that they were involved with on behalf of the council and give it to the Commissioner/Authorised Officer.

Section 7 - Financial Procedure Rules

(alternative arrangements must obtain Chief Finance Officer approval)

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

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

Introduction

7.1 Procedures

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

7.2 Purpose of Financial Procedure Rules

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

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

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

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

7.3 Emergency situations

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

7.4 Non-compliance with rules

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

7.5 Approval of Chief Finance Officer or Nominated Officer

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

7.6 Approval changes

The Head of Paid Service may agree changes to the approval authority where Corporate Directors, Service Directors or Chief Finance Officer are either working their notice or employed on an interim basis.

Internal audit and internal control

7.7 Regulations

The Chief Finance Officer or nominated officer shall in accordance with

the Accounts and Audit Regulations for the time being in force and future amendments, arrange for a continuous and current internal audit of all activities of the council.

7.8 Financial irregularities with regard to council functions

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

Treasury management

7.9 Activities of treasury management

All treasury management activities will be carried out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2021 and the "Treasury Management Policy Statement" as currently approved by the Chief Finance Officer and included in the Treasury Management Policy approved by Council.

Banking Arrangements

7.10 Arrangements with council's bankers

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

7.11 Officer Involvement

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

Revenue Expenditure - Control

7.12 Budgetary Control

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

7.13 Role of Directors

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

Financial Procedure Rules- Guidance notes

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

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1 Scope of Financial Procedure Rules

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

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

2 Approval of Chief Finance Officer or Nominated Officer

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

The Legal Framework

3 Current Regulations

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

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

4 Review of the Systems of Internal Control – Regulation 4

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

5 Accounting Records - Regulation 5

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

In particular this means that accounting records must contain:

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

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

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

6 Internal Audit – Regulation 6

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

7 Local Government Finance Act 1988 – Section 114

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

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

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

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

Accounting and System Development

8 Accounting Procedures

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

9 Responsibility of Chief Finance Officer or Nominated Officer

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

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

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

10 Allocation of Accounting Duties

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

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

Internal Audit and Internal Control

11 Role of Internal Audit

This service is currently provided by the South West Audit

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

12 Accounts and Audit Regulations required by the Secretary of State

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

13 Powers of Internal Audit (SWAP)

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

14 Financial Irregularities with Regard to Council Functions

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

Treasury Management

15 Chief Finance Officer Decisions Involving Finance

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

Banking Arrangements

16 Arrangements with Council's Bankers

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

17 Funds Held on Behalf of Others

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

18 Value Added Tax

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

19 Investment

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

Financial Planning ‘Accounting’ and the Budget Process

20 Financial Strategy

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

21 Capital and Revenue Budgets

The detailed form of capital and revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Corporate Leadership Team. The Budget and Policy Framework will be approved by Council following recommendation from cabinet.

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

22 Capital Programme

In accordance with the Prudential Code for capital finance in local authorities 2021 the Chief Finance Officer will maintain a Capital Strategy which sets out capital and strategic resources. Directors and their nominated budget holders, in consultation with the Chief Finance Officer or nominated officer, shall jointly prepare for consideration by the Corporate Leadership Team, a draft Capital Investment Budget alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies

and timescales determined by the Cabinet. The Budget and Policy Framework, including the Capital Programme, will be approved by Council.

23 Approval of Estimates

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

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

Revenue Expenditure – Budgetary Control

24 Role of Corporate Directors and Service Directors

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

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

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

25 Roles and responsibilities for Project Delivery

Clear lines of accountability and responsibility in project leadership are important elements during all phases of a project or programme life cycle. Key activities in the life cycle include:

- (a) Identifying the need for a project or programme, providing oversight, authorising a project, programme or a stage within a project and reviewing outcomes;
- (b) Directing a project or programme;
- (c) Managing a project or programme, including initiation and closure; and
- (d) Managing a work package within a project.

The roles of Senior Sponsor, Senior Responsible Officer (SRO) and Project Manager are outlined below:

Senior Sponsor: accountable for the strategic direction associated with the relevant project and ensuring it aligns with the corporate strategic deliverables. The Senior Sponsor provides oversight of

the SRO and project. The SRO will escalate issues or risks to the Senior Sponsor outside of the tolerance levels agreed.

Senior Responsible Officer: The SRO is accountable for a programme or project meeting its objectives, delivering the required outcomes, and realising the required benefits. The SRO is the visible owner of the overall business change and accountable for the successful delivery of the project. The SRO is accountable to the senior sponsor for the delivery of the project. Following best practice, there is only one SRO assigned to a project to ensure accountability and decision making is clearly defined.

