



NOTICE OF MEETING

Meeting: Audit Committee
Date and Time: Tuesday 27 July 2021 7.00 pm
Place: Council Chamber
Enquiries to: Committee Services
committeeservices@hart.gov.uk

Members: AxaM (Chairman), Blewett, Crookes, Davies,
Farmer, Southern and Wildsmith

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

This Agenda and associated appendices are provided in electronic form only and are published on the Hart District Council Website.

Please download all papers through the Modern.Gov app before the meeting.

1 APOLOGIES FOR ABSENCE

To receive any apologies for absence from Members*.

***Note:** Members are asked to email Committee Services in advance of the meeting as soon as they become aware they will be absent.

2 MINUTES OF THE PREVIOUS MEETING (Pages 4 - 6)

The Minutes of the meeting held on 25 May 2021 are attached to be confirmed and signed as a correct record.

3 DECLARATIONS OF INTEREST

To declare disclosable pecuniary, and any other, interests*.

***Note:** Members are asked to email Committee Services in advance of the meeting as soon as they become aware they may have an interest to declare.

4 CHAIRMAN'S ANNOUNCEMENTS

5 INTERNAL AUDIT PROGRESS REPORT Q1 2021/22 (Pages 7 - 15)

To update the Committee on Internal Audit work Carried out between 1st April 2021 and 30th June 2021.

RECOMMENDATION

That the report and appendix summarising Internal Audit work completed between April 2021 and June 2021 is noted.

6 LOCAL CODE OF CORPORATE GOVERNANCE (Pages 16 - 24)

The Council must conduct its business in accordance with the law and proper standards. Public money is to be safeguarded and its decision making process is open and transparent.

The purpose of the Local Code of Corporate Governance is to inform the community how the council will conduct its business and how it will comply with the principles of good governance outlined in the CIPFA/SOLACE Corporate Governance Framework 2016. The Code has been updated to take into account the revised framework.

RECOMMENDATION

That the committee approves the revised Local Code of Corporate Governance

7 DRAFT ANNUAL GOVERNANCE STATEMENT (Pages 25 - 54)

The purpose of this report is to inform the Committee of the content of the Annual Governance Statement for 2020/21 contained in Appendix 1.

The Committee should note that this is a draft statement and may require amendments to take into account any changes required as part of the audit of the Statements of Accounts for 2020/21. The final version will be reported to the next Audit Committee for questions, debate and approval.

Officers are providing the report now to provide Member of the Committee sufficient time to review, scrutinize and clarify any queries in advance of the document coming to Committee for discussion and approval.

RECOMMENDATION

That Members of the Committee review the report and bring questions or queries to the Internal Audit Manager or Head of Corporate Services during August

8 ASSESSMENT OF COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE (Pages 55 - 67)

Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code. CIPFA introduced a Financial Management code (FM Code) to provide guidance to local authorities. This report provides the results of an Officer review against the key standards in the code.

RECOMMENDATION

The Committee notes:

The publication of the FM Code and the requirement for it to be applied from 1 April 2020.

That the first year, 2020/21, is a shadow year where local authorities can demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.

That an initial assessment has been carried out at APPENDIX A of the Council's assessed level of compliance compared to the Standards contained in the FM Code.

There is an item on the Internal Audit Plan 2021/22 to review progress against actions raised in the initial review.

Date of Publication: Monday, 19 July 2021

AUDIT COMMITTEE

Date and Time: Tuesday 25 May 2021 at 7.00 pm

Place: Council Chamber

Present:

Axam (Chairman), Blewett, Crookes, Davies, Farmer, Southern and Wildsmith

In attendance: Kevin Suter – Ernst & Young

Officers:

Emma Foy	Head of Corporate Services and S151 Officer
Neil Carpenter	Audit Manager
Joanne Innes	Internal Auditor
Jenny Humphreys	Committee Services Officer
Rebecca Borrett	Committee Services Officer

1 ELECTION OF VICE-CHAIRMAN

Cllr Southern was elected as Vice-Chairman for the year 2021/22.

2 MINUTES OF THE PREVIOUS MEETING

The Minutes of the last meeting held on 23 March 2021 were confirmed and signed as a correct record.

