

Agenda

Audit and Governance Committee

Date: **Tuesday 26 March 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:

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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 30 January 2024.</p>	11 - 20
<p>HOW TO SUBMIT QUESTIONS</p> <p>Deadline for receipt of questions is 5pm on Wednesday 20 March 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>EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2023/24</p> <p>To review and agree the external auditor's plan for 2023/24.</p>	21 - 56
8.	<p>MANAGING RISK ACROSS THE COUNCIL</p> <p>To consider the report outlining how the council currently manages risk and note any opportunities for improvement.</p> <p>(Papers to follow).</p>	To Follow
9.	<p>STATUTORY ACCOUNTS 2023/24 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES</p> <p>To provide an update on progress made against the 2023/24 statutory accounts workplan and present the accounting policies and estimates which inform the financial statements.</p>	57 - 78
10.	<p>INTERNAL AUDIT PLANNING PAPER 2024/25</p> <p>To introduce the concept of a rolling audit plan for 2024/25 to the Audit and</p>	79 - 88

	Governance Committee for discussion and approval.	
11.	INTERNAL AUDIT UPDATE REPORT QUARTER 4 2023/24 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 assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored through acceptance of agreed management actions and progress updates in implementing the action plans. In addition, occasions where audit actions not accepted by management are documented 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.	89 - 108
12.	WORK PROGRAMME To consider the work programme for the committee.	109 - 112
13.	DATE OF NEXT MEETING Tuesday 11 June 2024, 2pm.	
14.	EXCLUSION OF PUBLIC AND PRESS In the opinion of the Proper Officer, the next item will not be, or is likely not to be, open to the public and press at the time it is considered RECOMMENDATION: That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below; Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
15.	INTERNAL AUDIT PROGRESS REPORT QUARTER 4 2023/24 APPENDIX B - LIMITED ASSURANCE AUDIT To consider the Limited Assurance Audit (Exempt Appendix B) from the Internal Auditors Quarter 4 report 2023/24.	113 - 116

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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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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 30 January 2024 at 2.00 pm

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

Others in attendance: R Bamberger (Director of Continuous Improvement, South West Audit Partnership), P Barber (Director, Grant Thornton), B Davies (Senior Lawyer), R Hart (Head of Strategic Finance), A Lovegrove (Director of Resources and Assurance), J Nelson (Counter Fraud Manager), S O'Connor (Head of Legal Services and Deputy Monitoring Officer), J Preece (Democratic Services Officer), N Preece (Value for Money Manager, Grant Thornton) and A Probert (Principal Auditor, South West Audit Partnership)

66. APOLOGIES FOR ABSENCE

No apologies were received.

67. NAMED SUBSTITUTES (IF ANY)

There were no substitutes.

68. DECLARATIONS OF INTEREST

No declarations of interest were made.

69. MINUTES

RESOLVED:

That the minutes of the meeting held on 12 December 2023 be confirmed as a correct record and signed by the chairman.

70. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

71. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

72. CODE OF CONDUCT FOR COUNCILLORS - 6 MONTHLY UPDATE

The Head of Legal Services (HLS) introduced the report the following points were highlighted:

1. The number of code of conduct (COC) complaints had been reducing since 2021 but the first 6 months of 2023 had generated 29 complaints, being almost the same

- number of complaints as the previous year. However it was explained that figures had been skewed by a set of complaints received relating to one parish council
2. 60% of complaints had been registered by residents with 34% of complaints having been registered by parish and town councillors. This was deemed disappointing as this scheme is meant to be in place primarily for members of the public.
 3. 80% of complaints related to parish and town councils which was unsurprising given the large numbers of parish councils Herefordshire comprises. It was noted almost 50% of all complaints related to a single parish council.
 4. 70% of all complaints included disrespect and 20% of the complaints related to a failure to disclose an interest. It was highlighted that it did not mean all these complaints had been upheld but advice to members was to be mindful about how they perform their role and to disclose any interest even if it did not amount to a DPI or NRI.
 5. There had been 2 breaches of the COC relating to Councillors at Bartestree with Lugwardine Parish council during the period. Since the report was published the monitoring officer had received an update from the council who could confirm they had noted the monitoring officer's recommendations and they now considered the matter as being closed.
 6. Members attention was drawn to "Appendix 1 Historic Complaints per Parish Council" where it was noted 62% of all complaints related to just 6 parish and town councils with only 2 having had complaints in this year.
 7. Key Performance Indicators were currently in an early form as there had not been any dates captured before the current administrative year. Currently there are two captured indicators, time for initial assessment which was noted had reduced from an average of 61 days in March 2023 to 15 days in October 2023 and time for independent person response which currently on average is 1.7 days which is considered to be exceptional. It was noted that further data collection such as information in relation to the outcomes of recommendations provided to councils and the type of the complaint such as a planning or finance matter would be provided in the future.
 8. A review of the code of conduct process was currently underway.
 9. A new governance paralegal was starting who would be a dedicated resource for COC.

In response to committee questions, it was noted:

- I. The HLS agreed there is a high bar in relation to discussions had between members themselves and is considerably lower for any conversations with officers and members of the public. The courts had constantly disappointed with their judgments on what councillors can say amongst themselves as part of political discourse and in relation to an infringement of article 10 freedom of expression.
- II. The HLS explained that the bar was the same between county and parish councillors and personal opinion was that there is higher demand on the chairperson but the duty is on all members to ensure that each member conducts themselves in an acceptable way and should treat each other with the respect they deserve.
- III. The HLS explained that previously members of the legal department would handle COC as and when they arose but this would be conducted around other priorities that their lawyers had within their workload. The team have now freed up money to appoint a single member of staff who predominantly oversees the administrative arrangements for code of conduct and can ensure these matters are dealt with expeditiously.
- IV. The Independent person (IP) explained up until a few years ago, there had been a dedicated member of staff who was managing the administration and gave his support for this post having been reinstated.

- V. In relation to the number of complaints having been submitted by parish and town councillors, it was mentioned that training or recommendations could be suggested but this would be looked at again in the future once there was more comparison data.
- VI. The HLS confirmed the changes to the standards panel as recommended by the Audit and Governance Committee on 12 December 2023 would be included on the agenda for the Council meeting on 8 March 2024.
- VII. The HLS confirmed the review and simplifying of the existing COC arrangements was well underway and Cllr Woodall agreed to be the delegated member to be an early consultee on the changes.
- VIII. The IP explained there are four IP's appointed under the terms of the Localism Act, all are committed to supporting this service and highlighted that none of them wish to be or are remunerated to act in this position.
- IX. The IP was not surprised and would expect to see a rise in the number of complaints coming in due to this being an election year.
- X. The IP was in support of the inclusion of the "types of the complaints" for reporting and mentioned that having previously looked at this a third of complaints were related to planning applications.
- XI. The IP confirmed after a period of significant change in the composition of the legal function in the council, in terms of administration the IP's are now content that they are receiving the level of support and engagement that they should be for conducting this function.
- XII. The IP explained that currently they work in pairs on a 3 month rolling basis but there were ongoing discussions with themselves and the HLS how that might work in the future.

Resolved

That the Committee:

- a) noted the 6 monthly update on the Code of Conduct complaints arrangements; and**
- b) Cllr Woodall was delegated to be the member of the 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.**

73. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Director of Grant Thornton (DGT) introduced the audit progress report and sector update setting out the position against both the 2023 and 2024 audits. The following points were highlighted:

1. Members were reminded of Grant Thornton's (GT) responsibilities to give an opinion on the council's financial statements and issue a value for money judgment and conclusion.
2. GT signed off the councils 2023 draft accounts issuing an unqualified opinion in October 2023 which was one of the earlier sign offs in the country.
3. The value for money work (agenda item 9) has now concluded and enables the DGT to issue a certificate confirming completion of the audit for 2023.
4. The DGT explained that due to rotation requirements he would be rotating off the Herefordshire audit with effect from 2023/24 and a new external auditor would be liaising with the committee from March.
5. Given the timely completion of prior year audits, GT will look to prioritise the 2023/24 Herefordshire Council audit.
6. The following deadlines were highlighted: Herefordshire's finance team have until the end of May 2024 to produce the draft accounts and GT have until the end of September 2024 to sign them off.

In response to committee questions, it was noted:

- I. An explanation of the differences between internal and external audit was provided.
- II. The DGT explained that the external auditors work is predominantly retrospective and is conducted at the end of the financial year to which they are required to confirm based on testing that the accounts reflect accurately the income, expenditure and the transactions of the council. The DGT highlighted that Herefordshire has a good record as a council for producing complete, accurate and timely accounts.
- III. With regards to a question raised around the national delays in the production of external audit reports it was explained that the quantum of work external auditors needed to do to discharge their role had increased exponentially over the last five years and necessitated firms including GT to recruit more individuals which had proved very challenging and inevitably resulted in a delay across a large number of councils in their accounts being signed off. To clear the backlog of historical accounts and 'reset' the system, the government had introduced a "backstop date" of 30 September 2024 by which point auditors would issue a disclaimer saying that the work was incomplete and would move on to 2023/24 audits.

Resolved:

That:

- a) **The committee reviewed the external auditor's report, noted the progress in 2022/23 and considered the emerging national issues.**

74. EXTERNAL AUDITOR'S ANNUAL REPORT 2022/23

The External Auditors Annual Report 2022/23 was published as a supplement to the agenda.

The Head of Strategic Finance (HSF) introduced the report which presents the external auditors review of the council's value for money arrangements and closes the 2022/23 audit. The key points included:

1. The HSF issued her thanks to the Director of Grant Thornton (DGT) and his team for the timely conclusion of the 2022/23 audit.
2. In terms of financial sustainability, a detailed review of the council's savings proposals for the 2023/24 budget and the work that is involved in setting that budget had taken place.
3. In terms of the outcome of the report for financial sustainability and governance criteria, there had been no significant weaknesses identified in respect of the council's economy, efficiency and effectiveness.
4. It was highlighted that in use of resources external audit had identified a continuing significant weakness in respect of improvement in children's services.
5. Attention was drawn to appendix B which gave explanation on the different types of recommendations, the following were highlighted by the DGT.
 - there were no "statutory" recommendations identified for Herefordshire;
 - 1 key recommendation which was the continuing significant weakness in respect of improvement in children's services. This was an improvement from the prior year to which three had been identified.
 - A small number of improvement recommendations had been identified that were not significant.