Project Manager: The project manager is accountable to the SRO for establishing the governance framework and for the day-to-day management of a programme/project to deliver the desired outcomes and outputs and realise the required benefits. They are responsible for driving the delivery of the project and overseeing it to ensure that the objectives are clearly defined and achieved within the agreed time, cost, and quality constraints. Following best practise, there should only be one lead project manager assigned to a project to ensure clear direction and management of a project.

26 Moving Budgets between Cost Centres

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

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

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

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

27 Directorate under/overspends

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

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure;

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

However any permanent budgetary pressures or surplus budgets must be reported through the monitoring process and notified to the Chief Finance Officer.

28 Monthly Forecasting

The Council will operate a monthly budget forecasting process. Budget holders are required to provide forecasts of expenditure and income for the financial year on a monthly basis, informed by relevant activity data. They are also required to provide details of any management action plans to contain any potential overspends. Budget holders will also be required to provide comprehensive explanations for any budget variances.

Quarterly budget monitoring reports will be presented to Cabinet.

29 Approved Budgets and unauthorised overspends

In the event that a director forecasts that they cannot contain expenditure within their approved budget this is regarded as an unauthorised overspend unless alternative funding sources have been secured or agreed by the Chief Finance Officer.

Any potential directorate overspends must be reported to the Corporate Leadership Team for consideration.

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

30 Carry Forward of Under and Overspends

Where budget holders wish to carry forward any unspent budget into the next financial year, then they must provide a business case (<https://apps.herefordshire.gov.uk/financetoolkit/SitePages/Business%20Case%20templates.aspx>) to the Chief Finance Officer.

These cases will be assessed against the relevant accounting

guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Chief Finance Officer.

31 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates.

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

Journal transfers may only be actioned by the Finance team. All journals must include a clear narrative description and be supported by robust evidence and documentation.

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

32 Staffing Budgets

Service directors are responsible for maintaining their staffing establishment in line with their approved budget.

Any changes to the establishment list must go through the council's approval process.

Service directors are not permitted to engage supernumerary staff, whether on a permanent or interim basis, unless the funding source has been identified and agreed.

When the funding source has been fully utilised the contracts for supernumerary staff must end.

33 Earmarked reserves

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

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

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

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

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

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

The annual budget report to Council will include:

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

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

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

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

Capital Expenditure - Control

34 Council Approval of Capital Investment Budget

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

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

35 Variations to the Approved Capital Strategy and Programme

The Council's Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is agreed by Council. External grant funded schemes can be approved by the Chief Finance Officer, the rules for capital budgets are shown in the table in the Financial Procedure Rules.

36 Other Additional Expenditure Requests

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

37 Official Orders

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

38 Raising a Purchase Requisition

The Head of Service / Service Director (or equivalent) shall nominate those Officers eligible to raise purchase requisitions on the Council's financial system. The financial system converts the purchase requisition into a purchase order upon the approval of the budget holder or nominated authorising officer.

39 Placing an Order

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

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

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

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

40 Regular Periodic Payments

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

41 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Corporate Director or Service Director. Nominations shall be set up by submitting an

authorised signatory form in the financial system which will workflow for the relevant approval before the roles are allocated.

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

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

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

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

42 Goods Received Process

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

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

Payment of Accounts

43 Payment of Invoices

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

44 Other Payment Requests

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

45 Destination of Invoices

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

46 Amendments and Deletions

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

47 Payment of Invoices

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

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

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

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

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

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

Authorisation limits are shown in the Financial Procedure Rules.

48 Examination of Accounts

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

Local Bank Accounts - Imprest / Petty Cash Accounts

49 Imprest / Petty Cash Advances

The Chief Finance Officer or nominated officer will provide imprest and petty cash advances, where appropriate, to officers for the purpose of defraying expenses.

The maximum permitted limit for imprest and petty cash is 10% of the service area budget. For schools the maximum limit is 2% of the school DSG allocation plus £1,000 per Hoople employee (this is to allow Hoople invoices for the recruitment of Teaching Assistants etc. to be paid by Direct Debit from the school imprest account).

A receipt shall be signed in respect of each advance by the officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of floats issued to officers.

50 Changes to Officers

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

51 Disbursements

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

52 Security of Cash

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

53 Use of Imprest Accounts

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

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

54 Use of Imprest Funds

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

55 Examination of Local Bank Accounts

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

56 Partnership Arrangements

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

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

Income

57 Collection of Monies

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

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

58 Invoicing for Sums Due

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

59 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council

shall contain a statement that payment must be made direct to the Chief Finance Officer or nominated officer and that cheques, money orders, and postal orders should be made payable to Herefordshire Council.