3 APOLOGIES FOR ABSENCE

No apologies received.

4 DECLARATIONS OF INTEREST

No declarations made.

5 CHAIRMAN'S ANNOUNCEMENTS

The Chairman thanked Neil Carpenter, Audit Manager for his 42 years of service at the council, as he is retiring this week.

6 INTERNAL AUDIT PROGRESS REPORT Q4 2020/21

The Committee was updated on Internal Audit work carried out between March and May 2021. During that period reports were issued for Payroll and Section 106 Agreements.

All new councillors have completed Fraud Awareness training and the Audit Manager confirmed that Committee Services has the most recent attendance records for this and other training that's required. A risk review meeting was

held in May and Corporate Risk Register review will go to Overview and Scrutiny Committee in September. Members queried why the Fraud Risk Assessment/Payroll recommendations were still outstanding.

The Audit Manager confirmed that this was picked up in the Payroll Audit and management agreed that will be actioned.

Members considered:

- Fraud Risk Assessment on Payroll
- The review of starters and leavers
- The timetable of the operational risk registers to be linked to the service plans
- Fraud checks on grant payments
- Why deadlines are so far in advance
- The payroll transition from Capita back in house.

The Section 151 Officer stated that since April 2020 when the Payroll transition from Capita occurred, accuracy of individuals pay is much higher. There is still work to do around forms and controls, in particular creating and using new forms, not the previous Capita ones. The Section 151 Officer also confirmed that the council has resilience Audit arrangements with Wokingham and Basingstoke & Deane councils and can also call on Government frameworks if required.

Members questioned recruitment in the Planning teams and wanted to know more about the use of temporary staff. It was agreed that this would be investigated and be appropriate for the next Staffing Committee. Members also queried the Section 106 payment procedures to parish councils and the Audit Manager confirmed that Place are looking at the central register and how it is done in the future. The Section 151 Officer also confirmed that teams have regular updates from parish councils.

Members commended the Audit team for their handling of grant payments during the last year in the Covid-19 pandemic.

DECISION

The Internal Audit Progress Report Q4 for 2020/21 was noted.

7 INTERNAL AUDIT ANNUAL REPORT 2020/21

The Audit Manager highlighted the key findings from the Internal Audit Annual Report for the year 2020/2021.

The Audit Manager summarised that due to the impact of the Covid-19 pandemic the plan had to be revised and work on the financial system reviews was prioritised. Opinions on treasury management and housing benefits were still outstanding. There were currently no areas of concern raised but reports will be submitted to the next audit committee. Members queried control of credit card

payments by different departments and the signing off of purchase orders. The Audit Manager stated that the team were pleased with the processes and the samples they had reviewed showed positive outcomes.

Members asked for more information on the definitions that are used in the report and the items that are measured. The Audit Manager confirmed the council has a matrix, based on many factors, including risks, costs and reputation to the council and will provide members with this at a later date.

DECISION

The Internal Audit Annual Report for the year 2020/2021 was accepted.

8 EXTERNAL AUDIT PLAN

The Council's external auditors summarised the findings from the External Audit Plan. It was noted that accounting for Covid-19 grants was a new focus to the plan for this year. It was recognised the council has had to evolve due to the pandemic. No financial risks were identified.

Members questioned the deadline and time frames for this report and if they were sustainable. Last year the deadline was extended until November and the council met that deadline where many other local authorities and organisations did not. The deadlines for this year's report is by the end of September, which will also be the same for next year.

DECISION

The External Audit Plan was approved.

The meeting closed at 8.05 pm

AUDIT COMMITTEE

DATE OF MEETING: 27 JULY 2021

TITLE OF REPORT: INTERNAL AUDIT PROGRESS REPORT Q1 2021/22

Report of: Internal Audit Manager

Cabinet Member: Councillor James Radley, Finance and Corporate Services

1. PURPOSE OF REPORT

1.1 To update the Committee on Internal Audit work Carried out between 1st April 2021 and 30th June 2021.

2. OFFICER RECOMMENDATION

2.1 That the report and appendix summarising Internal Audit work completed between April 2021 and June 2021 is noted.

3. BACKGROUND

3.1 Internal Audit prepares an annual risk-based plan which identifies work to be carried out during the year. The plan was approved by the Committee in March 2021 and reflects a reduced level of resource available during Quarter One due to the administration of Statutory Business Rates Grants.