6. The Value for Money Manager (VFMM) highlighted an error on page 39 in relation to the Audit Governance Committee being unsuccessful in its attempts to appoint an independent person on to the committee. The VFMM confirmed that this was not the case and had been confused with a previous recommendation for the standards panel.

In response to committee questions, it was noted:

- I. The VFMM accepted that a lot of children's services are commissioned from other bodies but the council still retains the statutory responsibility and it is the auditor's responsibility to report on to the council. It was his view that highlighting the council's challenges specifically within the report was not appropriate and he did not want it to become political. It was explained that these reports are fed back to the national audit office (NAO) and back to government so pressure can be exerted appropriately on government ministers or other organisations.
- II. The DGT recognised the challenges the council faced and that certain external providers were commissioned to provide support for children with higher needs but highlighted that other councils were doing a number of different things such as providing and running facilities themselves and were achieving a quality efficient service in Ofsted's view and that there were things within this councils control that could be put in place to be able to demonstrate to Ofsted that arrangements are satisfactory.
- III. The Director of Resources and Assurance (DRA) confirmed the two council representatives for the Hoople board are directors of Hoople limited and are not directors of Balfour Beatty, they are company directors and have all the responsibility of being a director of a limited company.
- IV. The VFMM provided an instance where a local authority had subcontracted their children's services to a children's trust as it had received an inadequate Ofsted inspection and had not made sufficient improvement, however it was highlighted that the statutory responsibility still lies with the council and that they would still fund the trust but would lose some form of control over how the service is managed and decisions are made. It was noted that with the progress Herefordshire was making this would not be the outcome for this council.
- V. The VFMM confirmed that generally when councils received an inadequate Ofsted rating, it does prove challenging retaining and recruiting new members of staff due to association and in order to attract a council would pay a premium but this is not sustainable and can result in budget problems. To resolve this the council is trying to make it more attractive on a longer term basis to avoid paying short-term premiums to consultants and contractors which has been found to have been successful and the director of children and families had been very positive about the direction of travel in terms of getting permanent members of staff on board.
- VI. The HSF confirmed the recommendation for the council to develop more comprehensive and integrated workforce plans to support the recently developed workforce strategy was still ongoing.
- VII. The DGT explained that the improvement recommendations would benefit the council but may require time, effort and there could be cost ramifications and there may be other areas officers believe would be more beneficial to the council to spend that resource on.
- VIII. The HSF explained that management have noted and accepted the advice from the best practice that audit had included in their report but the council had got alternative arrangements in place for addressing some of the concerns that GT had raised.

Resolved:

That:

- a) **The committee reviewed the external auditor's report, noted its findings and recommendations and considered the management responses.**

75. ANTI-FRAUD, BRIBERY & CORRUPTION ANNUAL REPORT

The Counter Fraud Manager (CFM) presented the report, the purpose of which was 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 the council's strategy and core objectives.

The following key points were highlighted:

1. During 2023, there had been a significant increase in the number of referrals being made to the counter fraud service which provided assurance to the committee that effective reporting avenues were in place and that Individuals felt confident to use them to report allegations of suspected fraud.
2. There had been a two-fold increase in the number of fraud alerts that were raised internally to council services and a threefold increase in the number of cases that were investigated to completion during 2023. This had been achieved through collaboration and effective partnership with internal services and external agencies.

In response to committee questions, it was noted

- I. The CFM in relation to the cyber fraud graph confirmed that different ways of presenting the data such as monthly would be explored with the security team.
- II. The CFM explained that it would be speculative on why there may be an uplift in cyber related incidents, but the committee could take assurance that none of the incidents targeting the council or Hoople Ltd were successful during 2023, demonstrating the robust controls in place to prevent cyber-attacks.
- III. The CFM highlighted in 2023 the counter fraud service (CFS) undertook and led an extensive fraud risk assessment, during which the CFM 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. The corporate performance team had 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.
- IV. The CFM suggested that the visual metrics could be looked at and revamped to include deterrence but assured members that deterrence is included as part of the risk assessment and is included as part of the overall control metric. Examples of deterrence were given such as; publishing successful prosecutions/outcomes, raising awareness and statements and declarations integrated into procedures and policy application forms.
- V. The CFM explained that referral rates were similar to those seen in previous years. It was highlighted that the public referral hotline and digital reporting form had been introduced in November 2022 and it would seem the visibility and reporting platform had correlated with the increase of referrals.
- VI. The reporting avenues for internal and external users were explored.
- VII. The CFM informed the committee that resources would need to be reviewed internally if the trend of increased referrals were to continue.
- VIII. In relation to the successful prosecution in December 2023, the CFM highlighted how collaboration and joint working is essential.

Resolved

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

Action 2023/24-018 The CFM in collaboration with the security team would look at other ways to present the data on cyber fraud for future reports.

Action 2023/24-019 The CFM to explore the visual metrics to include deterrence.

76. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES

The Head of Strategic Finance (HSF) introduced the report, the purpose of which was to inform the committee of the update to the finance and contract procedure rules (CPR). The CPR had been updated to reflect new thresholds, and to be compliant with current legislation and regulations. The finance procedures had been updated to incorporate additional evidence requirements for journal transaction postings in year and to provide clarity around roles and responsibilities for the delivery of projects across the council.

In response to committee questions, it was noted:

- I. The HSF explained that the CPR provides the framework by which the council test on if value for money has been achieved. External auditors also provide their assessment of that activity in the year.
- II. The Commercial Services Manager (CSM) confirmed that it was not always the cheapest price that would be awarded a contract but it would be based on quality as well the most economically advantageous response. CIFAS checks are conducted on suppliers as well other checks as part of the standard procurement process.
- III. The CSM explained under the CPR for low and medium value contracts, a minimum of four suppliers can be invited to tender to which officers are encouraged to invite at least two local businesses that are interested and capable to provide those services. When the opportunity arises contracts could be divided which encourages smaller local business to bid for contracts.
- IV. The CSM explained the use of social value included within procurements potentially encourages larger contractors to employ local people or use local supply chains.
- V. In terms of advertising, all information can be found on [Hereford Council's Website](#) to which businesses are encouraged to sign up to a portal which will keep them informed of relevant opportunities as they arise and enable them to bid for a tender. If suppliers are having difficulties registering there is a dedicated member of the commercial services team who is on hand to take calls and emails. Suppliers are also invited and encouraged to attend "Meet the buyer events".
- VI. The CSM explained that pre-qualifying questions are asked as part of the tender response to ensure the capability and competency of a supplier and are proportionate and relevant to the procurement and the value of the contract.
- VII. The HSF informed the committee that payments were fairly standard but highlighted from 1st April it was hoped a new scheme through oxygen finance which enables payments to go through "on day one" with a small discount in services for the Council would be fully introduced for small businesses. Local suppliers would be contacted shortly.
- VIII. The CSM confirmed there were no resource issues within the team currently, but if this did become a problem they would potentially seek to appoint an external advisor to support.

Resolved

That the committee reviewed and approved 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

77. INTERNAL AUDIT UPDATE REPORT QUARTER 3 2023-24

The Director of Continuous Improvement (DCI) South West Audit Partnership (SWAP) presented the report on internal audit activity for quarter 3 2023/24, with attention drawn to the following:

- The indicative opinion was of reasonable assurance, with a sound system of governance, risk management and control in place.
- 89% of the opinion related work found the control environment to be either substantial or reasonable assurance.
- There were no significant corporate risks to be reported, but there was an assignment with a “Limited Assurance”- audit opinion on ICT back-ups.
- Feedback from officers in terms of the areas that have been audited remains strong. The DCI confirmed data was based on 11 responses which represented a response rate of around 75%. It was noted that the request from a previous meeting to include responses figures had not yet, but would be implemented for the next report.
- A follow up of the registration services audit would be planned for Quarter 4.
- Swap were facilitating an “Audit Committee Webinar” on Thursday 1st February at 3:30pm to which committee members were welcome to attend.

In response to committee questions, it was noted:

- i. In relation to the “corporate priority” chart on Page 139 it was clarified that there was a joint responsibility in improving those ratings. SWAP would speak to officers about the coverage and the program of internal audit work and hopefully agree a balance and proportionate internal audit plan that provides reasonable coverage across all areas. Members could comment and if they believe that coverage should be reallocated they could provide that feedback and SWAP would have discussions with officers to realign the audit plan if possible. It was clarified that the first column represents of how many audits SWAP have done in that area and the second column represents the outcomes of those audits within that area.
- ii. With regards to the deferment of the “Proactive Fraud Work Tax Evasion” the Head of Strategic Finance (HSF) confirmed this was due to the HMRC undertaking a routine compliance check which the findings would be presented to SWAP and avoided a duplication of efforts.
- iii. In relation to the “follow up of the Public Realm/ BBLP Related Audits” the DCI confirmed this was still in progress. It was clarified by the Principal Auditor that this was a follow up of all the internal audit actions that SWAP had made relating to BBLP and the public realm and was to ensure the council had done what they outlined they were going to do.
- iv. The Director of Resources and Assurance (DRA) would provide a response on the bus service improvements grant with the approaching deadline of 31 March 2024.
- v. The DCI would provide a written response on the separation between the ICT Backup and Disaster recovery items.
- vi. It was highlighted that the “6 Special/ Advisory” figure in the assurance opinions table on page 138 did not relate to a specified piece of work and was suggested could be an error and would be looked into.

Resolved

That the committee:

a) Reviewed the areas of activity and concerns and were satisfied that necessary improvements are outlined and delivered; and

b) Note the report and considered the assurances provided and the recommendations which the report makes, commenting on its content as necessary.

Action 2023/24-020 SWAP to include “response figures” within the quality assurance client feedback data.

Action 2023/24-021 The DRA to provide a response on the bus service improvements grant.

Action 2023/24-022 The DCI / SWAP would provide a written response on the separation between the ICT Backup and Disaster recovery items.

Action 2023/24-023 The DCI / SWAP to investigate a possible error in the assurance opinions table on page 138 relating to “6 Special/ Advisory”.

78. WORK PROGRAMME

The committee’s updated work programme was presented, showing amendments which included the Approach to Strategic Risk Management Update report being moved to the work plan for March and the Head of Strategic Finance confirmed the External Auditor's Draft Plan (including indicative fee) would need moving from the meeting in March to June.

It was highlighted that the meeting scheduled for 4 June had now been moved to 11 June to accommodate the Draft Annual Governance Statement and 2023/24 Draft Statement of accounts.

RESOLVED

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

79. DATE OF NEXT MEETING

Tuesday 26 March 2024.