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

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

60 Netting off of expenditure

Where a third party owes the council monies, but the council also owes that third party a debt then the two transactions must not be netted off. This is to ensure that expenditure is appropriately authorised.

Where this situation arises the gross income to the council should be recorded by way of a sales invoice and the gross expenditure incurred should also be recorded on the council's finance system and approved in the normal way.

A purchase invoice must be supplied by the third party.

61 Introduction of New Electronic Payment Facility

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

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

62 Payment into Council Account

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

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

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

63 Issue of Receipts

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

All official receipts, tickets, books and other cash tokens shall,

except by special arrangements approved by the Chief Finance Officer, be controlled and issued by the Chief Finance Officer or nominated officer, who shall keep a register of their receipt and issue. Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

64 Recording Receipt of Monies

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

65 Transfer of Monies

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

66 Grants and External Funding

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

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

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

The Chief Finance Officer shall:

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

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

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

delegated authority to relevant and responsible team to conduct this function for specific works.

Senior responsible officers shall ensure that records are retained to enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

For funding requests over £10k the agreement to be sourced from the Corporate Leadership Team in advance of submission of grant application using the set template “External Funding Proceed Agreement”.

That Grants and Programmes team are given a copy of the “External Funding Proceed Agreement” along with the Corporate Leadership Team to view potential cross funding streams and to keep a register of external funding received.

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

67 Developer Contributions S106

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

Write-Offs - Income

68 Discharge of Debts

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

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

69 Written-off Debts

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

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

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

Charging for Services

70 Review of Service Charges

As per Fees and Charges Policy

71 Unmet Estimates

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

Salaries and Wages

72 Responsibility for Payments to Employees

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

Travelling and Subsistence

73 Claims for Payment

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

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

Stocks / Stores

74 Responsibility for Stocks

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

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

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

75 Surplus or Deficiency

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

76 Checking of Stock

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

Disposal of Surplus or Obsolete Goods, Plant and Stocks

77 Authorisation for Disposal

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

In relation to inventory items (e.g. desk and chairs) with a potential value but surplus to requirements be considered for reuse within different part of the organisation For sale best value or price should be consideration (balanced with cost of disposal). Options should also be considered for release to voluntary sector organisations and schools on a fair and equitable basis. A records of options retained and decision of disposal agreed at head of service level or above.

IT equipment through a disposal provider with all information wiped.

78 Sale of Stock

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

79 Recording Disposal

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

80 Income from Disposal

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

81 VAT

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

82 Voluntary funds

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

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

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

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

83 Accountable body status

Where it is intended that the council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

The Corporate Director or Service Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and Monitoring Officer, will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the council.

Unless there is explicit agreement to the contrary, which must be

documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow both the Financial and Contract Procedure Rules agreed by the council.

In all cases, where the partnership funding includes grants or other external funding, then the provisions contained in the Financial Procedure Rules will apply. Approval must be obtained by the relevant Cabinet member and Council.

Insurance

84 Responsibility for Insurance

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

85 Record of Insurances

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

86 Incident / Accident Reporting

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

87 Review of Risk Financing Arrangements

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

88 Consultation

Before any indemnity requested from the Council is provided, the Head of Service / Service Director (or equivalent) responsible shall obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

Security

89 Responsibility for Security

All Heads of Services are responsible for maintaining proper

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

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

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

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

90 Data Protection Legislation

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

91 Anti money laundering, bribery and corruption

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

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

Estates

92 Responsibility of Corporate Directors and Service Directors in Relation to Asset Register

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

team as appropriate.

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

93 Valuation of Assets

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

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

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

Acquisitions of land and / or properties must follow the completion of an independent Royal Institute of Chartered Surveyors (RICS) red book valuation.

95 Leases to external organisations (excluding non-maintained schools)

All leases must be provided on commercial terms and not included in waived terms of contract award. To be agreed in consultation with the Head of Programme Management Officer.

Title of report: Internal Audit Update Report Quarter 3 2023-24

Meeting: Audit and Governance Committee

Meeting date: Tuesday 30 January 2024

Report by: Chief Financial Officer/ Head of Internal Audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

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

To assure the committee that action is being taken on risk related issues identified by internal audit.