3.2 Two audits were completed in Q1 2021/22 - both of which were carried over from the prior year 2020/21 Internal Audit Plan.

3.3 Progress made to date on the 2021/22 internal audit plan is shown below:

Area of Review	Current Status	Target Completion Date
Carry over from 2020/21		
Housing Benefits	In progress - draft report	July 2021
Treasury Management	Completed	
Audit Plan 2021/22		
Complaints	In progress	September 2021
Fraud Risk Assessment	In progress	August 2021
IT Controls	In Progress	September 2021
Waste / Street Cleaning	Planned Q2	
Financial Resilience	Planned Q2	
Accounts Payable	In Progress	September 2021
Accounts Receivable	Planned Q2	
Main Accounting	Planned Q2	
Disabled Facilities Grants	In Progress	September 2021
Planning Performance	Planned Q2	
Local Taxation	Planned Q3	
Treasury Management	Planned Q3	
Payroll	Planned Q3	
Housing Benefit	Planned Q4	

4. CONSIDERATIONS

4.1 Planned Work

During the period between May 2021 and June 2021 reports were issued for:

- Treasury Management 2020/2021

4.2 **Unplanned Work**

Resources from Internal Audit continue to be used to complete the Business Grants Payment process, it is likely that this will be completed by the 31st of July 2021 or shortly after. Any audits which cannot be fulfilled by the existing resource will be procured in accordance with Contracts Standing Orders.

The cost of these reviews will be met from Additional Burdens Funding provided by Central Government for the administration of business rates grants.

4.3 **Follow Up of High-Level Recommendations raised in 2020/21**

4.3.1 There were three outstanding high risk audit recommendations raised from the Payroll audit from 2020/21. One recommendation has now been verified as completed and two recommendations have been allocated to officers and are in progress.

4.3.2 **Completed Recommendation**

Starters and Leavers – this is a long-standing finding relating to inadequate controls in this area. In July 2021 a new electronic form has been launched whereby managers are able to record leavers - use of this form will be reviewed in the IT controls audit.

4.3.3 **Recommendations in Progress**

Fraud Risk Assessment / Payroll	That recruitment checks in place do not always meet employment law requirements.	In progress
Fraud Risk Assessment / Payroll	The DBS framework needs to be reviewed	In progress

4.3.4 Follow up of previously raised internal audit recommendations will now be reviewed on a quarterly basis in June, September, December, and March. These will be reported to the following committee.

4.4 **Counter Fraud**

4.4.1 The Annual fraud risk assessment is in progress and the results of this will be reported to the September Audit Committee.

4.4.2 Pre and Post fraud checks are being completed on the grant payments as required by the Department of Business, Energy & Industrial Strategy (BEIS). Any suspected frauds are being reported to the National Anti-Fraud Network (NAFN) and Action Fraud.

4.4.3 To date the following suspected frauds have been reported:

Scheme	Number of grants reported	Number of grants paid
Restart Main	7	1 (£2667)
Restart Discretionary	4	0

4.4.4 The Statutory National Fraud Initiative (NFI) Matches for Council Tax Reduction Scheme are being worked through by the Housing Benefit / Revenues teams. Work required on Accounts Payable is 68% complete and any duplicate payments found will be flagged with the Accounts Payable team.

4.4.5 There are a small number of NFI grant matches from the first round of grant payments (March – September 2020) these will be reviewed in due course.

5. Risk Management

5.1 Internal Audit continue to facilitate the risk management process to ensure effective arrangements are in place to manage risk.

5.2 The Audit Manager is working with all Heads of Service to review the Corporate and Service risk registers to ensure service plan risks are considered. Reviewed registers will be presented to the Overview and Scrutiny Committee in September 2021.