The meeting ended at 4.48 pm

Chairperson



Title of report: External auditor's draft annual plan 2023/24

Meeting: Audit and Governance Committee

Meeting date: Tuesday 26 March 2024

Report by: Head of Strategic Finance, Chief Accountant

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To review and agree the external auditor's plan for 2023/24.

Recommendation(s)

That:

- a) **The proposed external audit plan for 2023/24 in Appendix A is approved subject to any recommendations that the committee may wish to make; and**
- b) **The committee determine any recommendations it wishes to make to maximise the value of the external audit processes.**

Alternative options

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

Key considerations

2. The constitution provides that the Audit and Governance Committee will:
 - a. Review and agree the external auditor's annual plan and receive regular update reports on progress; and
 - b. Comment on the scope and depth of external audit work and to ensure it gives value for money; and
 - c. Ensure that there are effective relationships between external and internal audit and that the value of the combined internal and external audit is maximised.
3. Attached in Appendix A is the external audit plan to the audit of the 2023/24 statement of accounts which is due to commence in July 2024.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements. The audit risks have been identified as:
 - Management override of controls – Appendix A page 9
 - Valuation of land and buildings – Appendix A page 10
 - Valuation of investment properties – Appendix A page 11
 - Valuation of pension fund net liability – Appendix A page 12
5. Planning materiality has been determined at £8.6 million for the council, being 1.8% of 2022/23 gross operating costs from the statement of accounts. Errors and omissions above the materiality level of £8.6 million will be reported in the audit findings report. Clearly trivial has been set at £0.43 million, which is 5% of materiality, below which uncorrected omissions of misstatements are not reported by external audit.
6. The revised approach to value for money external audit work has been in place since 2021/22. The National Audit Office (NAO) requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:-
 - a. Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures; and
 - b. Governance – a risk that the council has not made informed decisions and is not effectively managing its risks; and
 - c. Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.
7. The work that the external auditor will complete on the value for money arrangements is detailed on page 21 of Appendix A.
8. The committee is asked to consider whether there are any comments it would like to make with reference to the external audit plan. Progress against the plan will be reported at future committee meetings.

Community impact

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

Environmental Impact

10. 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.
11. 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

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

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

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

Resource implications

14. The external audit plan in Appendix A highlights the proposed cost of the 2023/24 audit comprising the scale fee of £344,289 plus an additional fee of £12,550 to give a total proposed fee of £356,839 (prior year fee £159,042).

Legal implications

15. The Accounts and Audit Regulations 2015 (as amended) require the council to produce and publish an annual statement of accounts in accordance with these regulations and "proper practice".

16. Section 21 of the Local Government Act 2003 defines “proper practice” for this purpose to be the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year. The Code specifies the principles, practices, format and content required in the preparation of the statement of accounts.

Risk management

17. The committee are invited to consider whether there are any additional risk areas that should inform the external audit plan.

Consultees

18. None.

Appendices

Appendix A External audit plan 2023/24

Background papers

None identified.

Herefordshire Council Audit Plan

Year ending 31 March 2024

Herefordshire Council

12 March 2024



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

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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Resources and Assurance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Deputy Section 151 officer as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 8.

Introduction and headlines

Purpose

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

Respective responsibilities

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

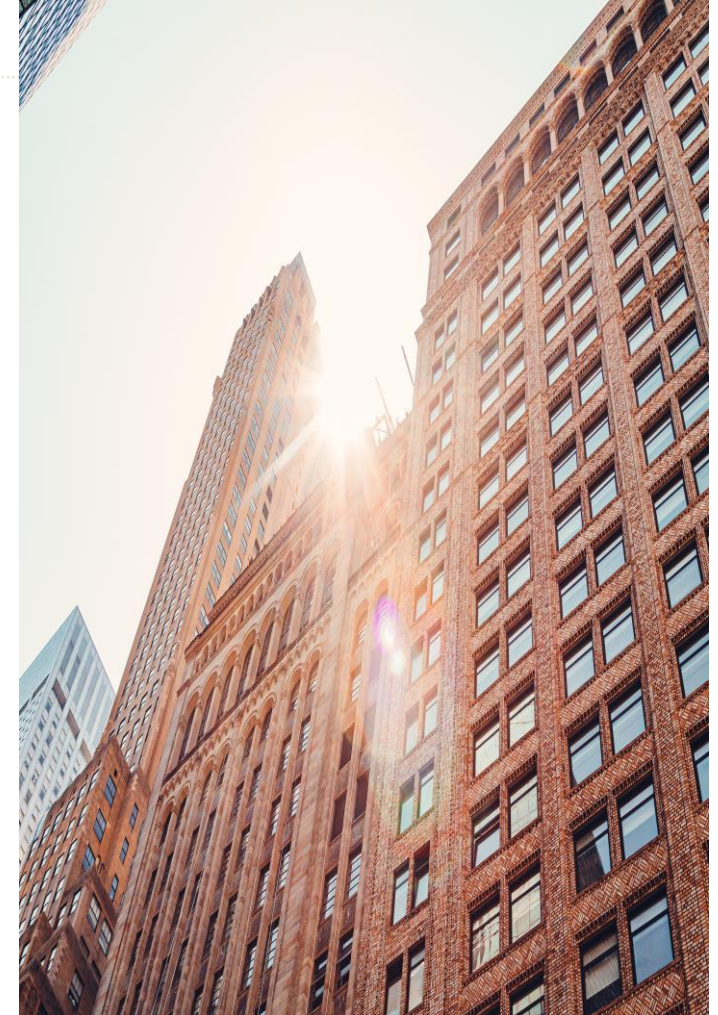
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Scope of our audit

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

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

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



Introduction and headlines

Significant risks

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

- management override of controls
- valuation of land and buildings
- valuation of investment properties
- valuation of net pension fund liability

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

Materiality

We have determined planning materiality to be £8.6m (PY £8.6m) for the group and £8.7m (PY £8.7m) for the Council, which equates to 1.8% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.43m (PY £0.43m).

Group Audit

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

Value for Money arrangements

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

- The Council's failure to meet the statutory needs of children in its care

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning visit will take place in March 2024 and our final visit will take place in July – September 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £356,839 (PY: £159,042, subject to PSAA approval) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

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

Significant risks identified

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

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

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and the key assumptions and judgements that underpin this significant estimate	Council	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. In particular the key assumptions that underpin the valuations.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by the valuer, and management, for those assets revalued at 31 March 2024. For the assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end.

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Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties (Annual Revaluation)	Council	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not material different from the fair value as at the balance sheet date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified the appropriateness of the specific inputs and assumptions that drive the valuation of investment property as a significant risk, which was one of the most significant assessed risks of material</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; and • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register.

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Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate	Council	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£64m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Herefordshire Council	Yes	Audit of the financial information of the component using component materiality	Risks set out on pages 8 to 12	Full scope audit performed by Grant Thornton UK LLP
37 Hoople Limited	No	Analytical procedures at a group level	None	Analytical review performed by Grant Thornton UK LLP

Audit scope

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

Other matters

Other work

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

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

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the group financial statements, which resulted in 4 recommendations being reported in our 2022/23 Audit Findings Report. We have followed up on the implementation of our recommendations and 3 are still to be fully addressed, work against these recommendations is in progress and is due to be completed by year end.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	In our journals testing we identified that journals posted as part of close down after the 21 April are not subject to the same levels of review as journals posted in year. The Council satisfy themselves over these journals through their year end quality assurance checks performed, however, there is no written evidence to confirm review of the individual journals therefore creating an opportunity for management override of controls. From our testing performed we have however identified no attempts at management override of controls.	Work is still in progress against this recommendation. <u>Management Comment:</u> a task has been added to the closedown plan to ensure we have written evidence of journal approval during P14.
Complete	In our work on completeness, we noted a transaction that related to annual rental payment this cover period in both 2022/23 and 2023/24 financial year. However, the full amount has been posted by council in 2022/23. In line with the accruals basis of accounting the amount should have been split between the 2 financial years. The overall effect of this is nil as in 2021/2022 the part of the transaction that related to current period 2022-23 was posted in 2021-22. Therefore, resulting in the correct amount being recorded over the course of a year.	Appropriate guidance and training is in place. <u>Management Comment:</u> this was a one-off error. There is already guidance in the closedown instructions and the accountant who posted this error was advised.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	During our audit of the bank reconciliation, we noted that there were several outstanding cheques related to Housing Benefit that were dated between six months old and back as far as 2018.	Work is still in progress against this recommendation. <u>Management Comment:</u> Most of the old cheques have been cleared, there are currently 12 outstanding that we plan to deal with before the year-end.
In Progress	There are a number of fully depreciated assets still in use by the council. This therefore creates at risk that the annual depreciation charge is overstated if an appropriate useful lives is not being used.	Work is still in progress against this recommendation. <u>Management Comment:</u> We are currently reviewing those assets that are fully depreciated. This review will be completed by the year-end.

Our approach to materiality

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

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Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £8.6m, which equates to 1.8% of your prior year gross expenditure for the period.	We determine planning materiality in order to: <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.

Our approach to materiality

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

Matter	Description	Planned audit procedures
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.43m (PY £0.43m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

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

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	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£8,600,000	Materiality at the planning stage of our audit is £8.6m for the Council, which equates to 1.8% of your prior year gross expenditure for the year.
Materiality for specific transactions, balances or disclosures - Senior officer remuneration	£20,000	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.
Group materiality	£8,700,000	Materiality at the planning stage of our audit is £8.7m for the Group which equates to 1.8% of your prior year gross expenditure for the year.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

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

IT system	Audit area	Planned level IT audit assessment
Business World	Financial Reporting and Payroll	Streamlined ITGC design assessment
Academy	Housing Rents	Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Potential types of recommendations

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

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Children's Social Care Services

In our 2022/23 AAR we identified a significant weakness around Children's Social Care Services. We have therefore identified a risk of significant weakness around whether the council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. As while the council continues to make improvements in Children's Services these are not yet sufficient for Ofsted to remove their 'inadequate' rating.



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Audit logistics and team



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Tsitsi Ganga, Audit In-charge

Key audit contact responsible for the day to day management and delivery of the audit work



Roz Apperley, Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



Grace Hawkins, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Audited Entity responsibilities

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

Our requirements

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

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you via inflo.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Herefordshire Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £356,839.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

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

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

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24

Herefordshire Council Audit	£344,289
ISA 315	£12,550
Total audit fees (excluding VAT)	£356,839*

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*IFRS 16 adoption – As set out on page 26, IFRS 16 will need to be implemented by local authorities from 1 April 2024. The impact of this change will require disclosure in the 2023/24 statements and may necessitate further audit procedures. The impact on our fee of any additional audit work undertaken will be considered at the conclusion of the audit.