Recommendations

That the committee:

- a) Review the areas of activity and concern and be satisfied that necessary improvements are outlined and delivered; and**
- b) Note the report and consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary.**

Alternative options

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

Key considerations

2. The Committee should consider the report to gain assurance that, from the work undertaken by Internal audit, the Council have a robust internal control environment that effectively manages risk. This is monitored by acceptance by management of audit recommendations and progress updates in implementing the agreed action plans. In addition, audit recommendations not accepted by management are reviewed and progress to an appropriate recommendation to cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.
3. The internal audit progress report is attached at appendix A. A glossary of terms is provided in the report.

Community impact

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

Environmental Impact

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

Equality duty

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

A public authority must, in the exercise of its functions, have due regard to the need to –
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
8. The 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

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

Legal implications

10. None.

Risk management

11. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months by the Council's Corporate Performance Team.

Consultees

13. None.

Appendices

Appendix A – SWAP Internal Audit Progress Report Quarter 3 2023/24

Background papers

None identified.

Appendix A

Herefordshire Council

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Internal Audit Update Report As @ 17th January 2024


Publication Date: 17th January 2024

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy






Internal Audit Update Report @ end of Quarter 3 23/24

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion. Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness.

Indicative Rolling Opinion

	There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.	Action Priority	Description	Actions
		Priority 1	Fundamental	0
		Priority 2	Important	13
		Priority 3	Requires Attention	20

The Headlines for audits completed or planned to date for 2023/24

	Coverage – Coverage of internal audit work is aligned to the corporate priorities. Further work is planned to realign the work programme to the latest set of strategic risks in the 24/25 internal audit planning process which is currently ongoing.
	Activity - 41 assignments are complete or in progress at the end of Quarter 3 The Internal audit team are on track to deliver an annual opinion. Additional resources will be brought in for Quarter 4 to increase activity and oversight.
	Outcomes – 89% of the opinion related work found the control environment to be either Substantial or Reasonable assurance. There are no high corporate risks to be reported, but there was an assignment with a “Limited Assurance” audit opinion on ICT back-ups.
	Oversight – Audit Management dashboards provide oversight on internal audit activity. This functionality will be rolled out to Senior Officers over the coming weeks.
	Quality – Internal Audit work either met or exceeded expectation in 95% of audits completed.

Assurance Opinions as @ Q3	
Substantial	1
Reasonable /Certified	16
Limited	2
No Assurance	0
Special/ Advisory	6
Progress/ Plans as @ Q3	
Complete	27
In Progress	14
Waiting to Go Live	8
Future Proposed	11

Internal Audit Update Report @ end of Quarter 3 23/24

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The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

A risk assessment for 2023/24 has been undertaken that maps internal audit work to corporate priorities and risks. This will ensure that internal audit coverage is focused into key areas.

A refreshed risk assessment is currently being undertaken which will feed into the 2024/25 internal audit work programme.

Internal Audit Work Programme and Coverage

We have assessed internal audit coverage based on the corporate priorities taken from Herefordshire Council's County Plan 2020-24. Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

		ROLLING AUDIT PLAN as at:	17/01/2024		
Corporate Priority		Coverage (Completed Audits)	Average Opinion of Completed Audits		
HC P01 - Environment - Protect and enhance our environment and keep Herefordshire a great place to live		Adequate	Reasonable		
HC P02 - Community - Strengthen communities to ensure everyone lives well and safely together		Good	Reasonable		
HC P03 - Economy - Support an economy which builds on the county's strengths and resources		Adequate	Reasonable		

Assurance	Description
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

NB
 • Hover over the description for further details

NB
 • Only includes audits completed within past 2 years from current date
 • Audits completed over 1 year from current date have a reduced impact on audit coverage

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

- Substantial
- Reasonable
- Limited
- No

The schedule provided in Annex B contains a list of those audits completed, in draft, and in progress.