6. FINANCIAL AND RESOURCE IMPLICATIONS

6.1 The Financial and Resource Implications are detailed in Section 4 of this report.

Contact: Joanne Innes, Ex 4147 joanne.innes@hart.gov.uk

APPENDICES

Appendix 1 - Treasury Management – summary findings

Area of Review	Treasury Management KPMG – Completed June 2021
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1. Conclusion

The Auditors have reviewed the controls around the management and operation of the Treasury Management function at the council.

An overall assurance rating of Significant Assurance with minor improvement opportunities / Satisfactory.

This is in line with management’s anticipated assurance level and means that the core systems are generally well designed, with some minor scope for improvement in their operation.

The review has raised three recommendations, none of which are considered high priority. Two of the recommendations raised in year are medium priority and all recommendations are detailed in Section 4.

The review focussed on the core areas around treasury management, including the investment making and monitoring process, performance of bank reconciliations, monitoring of loans and loan payments, and the cash-flow forecasting process

2. Summary of Good Practice

The review identified the following instances of good practice:

- The Council has a detailed Capital Strategy, Treasury Management Strategy Statement and Annual Investment Strategy for the year 2020/21, approved by the Overview and Scrutiny Committee on 21 January 2020, and subsequently approved by Cabinet. This strategy is updated on an annual basis, taking in to account the current needs and challenges faced by the Council. The Strategy for 2021/22 was approved by the Overview and Scrutiny Committee on 19th January 2021, and subsequently by Council on 25th February 2021.
- The Council’s strategy, when benchmarked against that of other councils, demonstrates a number of instances of good practice, especially relating to clear ownership of policy, CIPFA compliance and alignment with the Council’s overarching strategy. See appendix three.
- The mid-year Treasury Management Report provided detailed updates against the Treasury Management Strategy. This was reviewed and approved by Council in December 2020.

- The Council has a Commercialisation Strategy, first agreed at Cabinet in August 2018 which sets out the Council's commitment towards diversifying investments through increased commercialisation.
- The Council has updated its Financial Regulations in year, which were approved by Cabinet on 5 November 2020. These new financial regulations make clear and detailed reference to treasury management.
- The Council has adapted well to remote working in light of Covid-19. Treasury management documentation – such as investment evidence and the rolling treasury management activity spreadsheet are saved on the shared drive, where it can be accessed remotely by all treasury management staff.
- The Council maintains a Treasury Management Activity excel workbook, with individual tabs for each of the core areas including loans, investments, and cashflows. This rolling workbook is updated regularly, with the master copy stored on the shared drive for ease of access for all relevant staff.
- Staff involved in the treasury management processes receive regular and on-going training, in line with CIPFA requirements.
- The Council works pro-actively with Barclays. Where an issue with the recording of bank account transfers was identified in year, this issue was swiftly communicated to Barclays so that it could be rectified as soon as possible and to minimise the impact on reporting and procedures within the Council.
- Approval of investments is limited to authorisers. There are currently 5 members of senior management who are approved authorisers, in line with the scheme of delegation.
- Our sample testing of investments found that all 15 investments tested were within the £5 million counter-party limit.
- The accounts team at Mendip DC performs a monthly reconciliation between the financial system Integra and the Council's Flexible Interest-Bearing Current Account (FIBCA) where all investment transactions are processed.
- Changes to the bank mandate are processed in a timely manner. New users are added, and leavers removed, appropriately.
- There is a clear segregation of duties in the key processes around adding or removing users on the bank mandate, performing bank reconciliations, and authorising investments.
- Authorisation limits and process flowcharts are available within the strategy. □
- Documentation is retained for all loans and saved on the Shared Drive for ease of access.
- We tested interest repayments on the PWLB loan and found that both repayments made in year had been calculated correctly. Payments had been made in a timely manner, in line with the repayment schedule.
- The Council is cash-less, as a result of a planned end to cash-handling prior to Covid-19. As a result, the Council does not handle any petty cash, mitigating risks around security and access to petty cash

3 Summary of recommendations and observations

- The financial accounts team completes new investment forms which contain the details of the investment prior to a new investment being made.

Our sample testing of 15 investments in year found that new investment forms are not consistently used, with deficiencies in completion, accuracy, and regularity of these forms.

Our testing also identified instances where there was no documentation – such as investment confirmations - retained for historical investments, and where investments were not included on monthly investment returns.