Previous year

In 2022/23 the scale fee set by PSAA was £106,417. The actual fee due to be charged for the audit subject to PSAA approval was £159,042.

Relevant professional standards

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

IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”
In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

⁵ IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

Independence and non-audit services

Auditor independence

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

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

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

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Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Claim – 2020/21	TBC		
Certification of Housing Benefits Claim – 2021/22	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefits Claim – 2022/23	TBC	Self-Review (because GT provides audit services)	
Certification of Housing Benefits Claim – 2023/24	TBC	Management (as GT report to the grant paying body)	
Certification of Housing Benefits Claim – 2023/24	TBC		

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Communication of audit matters with those charged with governance

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Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

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Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Title of report: Statutory accounts 2023/24 progress, accounting policies and estimates

Meeting: Audit and Governance Committee

Meeting date: Tuesday 26 March 2024

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To provide an update on progress made against the 2023/24 statutory accounts workplan and present the accounting policies and estimates which inform the financial statements.

Recommendation(s)

That:

- a) **arrangements for the preparation of the 2023/24 statutory accounts, including management arrangements to identify and evaluate accounting estimates, are reviewed and confirmed as satisfactory; and**
- b) **The accounting policies which will inform the preparation of the 2023/24 statutory accounts are approved.**

Alternative options

1. There are no alternative options. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 (as amended).

Key considerations

2. The council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 (as amended) and the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the council and comprises: a narrative report and annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

2023/24 Statutory accounts progress

3. The statutory deadline to publish the 2023/24 draft Statement of Accounts is 31 May 2024, with External Audit sign-off to be completed by 30 September 2024. The council's detailed closedown plan is built around these deadlines to ensure timely preparation of the financial statements and working papers to support the audit process.
4. The Finance team are on target with the preparation work for the Statement of Accounts and responses to support external audit planning and initial risk assessment activity by our external auditors: Grant Thornton UK LLP.

Accounting policies 2023/24

5. Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting financial statements. For 2023/24, and as per the prior year, the notes to the 2023/24 Statement of Accounts will include the relevant accounting policies.
6. Following a review, there are no changes proposed to the accounting policies to be applied in 2023/24. These are detailed in appendix 1.

Accounting estimates 2023/24

7. The preparation of financial statements requires the council to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.
8. The notes to the 2023/24 financial statements will disclose the material accounting estimates included in our balances and transactions, and the models and assumptions on which they are based. Disclosure requirements include whether the risk is mitigated by the use of an external specialist, e.g. an asset valuer or a pension actuary, and a sensitivity analysis to show the range of reasonably expected outcomes for the balance/transaction.
9. The council has identified material accounting estimates which inform balances and transactions for the year ending 31 March 2024 as: valuation of property, plant and equipment, depreciation and the valuation of the pension fund net asset/liability.
10. The assessment of material accounting estimates in year includes consideration of the requirement for specialised skills and knowledge from management experts e.g. asset valuations and investments, a review of the methods, models and assumptions used to inform the accounting estimates and consideration of the degree of estimation uncertainty relevant to each accounting estimate. This assessment is included in appendix 2.

National Context: Local Authority Reporting Delays

11. Whilst the council is up to date with published financial statements and a corresponding audit opinion for all financial reporting periods up to and including 31 March 2023, delays in publishing local government audited accounts have increased significantly in recent years and there are a significant number of local audits in England which remain outstanding.
12. The recent Department for Levelling Up, Housing & Communities (DLUHC) Consultation: Addressing the local audit backlog in England, sought views on amending the Accounts and Audit Regulations 2015 (as amended) as part of a package of cross-system measures to reset and clear the backlog and to put the system on a sustainable footing.
13. The consultation outlined proposed changes across three phases of delivery.
 - a. Phase 1 proposes the implementation of a backstop date for all financial years up to and including 2022/23 to reset and clear the backlog of historical audit opinions. Under the measures proposed, audit teams will be permitted to issue an opinion even where little to no substantive testing has been carried out.
 - b. Phase 2 proposes further backstop dates to enable recovery from modified and disclaimed audit opinions without a recurrence of the backlog.
 - c. Phase 3 proposes longer term reform to address systemic challenges in the local audit system and the financial reporting framework.
14. Whilst the proposed recovery measures will not directly impact on the preparation of the council's statutory accounts for 2023/24 or the planned audit procedures outlined in the External Auditors Audit Plan for 2023/24, it should be noted that the requirement for audit firms to issue multiple opinions by the proposed backstop date of 30 September alongside delivering audit opinions for other sectors and completing 2023/24 financial statement work for authorities with no backlog, will present increased challenge for audit firms.
15. The External Audit Plan for the year ending 31 March 2024 notes that year-end audit fieldwork will be completed between July and September 2024 with the Audit Findings Report to be presented to this committee at its meeting in September 2024. The council Finance team will continue to work closely with the audit team over this period to support the prompt resolution of audit queries and timely delivery of the audit opinion for 2023/24.
16. In addition, the Chartered Institute of Public Finance & Accountancy (CIPFA) Local Authority Code Board issued a consultation in February 2024 on proposals for temporary changes to the Code to aid the recovery of Local Authority reporting and audit. The proposals, which would affect the 2023/24 and 2024/25 Code, include an option to simplify the method of valuation for certain property, plant and equipment assets using specified indexation and an option to reduce the disclosure requirements for pensions reporting.

Community impact

17. Publication of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to service the public interest in adhering to the requirements of legislation and government policies.

Environmental Impact

18. 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.
19. 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

20. 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.
21. 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

22. There are no new resource implications from this report.

Legal implications

23. Regulation 9 of the Accounts and Audit Regulations 2015 (as amended) requires the following:
 - a. The S151 officer to sign and date the Statement of Accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year; and
 - b. A period of time to allow the public to inspect the accounts. This will commence on 1 June 2024 and last for six weeks; and
 - c. Once there has been a period of public inspection, the committee must approve the Statement of Accounts by a resolution and ensure that the Statement of Accounts are signed and dated but the person presiding at that committee.

Risk management

24. The risks considered to be significant to production of the Statement of Accounts have been noted in the table below. All risks are considered to be sufficiently mitigated and will be managed by the Strategic Finance management team.

Risk / opportunity	Mitigation
Delays in closedown and financial reporting may mean that the statutory deadline to publish draft statutory accounts is not met.	Closedown and Statement of Accounts production tasks are managed through a detailed project plan monitored by the Chief Accountant. All finance staff are issued with closedown instructions and training.
External auditor resource implications may mean that the audit is delayed. This may mean that the statutory deadline to publish audited accounts is not met, and that internal finance resources are committed to servicing external audit requirements for longer than anticipated.	<p>Working papers and sample evidence are provided to the auditors in line with their time and quality expectations, which leads to them continuing to prioritise our audit in phase 1 of their Local Authority audit programme.</p> <p>There is continuous communication between the audit management and the council Strategic Finance management to enable any potential delays to be dealt with expediently.</p> <p>External auditors report their progress to this committee.</p>
Accounting policies that have been judged to be material to the financial statements may not be applied by all finance officers of the council.	<p>All finance staff are issued with closedown instructions and training.</p> <p>The Statement of Accounts are quality checked by the Deputy Section 151 officer.</p>
Accounting estimates utilised by finance officers of the council may not be the most appropriate, and may result in material errors in the financial statements.	<p>Accounting estimates are reviewed annually by experienced and knowledgeable finance staff.</p> <p>Material accounting estimates are made by external knowledge experts in accordance with their professional standards. These estimates are challenged by council finance staff.</p> <p>External audit provide assurance that accounting estimates made do not result in material misstatements in the Statement of Accounts through their audit opinion statement.</p>

Consultees

None.

Appendices

Appendix 1 Accounting policies

Appendix 2 Accounting estimates

Background papers

None identified.

Statement of Accounts 2023/24

Accounting Policies

Accounting policies included in the statement of accounts for 2023/24 are as listed below.

Contingent liabilities

A contingent liability arises when an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within control of the council. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that an outflow of future economic benefits or service potential will be required then a provision is recognised in the year in which the probability occurs.

Events after the reporting period

Events after the reporting period are those that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

There are two types of event;

- Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts; and
- Those that relate to conditions after the reporting period, which are not adjusted in the accounts, and disclosed in the notes to the statements

Revenue recognition

Income and expenditure is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are made or received. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet, subject to a de-minimis threshold of £5,000 for revenue and £10,000 for capital.

Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised at the point that the service is provided or is charged for. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

Taxation and non-specific grant income

The council tax and non-domestic rates income is accounted for on an accruals basis and included in the comprehensive income and expenditure statement within taxation and non-specific grant income. As a billing authority, the difference between the non-domestic rates and council tax included in the comprehensive income and expenditure statement and the amount required by regulation credited to the general fund is taken to the collection fund adjustment account and reported in the movement in reserves statement.

Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

Grant income

Grants and contributions are recognised in the accounts when there is reasonable assurance that the council will comply with any conditions attached to them and the grants or contributions will be received.

Revenue grants are recognised in the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Grant monies unspent at the end of the year are transferred to an earmarked reserve. When the grant is applied, an amount equal to the expenditure is transferred back from the earmarked reserve to the general fund. Where conditions attached to the grants or contributions have not been met, monies received to date are carried in the balance sheet as receipts in advance and credited to the comprehensive income and expenditure statement when the conditions are satisfied.

Capital grants are credited to the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Where the grant has yet to be used to finance capital expenditure, it is transferred to the capital grants unapplied reserve; where grant conditions have not been satisfied then the monies received are carried in the balance sheet as receipts in advance.

Pooled budgets

Pooled budgets exist where neither partner has sole control of the pooled fund. These arrangements meet the definition of a joint operation, where the partners have joint control over the arrangement, the rights to the arrangements assets and obligations for the arrangements liabilities.

Where services are primarily managed by the council, the income and expenditure are reflected within the net cost of services in the comprehensive income and expenditure statement. This also includes the council's proportion of jointly controlled pooled budgets. Where services are primarily managed by the Integrated Commissioning Board (ICB), the income and expenditure is not reflected in the council's accounts.