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

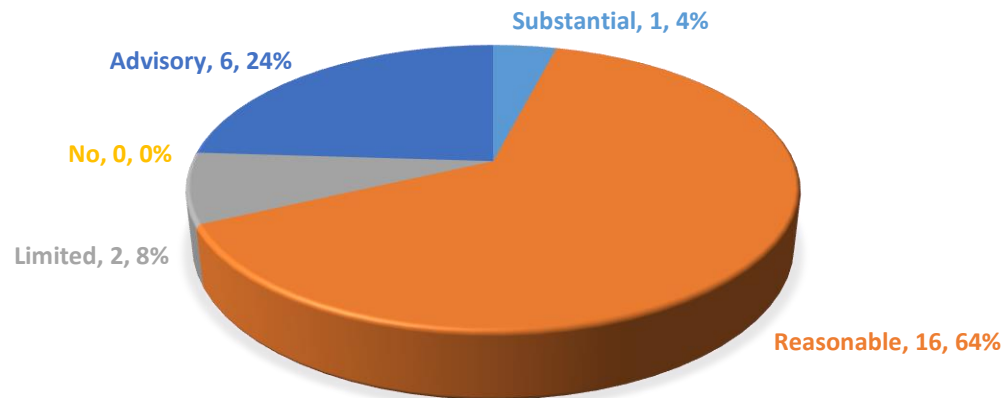


Internal Audit Progress and Outcomes

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to deliver an annual opinion. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of agreed actions that have been raised with management. The assurance opinion ratings have been determined in accordance with the “Audit Framework Definitions” as detailed in Annex 1 of this document.

41 assignments have been completed or are in progress. A special investigation is still in-progress at the end of Quarter 3. These are shown in more detail in Annex 2.

SPLIT OF AUDIT OPINIONS AS AT Q3 23/24



Internal Audit Plan Progress 2023/24

There are no high corporate risks that should be brought to the Committee's attention for Quarter 3.

ICT Security audits can identify specific vulnerabilities that could be maliciously exploited. Therefore, it is suggested that the details of the report and Council agreed actions are considered at the next meeting of the Audit & Governance Committee.



Significant Corporate Risks 2023/24

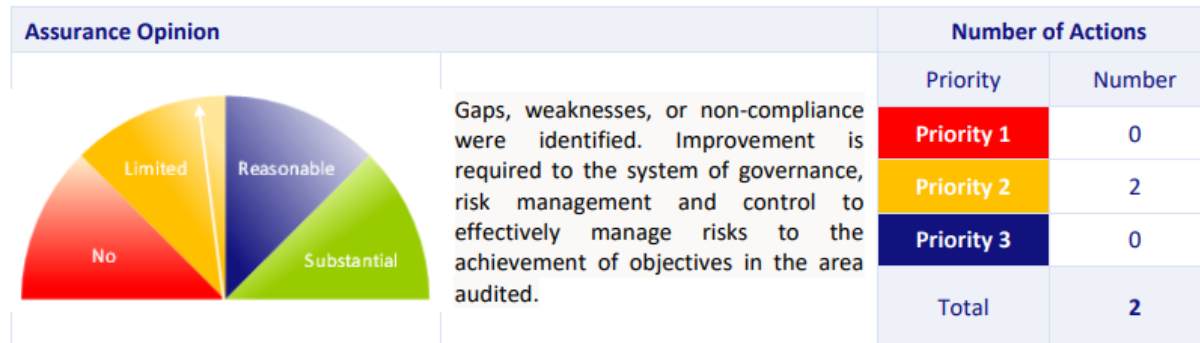
Whilst there are no high corporate risks, the role of internal audit is to bring areas of concern to the attention of the Committee. Below is an extract from a report by SWAP's Specialist ICT Team on ICT Backups which has been given a "Limited" Opinion:

Herefordshire Council ICT Backup – Final Report – December 2023

Audit Scope

SWAP reviewed the expected controls around the current Corporate Backup Routines, examining any links from any potential business impact analysis to how these can be used to facilitate potential business continuity processes. The specific scope examined:

- Requirements for the backups have been drafted and agreed following an impact analysis of systems and data aligned with IT Standard Good Practice routine.
- Arrangement and management for backup routines are operating effectively using appropriate technology and backup media.
- Assurances are provided regarding the integrity of backups necessary for partial or full restore.



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Internal Audit Plan Progress 2023/24

Follow-up audits are completed where assurance is graded as No or Limited assurance.

They are timed to coincide with the delivery of the agreed actions.



Follow-up Audits

The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level. The table below shows the follow-up position:

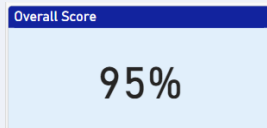
Audit Name	Status	Outcome
Section 106	Complete	Actions remediated - No significant risks
Pool Cars	Complete	Significant progress - Minimal risk
Building Maintenance & Cleaning	Complete	Significant Progress - Minimal risk
Education Healthcare	Complete	Actions Remediated – No significant risks
Disaster Recovery	Complete	Actions Remediated – No significant risks
Public Realm Contracts	In Progress	
Registration Service, Housing - Financial Processes	Planned Q4	