See Recommendation One.

- In line with mandatory reporting requirements, the council produces three documents annually regarding treasury management. However, our review found that the Council currently does not regularly and consistently report on core treasury management areas, such as investment performance or cash-flow forecasts.

See Recommendation Two.

- Monthly bank reconciliations are performed for each of the five bank accounts held by the Council on the first day of the month. We tested a sample of 15 bank reconciliations and found that the breakdown of reconciling items tab had not been updated for the October 2020 bank reconciliation, and the November 2020 bank reconciliations – except for the FIBCA account – had not been marked as reviewed.

See Recommendation Three.

4 Management Action Plan

Management Action Plan				
	Risk/Issue	Risk Assessment	Management Response	Responsible Officer
1.	<p>There is the risk that investments which are not in line with the Council's needs are approved, if information is not completed correctly on the new investment form, or the correct approval processes are not followed.</p> <p>Where information and key documentation is not stored, there is an inadequate audit trail for investments</p>	Medium	<p>Investments forms are consistently used for 3 new investments in 2021- 22 and all supporting documents are saved. Form has been upgraded for 2021-22 to add additional authorisation level to improve audit trail. Also, to avoid further administration issues where wrong number has been used as the Form reference, the Investment logging sheet has been simplified as discussed to improve visibility and controls.</p> <p>Actions Completed</p>	Mendip Finance Manager
2.	<p>There is the risk that there is inadequate oversight of the treasury management process and activities, specifically pertaining to investments, resulting in a potentially negative impact on the Council's overall financial position.</p>	Medium	<p>Management Response: Cashflows are saved on Hart shared drive and are shared with senior management. If there is a need to have additional audit trace of management review, financial accountant can set up monthly task for them and the finance manager where up to date cashflows will be sent to Finance Manager for review by email and if any further concerns discussed afterwards. Monthly</p>	Mendip Finance Manager

			<p>Investment report will be sent starting from next month's report by email to S151 and Finance Manager.</p> <p>This will be completed from July 2021 when next report received.</p>	
3.	There is the risk that errors in the performance of bank reconciliations are not identified, due to inadequate review.	Low	<p>The bank reconciliations in questions were reviewed however regrettably not signed off on the spreadsheet, these recs have subsequently been re-reviewed and remain accurate. All bank reconciliations for 2021-22 are completed by the second working day of each month and have been reviewed and signed off. One presentational issue logged with CST remains outstanding and has been chased and the priority for it has been increased</p> <p>Actions completed</p>	Mendip Finance Manager

Audit Committee

DATE OF MEETING: TUESDAY, 27 JULY 2021

TITLE OF REPORT: LOCAL CODE OF CORPORATE GOVERNANCE

Report of: Section 151 Officer

Cabinet Portfolio: Deputy Leader and Finance & Corporate Services

1 PURPOSE OF REPORT

- 1.1 The Council must conduct its business in accordance with the law and proper standards. Public money is to be safeguarded and its decision making process is open and transparent.
- 1.2 The purpose of the Local Code of Corporate Governance is to inform the community how the council will conduct its business and how it will comply with the principles of good governance outlined in the CIPFA/SOLACE Corporate Governance Framework 2016. The Code has been updated to take into account the revised framework.

2 OFFICER RECOMMENDATION

That the committee approves the revised Local Code of Corporate Governance

3 Financial Implications

There are no direct financial implications arising from this report.

4 Risk Management

There are no direct risk implications arising from this report

5 EQUALITIES

There are no direct equalities implications arising from this report

6 CLIMATE CHANGE IMPLICATIONS

There are no direct climate change implications arising from this report

Contact Details: Joanne Innes / joanne.innes@hart.gov.uk



LOCAL CODE OF CORPORATE GOVERNANCE

Date Created	March 2017
Review Date	June 2021
Next Review Date	June 2022
Owner	Internal Audit Manager

1 Introduction

- 1.1 Hart District Council is committed to demonstrating high standards of governance. The Local Code of Corporate Governance sets out how local arrangements put the principles of good governance into practice.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have published a framework document for Corporate Governance in Local Government published April 2016. This document is based on those principles
- 1.3 The Local Code of Corporate Governance also considers the introduction of the CIPFA Financial Management Code 2019 (FM Code) introduced during 2021/22 which is designed to support good practice in financial management and sets standards of financial management for local authorities.
- 1.3 The code has been updated considering the changes to governance arrangements made to adapt to the impact of Covid-19

2 What is Corporate Governance?

- 2.1 Corporate Governance comprises of the arrangements put in place to ensure that intended outcomes for service users and stakeholders are defined and achieved, while always acting in the public interest. It is about doing the right things, in the right way, for the right people, in a timely, inclusive, open, transparent, honest, and accountable way.