Termination benefits

Termination benefits are recognised in the surplus or deficit on the provision of services at the earlier of when the council can no longer withdraw an offer of benefits, or when the council recognises the costs of restructuring. Termination benefits are payable as a result of either:

- An employer's decision to terminate an employee's employment; or
- An employee's decision to accept voluntary redundancy

Property, plant and equipment

Physical assets that support the delivery of our services and have a life of more than one financial year are classified as Property, Plant and Equipment (PPE).

Expenditure on PPE is capitalised on an accrual basis in the accounts, unless it is maintenance only in which case it is charged to the Comprehensive Income and Expenditure Statement when it is incurred. Purchased assets are initially measured at cost. Non-purchased assets are measured at fair value, or at the carrying amount where there is no commercial substance (e.g. via exchange). The detailed bases for measuring assets are given below:

- Community assets and assets under construction – historical cost
- Land and buildings – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Vehicles, plant and equipment – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Infrastructure assets - depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England], which was deemed at that time to be historical cost

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account so that there is no impact on the level of council tax

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer (for buildings this is between 24 and 56 years). For those assets classed as vehicles, plant, furniture and equipment, useful economic lives are estimated to be 5 years, unless the individual asset life is known (e.g. the waste asset is 30 years). New assets are not subject to a depreciation charge in the year of acquisition.

Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. Further revaluations are carried out where there have been material changes.

Where increases in value are identified, the carrying amount of the asset is increased with a corresponding entry for the gain in the revaluation reserve.

Where decreases in value are identified, they are accounted for by:

- the carrying amount of the asset writing down the balance of revaluation gains for the asset in the revaluation reserve; or
- the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement where there is no, or insufficient, balance in the revaluation reserve

Upon revaluation (upwards or downwards) previously accumulated depreciation is eliminated and the asset shown at the newly revalued figure.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised

Infrastructure assets

In accordance with the temporary relief offered by the update to the CIPFA code on infrastructure assets, the PPE note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

School assets

Where a school is under the council's control (i.e. under the responsibility of the council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the council's accounts and included within the figures disclosed in the statement of accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to academy status it is no longer under the control of the council and therefore its income, expenditure, assets, liabilities and reserves are no longer consolidated into the council's accounts.

In respect of any property, plant and equipment associated with schools, the council has determined that community schools, voluntary aided and voluntary controlled schools are included in the balance sheet. Voluntary aided schools' long term assets are owned by the school trustees however under these assets have been recognised due to the probability that the future economic benefits associated with the asset will flow to the council and the cost of the asset can be measured reliably in accordance with IAS16. The fair value of schools is included using a depreciated replacement cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Rentals earned are recognised as income in the comprehensive income and expenditure statement on an accruals basis. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale. Management aim for a minimum return of 4% on investment assets.

Investment property value is measured at fair value in compliance with IFRS 13. A definition of fair value is the price that would be received

to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions. Gains and losses on revaluation are included in the financing and investment income and expenditure line in the comprehensive income and expenditure statement. Gains or losses on disposal of an investment property are treated in the same way. Gains or losses recognised in the comprehensive income and expenditure statement are not proper charges to the general fund and are reversed out through the movement in reserves statement. For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent.

Minimum Revenue Provision (MRP)

Minimum Revenue Provision (MRP) is a charge to the general fund with a matching entry in the capital adjustment account. It represents an annual contribution from revenue towards the provision for the reduction in our overall borrowing requirement. MRP is charged over a period that is broadly commensurate with the period over which the council receives benefit from the asset.

The minimum revenue provision (MRP) is calculated as follows:-

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on unsupported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year

Cash and cash equivalents

Cash is represented by cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are deemed to be 'on-call' investments, where investments can be recalled immediately.

Private finance initiatives (PFI)

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on its balance sheet. The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider. Property, plant and equipment recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI contractors each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure

statement

- Finance cost – a percentage interest charge on the outstanding balance sheet liability, debited to interest payable and similar charges in the comprehensive income and expenditure statement under financing, investment income and expenditure
- Contingent rent – differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the comprehensive income and expenditure statement
- Payment towards liability – applied to write down the balance sheet liability, current and long term, towards the PFI operator
- Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the balance sheet and recognised as property, plant and equipment when the contractor incurs the expenditure

Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of a leased asset lie with the lessor or the lessee. The council does not hold any finance leases.

Where the council is lessee – an operating lease is recognised as an expense on a straight line basis over the lease term.

Where the council is lessor – the asset is recognised under the relevant category of assets. Costs, including depreciation, are recognised as an expense and income is recognised in the comprehensive income and expenditure statement on a straight-line basis over the lease term.

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Pension schemes

Defined benefit schemes

The Local Government Pension Scheme is accounted for as a defined benefit scheme. The liabilities are included in the balance sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Liabilities are discounted to their value at current prices (based on market yields and other factors). Assets are included in the balance sheet at their fair value determined through market or bid prices or using professional valuations. The change in the net pension's liability is analysed into six components;

- Current service cost: The increase in liabilities as a result of service earned in the year is allocated to the revenue account of the services for which the employee worked, within the comprehensive income and expenditure statement
- Past service cost: The increase in liabilities arising from a scheme amendment or curtailment whose effect relates to service earned in earlier years is debited to the net cost of services in the comprehensive income and expenditure statement
- Net Interest on the defined benefit liability: The change during the period that arises from the passage of time is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement
- Return on plan assets: Charged to the pensions reserve as other comprehensive income and expenditure but excludes amounts included in net interest on defined benefit liability

- Remeasurement of the net defined benefit liability: Changes in the net pensions liability that arise because events have not coincided with assumptions previously made by the actuaries is included in other comprehensive income and expenditure
- Contributions paid to the pension fund: Cash paid as employer's contributions to the pension fund

Under IAS 19 the cost of retirement benefits is included in the cost of services when it is earned by employees, rather than when it is paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of the retirement benefits is reversed out to the pensions reserve via the movement in reserves statement.

Defined contribution schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, which is a defined benefit scheme administered by the Teachers Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate. It is not possible for the council to identify its share of the underlying liabilities in the scheme attributable to its own employees, and therefore for the purposes of the statement of accounts it is accounted for on the same basis as a defined contribution scheme, that is, actual costs are included in the revenue accounts, with no assets and liabilities in the balance sheet.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument, such as share capital) of another entity. They are valued in line with the requirements of IFRS 13 (fair value), the recognition and measurement of financial instruments is reported in accordance with IFRS 9.

Financial assets

The council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. All of the council's financial assets are therefore classified as amortised cost. Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity. Financial liabilities are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument and are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The effective interest rate is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement.

Fair value of assets and liabilities

Financial liabilities and financial assets are carried in the balance sheet at amortised cost, but fair value disclosures are required by the Code. Fair value is the price that would be received/paid in an orderly transaction between market participants at the measurement date. The fair value has been assessed by calculating the present value of the anticipated cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of Long term debtor loans have been calculated based on discounted contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing
- For PWLB and other loans, PWLB premature repayment rates and prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- The fair value of liabilities under PFI schemes have been calculated based on discounted contractual cash flows of the same remaining term

There are three tier levels in measuring fair value, these are:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability.

Group accounting policies

In preparing group accounts, the council is required to align the accounting policies of the subsidiary with those of the council, and make consolidation adjustments if necessary. The accounting policies adopted by Hoople Ltd are considered to be consistent with the accounting policies adopted by the council, with the exception of those listed below:

Taxation

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income, profit and loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax for the prior period. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Appendix 2 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations 73	Assets are subject to professional revaluation on a rolling programme. Any assets that are not revalued in the year are considered for risk of material misstatement. Methods used by the qualified professional expert valuers are recognised by the Royal Institute of Chartered Surveyors (RICS) and are listed in the suite of documents issued each year by the valuers.	Control activities are:- Check opening asset values to closing asset values on Fixed Asset Register (FAR). Check with property for any changes. Detailed work instruction to the valuers. Check of valuation report – source data relied upon, calculation, explanations for any significant changes in valuation.	External valuers used are Wilks Head & Eve LLP (for assets generally) and Hilco (for Energy from Waste asset).	The uncertainty over asset values is increased due to economic uncertainty, rising inflation, and the impact this has on the interest rates. Assumptions used by the qualified professional expert valuers are recognised by the Royal Institute of Chartered Surveyors (RICS) and are listed in the suite of documents issued each year by the valuers. The disclosure in the estimation uncertainty note (note 4) considers a variation of 5% in the net book value of Property, Plant and Equipment (PPE). This gives an indication of the sensitivity of the revaluations on the balance sheet.	No change

Investment property valuations	Assets are subject to professional revaluation on a rolling programme. Any assets that are not revalued in the year are considered for risk of material misstatement. Methods used by the qualified professional expert valuers are recognised by the Royal Institute of Chartered Surveyors (RICS) and are listed in the suite of documents issued each year by the valuers.	Control activities are:- Check opening asset values to closing asset values on FAR. Check with property for any changes. Detailed work instruction to the valuers. Check of valuation report – source data relied upon, calculation, explanations for any significant changes in valuation.	External valuers used are Wilks Head & Eve LLP (for assets generally).	There is uncertainty over investment property values due to the impact the economic downturn has on rental income. Assumptions used by the qualified professional expert valuers are recognised by the Royal Institute of Chartered Surveyors (RICS) and are listed in the suite of documents issued each year by the valuers.	No change
74 Depreciation	Those assets subject to external valuation are assigned a useful economic life (UEL) by the external valuers. Those assets not subject to external valuation are assigned a UEL by an officer from the council with relevant subject knowledge within expected ranges.	Control activities are:- Check of FAR net book values to prior year. Reasonableness check on UELs. Check of calculation cells Reasonableness check on overall depreciation charge. Check of assumptions used by external valuer. Engagement with colleagues in Service to confirm UELs.	External valuers used are Wilks Head & Eve LLP (for assets generally).	The uncertainty over UELs is increased due to economic uncertainty and the impact this has on the repairs and maintenance programmes. Assumptions are:- <ul style="list-style-type: none"> • There are no residual economic values to assets • There is no depreciation chargeable in the first year of the asset Assumptions used by the qualified professional expert valuers are recognised by the Royal Institute of Chartered Surveyors (RICS) and are listed in the suite of documents issued each year by the valuers. The estimation uncertainty disclosure in the financial statements (see note 4) ascertains the estimated increase in the depreciation charge that would occur if the UELs were reduced by 1 year. This gives an indication of how sensitive the depreciation charge is to changes in UELs.	No change