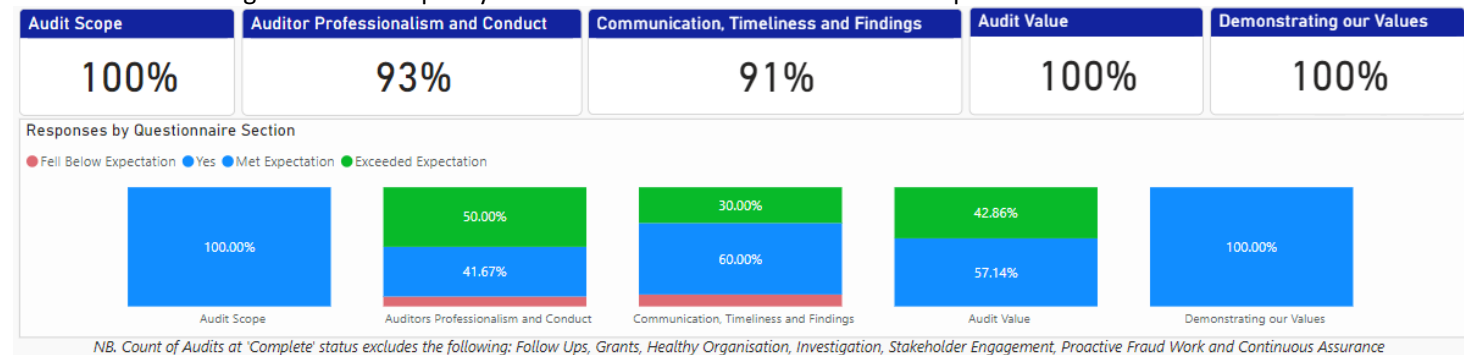
Quality Assurance

The client feedback shows that internal audit work adds value.

The overall customer satisfaction level for Herefordshire Council is:



At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality, and professionalism. A score of 95% reflects the fact that the client agreed that the quality of the review either exceeded or met expectation.



Internal Audit Progress Report @ Q3 2023/24

Contact Information

SWAP is an internal audit partnership covering 22 organisations. Herefordshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

The contacts at SWAP in connection with this report are:

Ian Halstead

Assistant Director

ian.halstead@swapaudit.co.uk

Amy Probert

Principal Auditor

Amy.Probert@swapaudit.co.uk

For further details see: www.swapaudit.co.uk

ANNEX 1

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

- Substantial
- Reasonable
- Limited
- No

In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

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



Audit Framework Definitions

ANNEX 1

Control Assurance Definitions

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

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

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ROLLING AUDIT PLAN as at:

16/01/2024



'COMPLETED' audits

Audit Title	Assurance Opinion	Number of Actions & Priority			Organisational Risk Assessments	Completed Date
		1	2	3		
HC Blue Badge	Reasonable (Low)			2	Low	09 January 2024
HC Payroll	Reasonable (Low)		2	4	Medium	20 December 2023
ICT - HC ICT Backup	Limited (High)		2		Medium	15 December 2023
HUG2 (Ph.2) Grant - Contract Status Review	Advisory				Medium	06 December 2023
HC Green Homes Grant LAD 3 31/5775	Reasonable (Medium)				Low	04 December 2023
HC - Local Transport Capital Block Funding Grant 2022/23	Reasonable (Medium)				Low	29 September 2023
HC Bus Subsidy Grant 2022/23	Grant Certification				N/A	29 September 2023
HC Education Health Care Plan Follow Up	Follow Up				N/A	29 September 2023
HC Supporting Families Q2 2023/24	Reasonable (Medium)			1	Low	29 September 2023
HC - Biodiversity Net Gain Grant Determination 2022/23, Grant No.:31/6499	Reasonable (Medium)				Low	28 September 2023
HC Disaster Recovery - Follow Up	Follow Up				N/A	20 September 2023
HC Housing England Compliance Audit 2023/24	Grant Certification				Low	20 September 2023
HC Whistleblowing	Reasonable (High)		3	1	Low	28 July 2023

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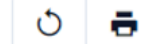


SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Internal Audit Progress Report @ Q3 2023/24

ABI Dashboards / Rolling Plan- Herefordshire County Council

Analytics DB Access



ROLLING AUDIT PLAN as at:

16/01/2024



'COMPLETED' audits

Filter by Audit Period	Filter by Directorate	Number of Actions & Priority			
Multiple selections	All				
HC Home Upgrade Grant HUG 1 - 31/5775	Reasonable (Medium)			Low	27 July 2023
Audit #1382				N/A	25 July 2023
HC Green Homes Grant HUG 2 Mobilisation- 31/6400 - 2022/23	Reasonable (Medium)			Low	21 July 2023
HC Supporting Families Q1 2023/24	Reasonable (Medium)			Low	17 July 2023
HC S106 Agreement Follow up	Follow Up		1	N/A	20 June 2023
HC Whitbourne S106 Follow Up	Follow Up			N/A	16 June 2023
HC Building Maintenance and Cleaning Agreement Follow Up	Follow Up			Low	15 May 2023
HC DFG 2021/22	Reasonable (High)			Low	15 May 2023
HC Main Accounting	Reasonable (High)	1		Low	25 April 2023
HC Supporting Families Q4 2022/23	Reasonable (Medium)			Low	25 April 2023
HC Housing Solutions Team Financial Processes	Limited (Medium)	5	5	Medium	13 April 2023
HC Pool Cars Follow Up	Follow Up			Low	11 April 2023
HC NNDR 2022/23	Reasonable (High)		4	Low	06 April 2023
HC Treasury Management	Substantial (Low)		2	Low	03 April 2023

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Internal Audit Progress Report @ Q3 2023/24



ROLLING AUDIT PLAN as at:

17/01/2024



Filter by Directorate

All

'IN PROGRESS' audits

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date
	25%	50%	75%	100%				
HC - Special Review: Court of Protection – Follow Up 2023/24							Assurance	15/11/2021
HC Accounts Payable	█	█	█	█			Assurance	19/01/2023
HC - P- Card Proactive Fraud Review	█	█	█	█	04/12/2023		Proactive fraud work	13/03/2023
HC - Fraud Advice Code 2023-24	█	█					Advisory	01/04/2023
HC Taskforce -Commissioning & Resources Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC Taskforce Service and Practice Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC Taskforce Workforce Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC Budgetary Control Forecasted Costs for Placements	█	█	█	█	15/01/2024		Assurance	13/04/2023
HC Follow up of Public Realm/BBLP Related Audits	█	█	█	█			Follow up	21/04/2023
HC - Data Breaches	█	█					Assurance	22/05/2023
HC Destination Bid Lessons Learned (Hereford (DBID))	█	█	█				Assurance	11/09/2023
HC Direct Payments Support Services: Managed Accounts	█	█					Assurance	03/10/2023
HC- Hereford Enterprise Zone - Sales	█	█	█				Assurance	07/11/2023
HC Museum Project Review	█	█	█				Advisory	20/11/2023

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Internal Audit Progress Report @ Q3 2023/24



ROLLING AUDIT PLAN as at:

17/01/2024



Filter by Directorate

'WAITING TO GO LIVE' audits

Audit Title	Type of Work
HC - Social Care Reform: Follow Up of WM ADASS Readiness Review	Assurance
HC All Ages Commissioning - Use of Spot Purchasing (was HC All Ages Services - Commissioning)	Assurance
HC Commissioning All Ages - Performance and Monitoring	Assurance
HC Planning Enforcement	Assurance
HC Safer Recruitments	Assurance
HC Supporting Families Q4 2023/24	Grant Certification
HC Waste Strategy Contract	Assurance
ICT HC Security Assurance Framework Review (SAFR)	ICT

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ROLLING AUDIT PLAN as at:

17/01/2024



Filter by Directorate

'FUTURE PROPOSED' audits

All

Audit Title	Type of Work	Priority	Background
HC - Financial Resilience Checks	Assurance	Higher priority	Following concerns raised during a recent grant aided project where issues were identified about the appointment of the main contractor who was subsequently found to have indicators of financially instability
HC - Management of Temporary Employees	Assurance	Higher priority	To review the the process of the appointment and management of longer term temporary employments
HC Polygamous/Dual Employment	Assurance	Higher priority	Review control framework around recruitment and management of staff to ensure the Council has controls in place to reduce the risk of dual employment.
HC - Procurement Frameworks	Assurance	Medium priority	To review to the Council create and review its framework contracts (DPS)
HC - Recruitment, Retention and Talent Management	Assurance	Medium priority	To ensure that the Council has a capable and resilient workforce by recruiting people with appropriate skills to key posts and promoting talent to retain key skills.
HC Data Maturity Assessment	Assurance	Medium priority	Request for audit from CLT in response to thematic issue raised in Internal Audit Progress Reports 2021/22.
HC Risk Management	Assurance	Medium priority	Concerns expressed around the lack of information on the Risk Registers, particularly around the mitigation of risks, lack of movement on risk rating and whether there is a consistent approach to risk management across directorates. Will also review the Council's approach to risk appetite
Grants Certification - Risk Based Approach - Awareness and Education	Advisory	Lower priority	An advisory piece to promote effective administration of government grants.
HC - Tender Evaluation Process	Assurance	Lower priority	To review the tender evaluation and scoring and decision process to ensure there is diligence around the appointment of contractors.
HC Active Travel Plans - Public Transport	Assurance	Lower priority	To review the controls and governance in the delivery of the active travel plans.
HC Debtors (Accounts Receivable)	Assurance	Lower priority	Key Financial Control Assurance Work