3 Principles of good financial management

- 3.1 The CIPFA Financial Management Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

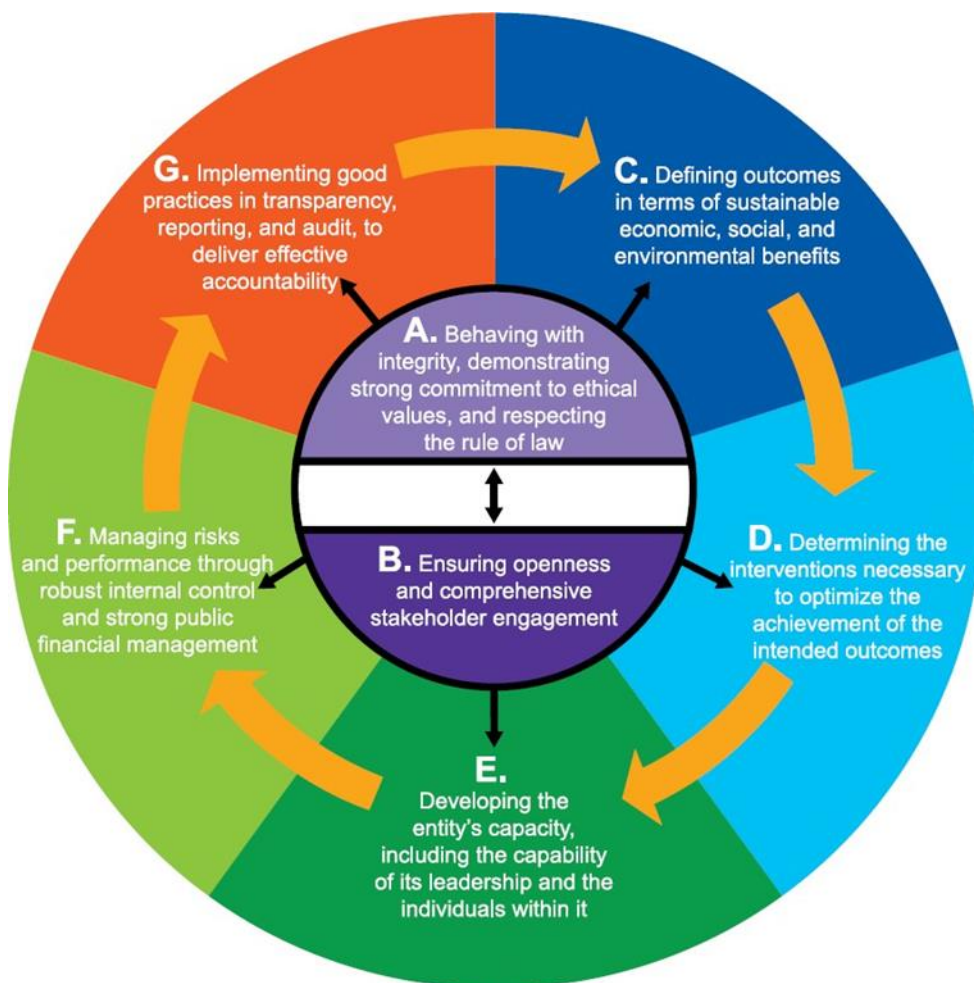
4 Responsibilities

- 4.1 All Members and officers have a responsibility for upholding the principles of good governance.
- 4.2 Management are responsible for the development, delivery, and review of robust corporate governance arrangements.