Valuation of defined benefit net pension fund liabilities	Methods and assumptions used are industry standard and are listed in a report issued by the actuary	Control activities are:- Check of source data to ledger. Check of source data used by the actuary to source data sent. Overview of assumptions used by the actuary. Challenge of any movements in IAS 19 figures since the prior year.	Hymans Robertson are the actuaries used to estimate the net pension liability.	There is uncertainty over this estimate due to the reliance on many complex and interacting assumptions. These risks are addressed through the use of a qualified professional actuary, who uses methodologies and assumptions as recognised by The Institute and Faculty of Actuaries (IFA). The actuary supplies calculations of how changes in certain assumptions impact the net pension liability on the balance sheet. These are disclosed in the estimation uncertainty disclosure (note 4).	No change
Provisions	Each provision is individually considered and calculated.	Control activities are:- Review of provisions balance to prior year. Review of insurance/legal/property registers for potential areas of provision. Review of provision calculation working papers for evidence and reasonableness.	No	Provisions (excluding impairment allowances) are not a material balance on the balance sheet, and are therefore unlikely to result in a material misstatement due to estimation uncertainty.	No change

Loans	Methods used by Link Group are included in their portfolio valuation	Control activities are:- Check of ledger balances to loan agreements. Check of ledger balances to portfolio valuation. Reasonableness check on assumptions used. Comparison of balances and fair values to the prior year.	Treasury Management advisors (Link Group) provide a portfolio valuation of financial assets and liabilities at the year-end.	The council has loans from the bank and public works loan board (PWLB). These are valued on the balance sheet at amortised cost. The loans are also included in fair value disclosures, the fair value is provided by Treasury Management advisors (Link Group) based on accepted methodologies and assumptions. Fair value disclosures compare the balance sheet carrying value to fair values based on the premature repayment rate and also based on the new loan rate.	No change
76 Accruals	Each manually journalled debtor or creditor is individually considered and calculated.	Control activities are:- Review of ledger for accruals needed. Comparison to prior year for accruals needed. Calculation of accrual and completion of QA checklist for each accrual. Review and challenge for significant accruals. Review of outturn to forecast for missing/over accruals.	No	As the council operates a no Purchase Order (PO)/no pay policy, most expenditure accruals are system driven by the PO accrual process. Manually journalled debtors and creditors are not material balances on the balance sheet, and are therefore unlikely to result in a material misstatement due to estimation uncertainty.	No change

Credit loss and impairment allowances	Debtors in each category are individually assessed and an impairment allowance is determined based on debtors age and knowledge of individual debtors.	Control activities are:- Review of aged debt reports. Comparison to prior year allowance. Review and challenge by The Financial Accounting Manager.	No	There are 8 categories of impairment allowances, none of which are individually material. Categories are housing benefits, council tax, business rates, court costs, housing, fairer charging, business support grants and a general impairment allowance. Debtors in each category are individually assessed and an impairment allowance is determined based on debtors age and knowledge of individual debtors. A general impairment allowance is assessed to be 50% of debtors over 90 days.	No change
PFI Liabilities	The liabilities are taken from the financial models set up at the start of the PFI schemes.	Control activities are:- Check of balances from ledger to financial model. Review of balances compared to prior year.	Yes	The liabilities on the balance sheet relating to the three PFI schemes are based on financial models which are subject to estimates and assumptions.	No change

Title of report: Internal Audit Planning Paper 2024/25

Meeting: Audit and Governance Committee

Meeting date: Tuesday 26th March 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 introduce the concept of a rolling audit plan for 2024/25 to the Audit and Governance Committee for discussion and approval.

Recommendation(s)

- a) The committee approve the rolling audit plan approach.**

Alternative options

1. The current annual planning process to remain, however this does not allow the internal audit function to be responsive and adaptive. It is a function of the committee to consider these matters in fulfilling its assurance role.

Key considerations

2. Internal Audit services are provided by SWAP Internal Audit Services (SWAP). SWAP's Internal Audit Planning Paper attached at Appendix A introduces and outlines the concept of a rolling plan approach.
3. There is a general recognition within the internal audit profession that to be most effective, audit teams need to be responsive and adaptive, with the ability to reprioritise and shift focus at speed. As a result it is important that SWAP adopts a flexible and responsive approach to audit planning, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives, and emerging risks.

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

4. A traditional annual audit plan is subject to a high degree of uncertainty and change, and quickly becomes out of date and of less value as the year progresses. This year we are proposing to build our plan in conjunction with management and Members as the year progresses; continuously re-assessing risks, priorities, and where we can add most value. This will be supported by a live, and continuously rolling, audit plan accessible to all relevant officers and members, through our audit management system AuditBoard.
5. Quarterly update reports will continue to be presented to the committee. It will be through this process and regular access to the rolling audit plan via AuditBoard that management and the Audit & Governance Committee will be able to assess whether the audit work building throughout the year provides sufficient and appropriate coverage of key risks.
6. The overall objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.
7. The outcomes of the reviews are designed to provide senior management and the Audit and Governance Committee with assurance on the adequacy of control and management of key risks faced by the council.
8. Typically, we would bring our Internal Audit Charter alongside our planning paper for the year ahead, due to the above changes and the introduction of new Global Internal Audit Standards, this will follow to a later Committee meeting. In the meantime, we will continue to operate in accordance with our existing charter.

Community Impact

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

Environmental Impact

10. 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.
11. 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

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

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

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

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

Resource implications

14. 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

15. In accordance with section 5 of the Accounts and Audit (England) Regulations 2015, the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.

16. The council is under a duty to make adequate arrangements for its internal audit functions and has chosen to appoint an external partner to assist with the discharge of this function.

Risk management

17. 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 rolling internal audit plan.

18. 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

19. None

Appendices

Appendix A SWAP Internal Audit Planning Paper 2024-25

Background papers

None identified

In partnership with



Appendix A

Herefordshire Council

Approach to Internal Audit Planning 2024-25

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Internal Audit Planning 2024-25: Summary & Approach

The work of Internal Audit should align strategically with the aims and objectives of the Council, considering key risks, operations, and changes. To do this Internal Audit needs to be flexible in adapting its audit plan to handle rapidly changing risks, priorities, and challenges.

It is the responsibility of the Corporate Leadership Team, and the Audit & Governance Committee to ensure that the audit work proposed and completed throughout the year contains sufficient and appropriate coverage of key risks.

Our approach to internal audit planning throughout 2024-25 will be a continuous risk assessment and a rolling plan approach.



Approach to Internal Audit Planning 2024-25

There is now a general recognition within the internal audit profession that to be most effective, audit teams need to be responsive and adaptive, with the ability to reprioritise and shift focus at speed. This is set against a backdrop of an increasingly challenging landscape within Local Government.

As a result, it is important that SWAP adopts a flexible and responsive approach to audit planning, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives, and emerging risks. This should ensure that we are auditing the right things, at the right time; enabling us to provide insight and value when and where it is required.

A traditional annual audit plan is subject to a high degree of uncertainty and change, and quickly becomes out of date and of less value as the year progresses. As such, this year we will build our plan in conjunction with management and Members as the year progresses; continuously re-assessing risks, priorities, and where we can add most value. This will be supported by a live, and continuously rolling, audit plan accessible to all relevant officers and members, through our audit management system AuditBoard.

The resulting programme of work will be a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP, driven by our continuous risk assessment. This risk assessment will be informed by the Council's risk registers, as well as other key management information such as performance data. We will also provide a view on ongoing coverage against an assessment of SWAP's sector-wide top 10 risk areas, and consideration of the eight strands of our 'Healthy Organisation' framework.

As the year progresses, we will update the committee through our usual quarterly update report on internal audit activity. It will be through this process and regular access to the rolling audit plan via AuditBoard that management and the Audit & Governance Committee will be able to assess whether the audit work building throughout the year provides sufficient and appropriate coverage of key risks.

The overall objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

Internal Audit Planning 2024-25: Methodology

To develop and maintain appropriate risk-based audit work, SWAP will regularly consult with senior management, as well as reviewing key documentation, to obtain an understanding of the organisation’s strategies, key business objectives, associated risks, and risk management processes.

We would encourage management and members to regularly review our live audit plan to assess our rolling internal audit coverage.

This will help to confirm:

- That the internal audit plan builds throughout the year to provide adequate coverage of the key risks faced by the organisation
- That sufficient assurance is being received to monitor the organisation’s risk profile effectively; and
- That the areas included on the Future Proposed Audits remain appropriate, with an accurate priority and risk assessment.



Internal Audit Planning Methodology 2024-25

The factors that will be considered when risk assessing & prioritising 2024-25 audit work have been set out below:



To supplement the above, regular meetings with Directorate Leadership Teams will be held throughout the year to discuss any emerging risks, areas of concern, or general opportunities to enhance governance, risk management or control. The results of these conversations will help to shape our rolling programme of audit work.

It should be noted that internal audit is only one source of assurance, and the outcomes of our reviews should be considered alongside other sources, as part of the ‘three lines’ assurance model. Key findings from our internal audit work should also be considered in conjunction with the Annual Governance Statement.

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Internal Audit Planning 2024-25: Your Internal Audit Service

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves.

The key contacts in respect of your internal audit service for Herefordshire Council are:

Rupert Bamberger, Executive Director
Rupert.Bamberger@swapaudit.co.uk

Amy Probert, Principal Auditor
Amy.Probert@swapaudit.co.uk

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

- Providing access to CiFAS – the UK’s leading fraud prevention service;
- Benchmarking and sharing of best-practice between our public-sector partners;
- Regular newsletters containing emerging issues of significance;
- Communication of fraud alerts received both regionally and nationally;
- A series of Member training sessions.



Your Internal Audit Service

Audit Resources

The 2024-25 internal audit programme of work will represent a resource mix and fee of £288,297. This fee includes a team of internal audit staff, including a dedicated Head of Internal Audit. The internal audit resources available will represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work.

Conflicts of Interest

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

Consultancy Engagements

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

Approach to Fraud

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

Our Reporting

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

Internal Audit Planning 2024-25: Your Internal Audit Service

Internal audit functions should be subject to an External Quality Assessment (EQA) at least once every five years.

An EQA, evaluates conformance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, the Core Principles, the Definition of Internal Audit and the International Standards for the Professional Practice of Internal Auditing (the current IIA Standards).

New Global Internal Audit Standards (GIAS) have just been released for the profession, and are due to come into effect in January 2025.