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ROLLING AUDIT PLAN as at: 17/01/2024



Filter by Directorate

All

'DEFERRED' audits

Audit Title	Rationale for Deferment
HC - Proactive Fraud Work Tax Evasion	Temporarily deferred as HMRC are currently carrying out their own review at the Council.
HC Fostering	11/08/2023 - Agreed to pause audit temporarily until the Budgetary Control Forecasted Costs for Placements audit is completed as there is an overlap of scope.
HC Staff Car Parking Business Passes – Follow Up	Due to unforeseen circumstances this follow up is being deferred indefinitely. Partner has been emailed to continue working on the actions and keep audit informed with updates.

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Title of report: Work programme

Meeting: Audit and Governance Committee

Meeting date: 30 January 2024

Report by: Democratic Services Officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

(All Wards)

Purpose

To consider the committee's work programme (Appendix A).

Recommendation(s)

- (a) **That, subject to any further updates made by the committee, the work programme for the Audit and Governance Committee be noted.**

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.
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.

Key considerations

3. The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.
4. The committee is asked to consider any adjustments.

Community impact

5. A clear and transparent work programme provides a visible demonstration of how the

committee is fulfilling its role as set out in the council's constitution.

Environmental impact

6. Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

7. This report does not impact on this area.

Resource implications

8. There are no financial implications.

Legal implications

9. The work programme reflects any statutory or constitutional requirements.

Risk management

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

Consultees


11. The 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 the Audit and Governance Committee

Background papers

None identified.

Audit and Governance Committee Constitution		Report	June 2023	July 2023	September 2023	October 2023	December 2023	January 2024	March 2024	June 2024
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 Report and Opinion	Internal Audit Plan and Audit Charter	Annual Report and Opinion					Internal Audit Plan and Charter	Annual Report and Opinion
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on Internal Audit Plan	Progress Report	Progress Report		Progress Report		Progress Report	Progress Report	
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.	Update on Audit Recommendations Report		Update on Audit Recommendations Report			Update on Audit Recommendations 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.	External Audit Annual Plan Annual Audit Fee Letter External Audit Progress Update External Audit Findings Report External Auditor's Annual Report Update on Audit Recommendations Report	External Auditor's Annual Report External Auditor's Draft Plan (including indicative fee)		External Audit Findings Report	External Audit Findings Report		2022/23 External Auditors Annual Report (VFM findings)	External Auditor's Draft Plan (including indicative fee)	
b	To consider specific reports from the External Auditor.	External Audit Progress Update		Progress Report				External Audit Progress Report and Sector Update		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 Proposed Changes to the Constitution			Report on the potential appointment of independent committee members to the Audit and Governance Committee	In Year Changes to Fees and Charges		Contract and Financial Procedure Rules Update (if required)	Accounting Policy Update (if required)	
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work Programme Corporate Risk Register	Work Programme	Work Programme Risk Registers	Work Programme Approach to Strategic Risk Management Update (Ad hoc) Report on Risk Management Approach to Ash Dieback (Chalara)	Work Programme	Work Programme	Work Programme 	Work Programme Risk Registers Approach to Strategic Risk Management Update	Work Programme Risk Registers
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, Bribery and Corruption Strategy	Whistleblowing Policy			Whistleblowing Policy		Annual Fraud Report		
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	Statement of Accounts								
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement	Draft Annual Governance Statement			Final Annual Governance Statement				Draft Annual Governance Statement
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report								

Audit and Governance Committee Constitution		Report	June 2023	July 2023	September 2023	October 2023	December 2023	January 2024	March 2024	June 2024
g	To annually review the council's information governance requirements.	Annual Review of Information Access / Governance					Annual Review of Information Access / Governance			
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 Monitoring Officer 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.									
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.						Amendments to the code of conduct reporting process	Code of Conduct for Councillors - 6 monthly update		
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct.									
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								
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report								
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer.	On an ad hoc basis only								
3.5.15	Accounts									
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report	Draft Statement of Accounts				Final Statement of Accounts			