- 4.3 The Audit Committee has responsibility for monitoring and reviewing the Council’s corporate governance arrangements.
- 4.4 The effectiveness of the Governance Framework will be reviewed annually. The outcomes of the review will be reported to the Audit Committee as part of the Annual Governance Statement.

5 Our Framework

- 5.1 The Council’s Governance Framework is based on a recommended best practice for Local Authorities developed by CIPFA/SOLACE, 2016. The seven principles of the framework are shown in the diagram below.



5 Principles of Good Governance

The Council will comply with the requirements of the CIPFA/SOLACE Governance Framework 2016:

5.1 Behaving with Integrity

Principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law.	<ul style="list-style-type: none"> • Constitution • Code of Conduct for Employees • Code of Conduct Councillors • Scheme of delegation for officers. • Statutory Officers are in post • Declaration of Interest • Register of gifts and hospitality • Equality and Diversity Information • Corporate Equality Policy • Corporate Equality Objectives • Whistleblowing Policy • Anti- Fraud and Corruption Policy • Financial Regulations and Standing Orders • Contracts Register • Published Members allowances • Published Spend over £500 • Notification of Public Inspection and Audit of Accounts • Induction programme for officers and members • Overview and Scrutiny committee • Standards Committee • Hart District Council Covid 19 Recovery Plan

5.2 Ensuring openness and comprehensive stakeholder engagement.

Principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Ensuring openness and comprehensive stakeholder engagement.	<ul style="list-style-type: none"> • Constitution • Publication of corporate policies • Corporate Plan • Hart 2040 Vision • Hart Values • Public Consultation • Officer Consultation during Covid • Customer Feedback forms • Social Media engagement • Hart for Business newsletter – increased during Covid

	<ul style="list-style-type: none"> • Open Council and Committee meetings with published minutes • Council Meetings were held online during Covid • Hart News – Publication for residents • Covid Newsletters for residents in April and August 2020 • Regular Staff briefings – Increased during 2020 • Regular staff newsletter – Increased to weekly in 2020
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5.3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
Defining outcomes in terms of sustainable economic, social, and environmental benefits.	<ul style="list-style-type: none"> • Climate Change: Carbon Reduction Action Plan • Corporate Plan • Service Plans • Corporate and Service Risk Registers • Treasury Management Strategy • Capital Strategy • Annual Budget setting • Project Management structures and protocol • Medium Term Financial Plan • Commercialisation Strategy • Preventing Homelessness and Rough Sleeping Strategy • Covid 19 Recovery Plan

5.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principles	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
Determining the interventions necessary to optimise the achievement of the intended outcomes.	<ul style="list-style-type: none"> • Risk Management Policy • Corporate and Service Risk Registers • Risk Management reporting

	<ul style="list-style-type: none"> • Public Consultations • Month Budget Monitoring • Budget Monitoring reporting • Regular Portfolio Holder Meetings with Heads of Service • Financial reporting • Overview and Scrutiny Committee
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5.5 Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Principle	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
Developing the entity’s capacity, including the capability of its leadership and the individuals within it.	<ul style="list-style-type: none"> • Recruitment Policy • Member Induction • Officer Induction • Officer 1 to 1s • Officer Performance Development Review • Mandatory Officer and Member Training • Continuing Professional Development and learning programmes • Peer reviews • Health and Wellbeing Support services in place • Regular officer welfare checks and updates throughout 2020 • Specialist teams used for professional advice – e.g., Legal

5.6 Managing risks and performance through robust internal control and strong financial management.

Principles	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
Managing risks and performance through robust internal control and strong financial management.	<ul style="list-style-type: none"> • Constitution • Risk Management Policy • Corporate and Service Risk Register • Internal Audit programme • External Audit work • Audit Committee • Overview and Scrutiny

	<ul style="list-style-type: none"> • Review of Local Code of Corporate Governance • Treasury Management Reporting • Budget Monitoring • Cyber and Fraud Awareness training for officers and members • GDPR training • Policies and procedures in place to prevent fraud • Covid business grant – Fraud checks in place both pre and post payment • Covid Recovery Plan • IT security policy
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5.7 Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Principles	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	<ul style="list-style-type: none"> • Transparency Reports • Follow up on Internal and External Audit Plans • Open Council and Committee meetings with published minutes • Internal Audit annual audit opinion • Internal Audit • External Audit • The internal audit service works to the requirements of the Public Sector Internal Auditing Standards • Compliance with CIPFA codes and practices • Annual Governance Statement • Overview & Scrutiny Committee • Peer / External Reviews • External Audit letter • Statement of Accounts

6 How Corporate Governance Arrangements are monitored and reported

6.1 The extent to which the governance arrangements are in place and effective is considered as part of the authority's annual governance statement.