SWAP plans to have two EQA's over the next year; one under the existing standards, and a further EQA under the new standards. The results of these will be shared with management and the Audit & Governance Committee.

External Quality Assurance

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

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

New Global Internal Audit Standards (GIAS) have just been released for the internal auditing profession – see here for further details: <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/>.

As an organisation, SWAP plan to have two further External Quality Assessments over the next year. One under the existing standards, towards the end of 2024. And a further assessment against the new standards in early 2025. We believe this demonstrates a commitment to quality and continuous improvement that goes above what other internal audit functions will be completing.

Internal Audit Charter

Whilst typically we would bring our Internal Audit Charter alongside our planning paper for the year ahead, due to the above changes and the introduction of new Global Internal Audit Standards, this will follow to a later Committee meeting. This is to ensure we have incorporated all mandatory elements of the new standards. We are also looking to base our charter on the model one provided by the Institute of Internal Auditors, which is expected to be released shortly. In the meantime, we will continue to operate in accordance with our existing charter.





Title of report: Internal Audit Update Report Quarter 4 2023/24

Meeting: Audit and Governance Committee

Meeting date: Tuesday 26th March 2024

Report by: Chief Financial Officer/ Head of Internal Audit

Classification

Part Exempt

Appendix B

This appendix is exempt by virtue of the paragraph(s) of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A of the Local Government Act 1972, as amended.

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

Recommendation(s)

- (a) Review the areas of activity and concern and be satisfied that necessary improvements are outlined and delivered;**

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

(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.
3. The internal audit progress report is attached at Appendix A. A glossary of terms is provided in the report.
4. Limited assurance audit – full report to be considered under Part 2 of the meeting.

Community impact

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

Environmental Impact

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

Equality duty

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

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

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

Resource implications

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

Legal implications

11. None.

Risk management

12. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of the programme of internal audit work, and subsequent coverage assessments.

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

Consultees

14. None

Appendices

Appendix A – SWAP Internal Audit Progress Report Quarter 4 2023-24

Appendix B – Limited Assurance Audit Report – Exempt

Background papers

None identified

In partnership with



Appendix A

Herefordshire Council

Internal Audit Update Report

As of 8th March 2024

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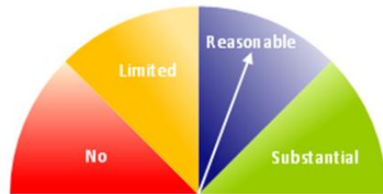
Publication Date: 8th March 2024

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Internal Audit Progress Report 2023/24

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.






Summary of high organisational risks, limited or no assurance opinions and high priority actions agreed.

No high organisational risks identified as part of this progress report

Four Priority 2 Findings identified

One Limited assurance audit

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

	Ongoing coverage of internal audit work is aligned to the corporate priorities and shown in the report. Work is planned to align the audit plan to the Council's corporate risks, SWAP's sector-wide top 10 risk areas and the 8 strands of our 'Healthy Organisation' framework to demonstrate coverage across these key areas.
	45 assignments are complete or in progress at the time of this progress report. Of the 16 in progress 4 are at report stage. 6 Follow Up Audits have been completed.
	90% of opinion related work found the control environment to be either Substantial or Reasonable assurance.
	Audit Management dashboards provide real time oversight of internal audit activity. This functionality has been rolled out to Senior Officers with the view to extend this further including the committee.
	Internal Audit work either met or exceeded expectation in 97% of audits where a post audit questionnaire was completed. This is based on a 73% return rate. 11 post audit questionnaires completed and returned of 15 issued.

Assurance Opinions

Substantial	1
Reasonable /Certified	17
Limited	3
No Assurance	0
Advisory	3

Internal Audit Agreed Actions

Priority 1	0
Priority 2	17
Priority 3	21

Audit Status

Complete	30
In Progress	17
Waiting to Go Live	5
Future Proposed	14

Internal Audit Progress Report 2023/24

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

The assessment of coverage (none, in progress, some, adequate 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 priorities and risks although we would not expect all audits to align to all corporate risks.



Internal Audit Work Programme and Coverage – Corporate Priorities

Internal audit coverage has been assessed to show coverage against the corporate priorities taken from Herefordshire Council’s County Plan 2020-24.

Corporate Priority	Coverage	Average Opinion
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

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

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

Internal Audit Plan Progress 2023/24

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

The assessment of coverage (none, in progress, some, adequate 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 priorities and risks although we would not expect all audits to align to all corporate risks.



Internal Audit Work Programme and Coverage - Risk

Internal audit coverage has been assessed to show coverage against the Council's Corporate Risks as of July 2023.

Strategic Risk	Coverage	Average Opinion
HC R60 - Development of Sufficiency strategy to support best value model	None	
HC R61 - Market workforce economy	None	
HC R63 - Hereford City Centre Transport Package	In Progress	
HC R64 - Inability to recruitment and retain social care staff and other key roles within the service	None	
HC R67 - Ash Dieback (Chalara)	None	
HC R68 - Waste Collection Vehicles - lead time for supply of new vehicles	None	
HC R69 - Hereford City Centre Improvement (HCCI) Programme	In Progress	
HC R70 - Hereford City Centre Improvements - delivery within LEP timescale	In Progress	
HC R71 - Hereford City Centre Improvement - decision making and VFM	In Progress	
HC R72 - Adult Social Care Reform	Some	Non Opinion Audits
HC R73 - Removal or reduction of ring-fence around Public Health budget	None	
HC R74 - School Assets	None	
HC R75 - SEND Inspection - Risk of adverse inspection	Some	Non Opinion Audits

Internal Audit Progress Report 2023/24

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

The assessment of coverage (none, in progress, some, adequate 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 priorities and risks although we would not expect all audits to align to all corporate risks.



Internal Audit Work Programme and Coverage

Strategic Risk	Coverage	Average Opinion
HC R76 - Educational Placements	Some	Non Opinion Audits
HC R77 - Increase in out of county educational placements	Some	Non Opinion Audits
HC R78 - Impact of Statutory Direction	None	
HC R79 - Herefordshire fuel poverty level	None	
HC R80 - Supply chain capacity	None	
HC R81 - Reviews - capacity, timeliness and statutory duty of care	None	
HC R82 - Contract Fleet Lease Expiry	None	

* Right click on any line in the table above and "Drill through" to see details of the audits that make up the coverage

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

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

Further work is planned to align the audit plan to the Council's corporate risks, SWAPS sector wide top 10 risk areas and the 8 strands of our 'Healthy Organisation' framework to demonstrate coverage across these key areas.

It is the responsibility of the Corporate Leadership Team, and the Audit & Governance Committee to ensure that the audit work proposed and completed throughout the year contains sufficient and appropriate coverage of key risks. Please note as future proposed audits are not yet scoped there is potential for coverage to increase.

Summary of Audit Opinions

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

- Substantial
- Reasonable
- Limited
- No

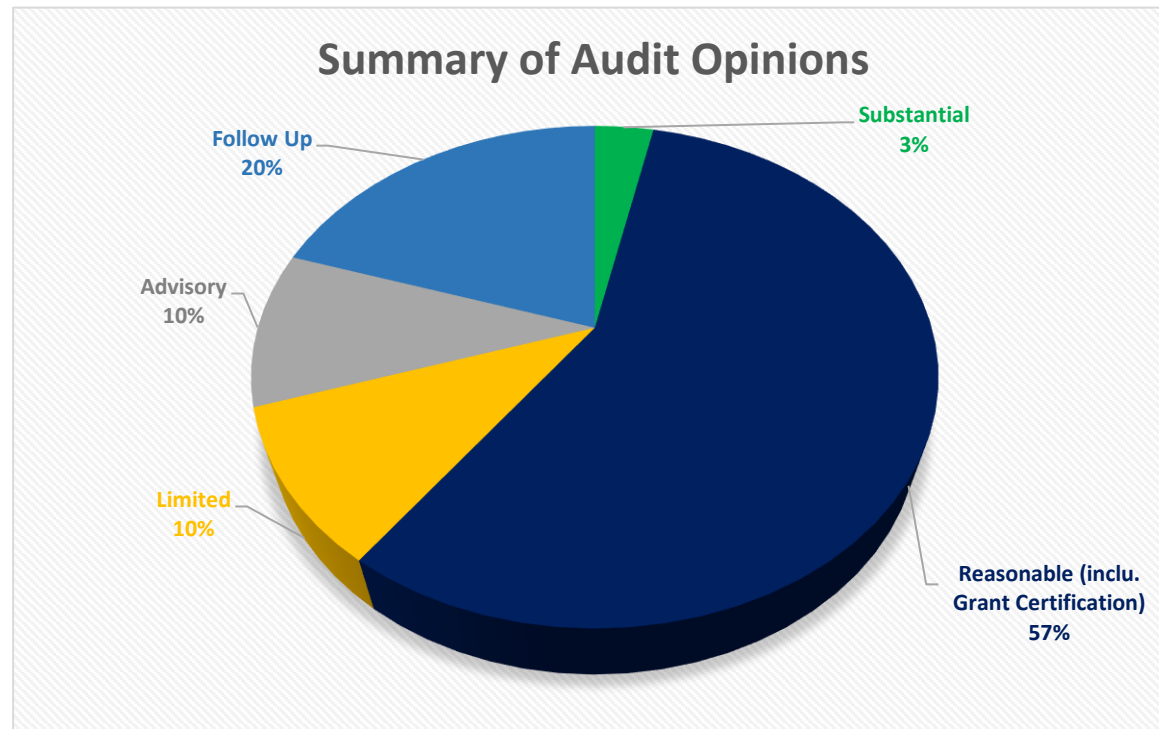
We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern



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. Annex B contains a list of those audits completed.

The assurance opinion ratings have been determined in accordance with the “Audit Framework Definitions”, detailed in Annex 1.



Internal Audit Plan Progress 2023/24

Summary of High Organisational Risks to brought to the Committee’s attention.

Summary of Limited Opinions, including actions identified as being high priority.

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.



High Organisational Risks and Limited/No Assurance

There are no high organisational risks identified as part of this progress update.

Supporting Families Q3 received a limited assurance, and Accounts Payable had 3 priority 3 actions. Both audits were assessed as a low organisational risk assessment as we believe actions can be addressed by service management in their area of responsibility.



Follow-up Audits

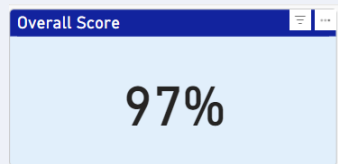
Follow-up audits provide assurance to the Director, Senior Management and the Audit and Governance Committee that key risks have been mitigated to an acceptable level. The table below shows the follow-up position:

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 / BBLP Related Audits	In Progress	
Registration Service	In Progress	

Internal Audit Plan Progress 2023/24

The client feedback shows that internal audit work adds value.

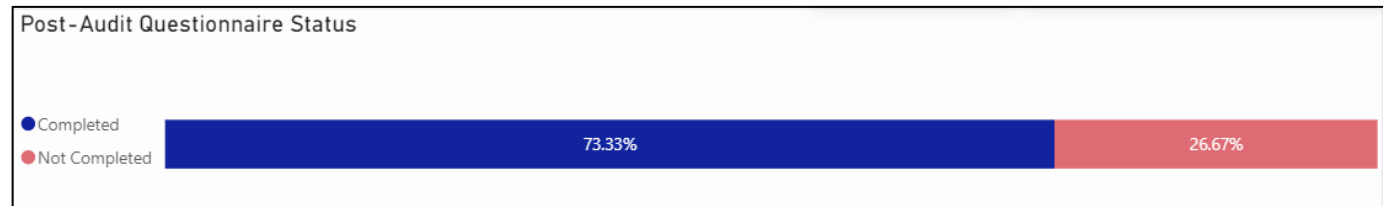
The overall customer satisfaction level for Herefordshire Council is:



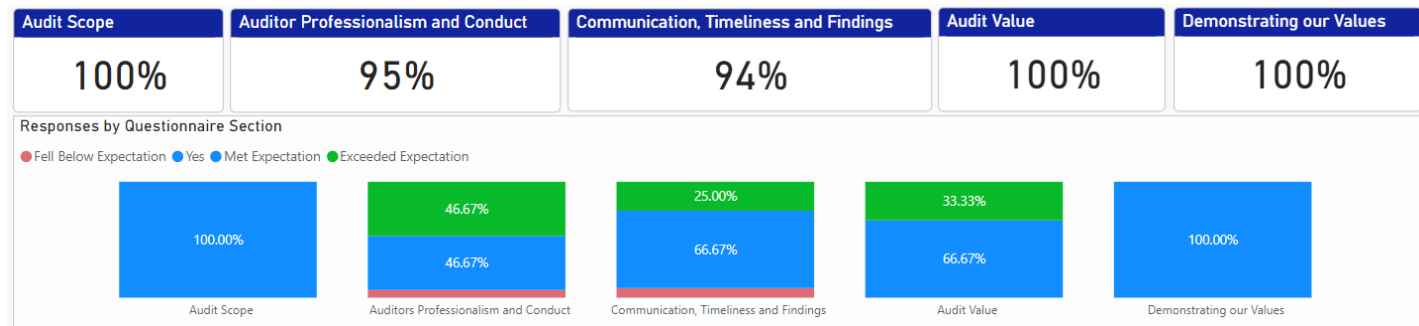
Quality Assurance

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.

The Post-Audit Questionnaire Status refers to 15 questionnaires having been sent out. 11 of these have been returned.



A score of 97% reflects the fact that the client agreed that the quality of the review either exceeded or met expectation.



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SWAP Audit Framework and Definitions

Audit Assurance Definitions	
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.
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.
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.
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.

Organisational Risk Assessment Definitions	
Assessment	Organisational Risk & Reporting Implications
High	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. The key audit conclusions and resulting outcomes should be considered by both senior management and the Audit Committee.
Medium	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
Low	Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention, but could be addressed by service management in their area of responsibility.

Categorisation of Actions	
In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating 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:

08/03/2024



All 'COMPLETED' Audits

Filter by Audit Period		Filter by Directorate			Number of Actions & Priority			Organisational Risk Assessments	Completed Date	Link to Final Report
2023/24		All			1	2	3			
Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessments	Completed Date	Link to Final Report			
HC Accounts Payable	Reasonable (Low)		3	1	Medium	04 March 2024				
Food Waste Collections – Capital Transitional Grant No. 31/7069	Grant Certification				Medium	01 March 2024				
HC Supporting Families Q3	Limited (High)		1		Low	01 March 2024	🔗			
HC HUG2 (Ph.2) Grant - Contract Status Review	Advisory				Medium	27 February 2024				
HC Blue Badge	Reasonable (Low)			2	Low	09 January 2024				
HC Payroll	Reasonable (Low)		2	4	Medium	20 December 2023				
HC ICT Backup	Limited (High)		2		Medium	15 December 2023				
HC Green Homes Grant LAD 3 31/5775	Grant Certification				Low	04 December 2023				
HC - Local Transport Capital Block Funding Grant 2022/23	Grant Certification				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	Advisory				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				
HC Home Upgrade Grant HUG 1 - 31/5775	Grant Certification				Low	27 July 2023				
Audit #1382					N/A	25 July 2023				
HC Green Homes Grant HUG 2 Mobilisation- 31/6400 - 2022/23	Grant Certification				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				

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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.



ROLLING AUDIT PLAN as at:

08/03/2024



All 'COMPLETED' Audits

Filter by Audit Period		Filter by Directorate		Number of Actions & Priority			Organisational Risk Assessments	Completed Date	Link to Final Report
All		All		1	2	3			
Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessments	Completed Date	Link to Final Report		
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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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.



ROLLING AUDIT PLAN as at:

08/03/2024



Filter by Directorate

All 'IN PROGRESS' audits

All ▼

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date	Notes
	25%	50%	75%	100%					
HC Destination BID Lessons Learned (Herefordshire DBID)	█	█	█	█	01/03/2024		Assurance	11/09/2023	Report with client for comments.
HC Procurement Card Proactive Fraud Review	█	█	█	█	22/02/2024		Proactive fraud work	13/03/2023	Report with client for final comment
HC Hereford Enterprise Zone - Sales	█	█	█	█	15/02/2024		Assurance	07/11/2023	Working with client to agree report
HC Museum Project Review	█	█	█	█	29/01/2024		Advisory	20/11/2023	Additional evidence provided, further work completed and revised draft report issued
HC Budgetary Control Forecasted Costs for Placements	█	█	█	█			Assurance	13/04/2023	Report in process of being drafted.
HC Data Breaches	█	█					Assurance	22/05/2023	
HC Direct Payments Support Services: Managed Accounts	█	█	█	█			Assurance	03/10/2023	Findings and Action Plan provided to client 01/03/2024 for completion/agreement
HC Follow up of Public Realm/BBLP Related Audits	█	█	█	█			Follow up	21/04/2023	
HC Grants Working Group	█	█	█	█			Advisory	01/07/2023	
HC ICT Security Assurance Framework Review (SAFR)							ICT	26/02/2024	Audit brief with client for comment
HC Planning Benchmarking	█						Advisory	18/01/2024	
HC Registration Service Follow Up							Follow up	18/03/2024	
HC Supporting Families Q4	█	█	█				Grant Certification	30/01/2024	Q4 January and February cases completed.

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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.



ROLLING AUDIT PLAN as at:

08/03/2024



Filter by Directorate

All 'IN PROGRESS' audits

All

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date	Notes
	25%	50%	75%	100%					
HC Taskforce Commissioning & Resources Delivery Board	█	█	█	█			Advisory	01/04/2023	
HC Taskforce Service and Practice Delivery Board	█	█	█	█			Advisory	01/04/2023	
HC Taskforce Workforce Delivery Board	█	█	█	█			Advisory	01/04/2023	
HC Use of CIFAS (Fraud Sharing Database) including support and advice	█	█	█	█			Advisory	01/04/2023	





ROLLING AUDIT PLAN as at:

08/03/2024



Filter by Directorate

All 'WAITING TO GO LIVE' audits

All

Audit Title	Type of Work	Notes
HC All Ages Commissioning - Use of Spot Purchasing	Assurance	Audit brief in the process of being drafted
HC Court of Protection	Advisory	
HC Planning Enforcement	Assurance	Audit brief issued 26/02/2024. Client feedback received and brief will be reissued to be agreed.
HC Safeguarding in Recruitment Processes	Assurance	Audit brief in the process of being drafted
HC Waste Strategy Contract	Assurance	Initial meeting to scope audit scheduled for 11/03/2024

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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.



ROLLING AUDIT PLAN as at:

07/03/2024



Filter by Directorate

All 'FUTURE PROPOSED' audits

All

Audit Title	Type of Work	Priority	Notes
HC Financial Resilience Checks	Assurance	Higher priority	
HC Management of Temporary Employees	Assurance	Higher priority	
HC Polygamous/Dual Employment	Assurance	Higher priority	
HC Social Care Reform: Follow Up of WM ADASS Readiness Review	Assurance	Higher priority	
HC Data Maturity Assessment	Assurance	Medium priority	
HC Procurement Frameworks	Assurance	Medium priority	
HC Recruitment, Retention and Talent Management	Assurance	Medium priority	
HC Active Travel Plans - Public Transport	Assurance	Lower priority	
HC Debtors (Accounts Receivable)	Assurance	Lower priority	
HC Main Accounting	Assurance	Lower priority	
HC School Establishment Audits	Assurance	Lower priority	
HC Sustainable Procurement	Assurance	Lower priority	
HC Tax Evasion (Proactive Fraud Work)	Proactive fraud work	Lower priority	
HC Tender Evaluation Process	Assurance	Lower priority	

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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.



ROLLING AUDIT PLAN as at:

07/03/2024



Filter by Directorate

All

Audits 'DEFERRED' in the past 2 years

Audit Title	Rationale for Deferral
HC Commissioning All Ages - Performance and Monitoring	Audit deferred due to service resourcing and outcomes of LGA review. Revisit with client in April 2024
HC Fostering	Agreed to pause audit temporarily until the Budgetary Control Forecasted Costs for Placements audit is completed as there is an overlap of scope.
HC Risk Management	Agreed with Director of Public Health to defer audit due to the Director having recently taken responsibility of this area. Agreed with the Chief Finance Officer to defer till Q3 2024/25.



Title of report: Work programme

Meeting: Audit and Governance Committee

Meeting date: 26 March 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 Planning Paper 2024/25	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	Internal Audit Update Report Quarter 4 2023/24	
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 annual plan 2023/24	
b	To consider specific reports from the External Auditor.	External Audit Progress Update		Progress Report				External Audit Progress Report and Sector Update		
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 Managing risk across the council	Work Programme Risk Registers Date of Future Meetings
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			2023/24 Draft Statement of accounts

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