6.2 The review of governance arrangements will be reported to the Audit Committee and externally with the published accounts of the authority, to provide assurance that:

- the governance arrangements are adequate and working effectively in practice
- where the reviews of the governance arrangements have revealed significant gaps, which will impact on the authority achieving its objectives, action is to be taken to ensure effective governance in future.

7 The CIPFA Financial Management (FM) Code

7.1 The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

7.2 The main principles are:

- Organisational Leadership
- Accountability
- Transparency
- Adherence to professional Standards
- Sources of Assurance
- Sustainability

7.3 A review of how Hart meets these standards is documented in the Annual Governance Statement.

AUDIT COMMITTEE

DATE OF MEETING: 27 JULY 2021

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

Report of: Daryl Phillips, Joint Chief Executive and Monitoring Officer

Cabinet Member: Councillor James Radley

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform the Committee of the content of the Annual Governance Statement for 2020/21 contained in Appendix 1.
- 1.2 The Committee should note that this is a draft statement and may require amendments to take into account any changes required as part of the audit of the Statements of Accounts for 2020/21. The final version will be reported to the next Audit Committee for questions, debate and approval.
- 1.3 Officers are providing the report now to provide Member of the Committee sufficient time to review, scrutinize and clarify any queries in advance of the document coming to Committee for discussion and approval.

2 OFFICER RECOMMENDATION

- 2.1 That Members of the Committee review the report and bring questions or queries to the Internal Audit Manager or Head of Corporate Services during August

3 BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015, require Local Authorities to prepare and publish an Annual Governance Statement on an annual basis. The statement is prepared in accordance with the revised CIPFA/SOLACE Framework "Delivering Good Governance 2016."

4 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report

Contact: Daryl Phillips, Ext 4492, daryl.phillips@hart.gov.uk

APPENDICES:

Appendix 1 – Draft Annual Governance Statement 2020/21



ANNUAL GOVERNANCE STATEMENT 2020/21

1 Executive Summary

1.1 Responsibility for Governance

Hart District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively and in accordance with the Local Government Act 1999.

1.2 Commitment to address governance issues and keep arrangement under review

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

This statement enables us to monitor our achievements and to provide assurance that our strategic objectives have led to the delivery of strong, effective services which continue to provide value for money.

The council has also approved and adopted a Code of Corporate Governance that is consistent with the principles of the 'Delivering Good Governance in Local Government: Framework' (CIPFA/Solace, 2016). This statement is available on the Council's website www.hart.gov.uk.

The Council has summarised issues and identified areas of improvement required in Section 1.3 of this statement. Progress made against the action plan will be reported to the Audit Committee at meetings during 2021-22.

During the year ended 31 March 2021, the pandemic had an impact on the governance arrangements within Hart District Council and revised actions are detailed in section 4 of this statement.

This statement is signed off and authorised by the Leader of the Council and Joint Chief Executive on page 6

1.3 Overall opinion on assurance and whether arrangements remain fit for purpose

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by Internal Audit and the Head of Corporate Services and Section 151 Officer. The Senior Leadership Team also feed into this review process.

The review process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:

- The views of Internal Audit regularly reported to Audit Committee via the 'Internal Audit: Progress Report' which includes executive summaries of new reports published and highlights any comments. The Committee is able to request any member of the Senior Leadership team attends a meeting to discuss any issues or concerns.
- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report.
- The Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the council's internal control environment: The Chief Internal Auditor's opinion for 2020-21 was that a **Satisfactory** opinion was given on the effectiveness of the arrangements relating to the framework of governance, risk management and control at Hart District Council.
- The work of the Joint Chief Executive and Heads of Service who have responsibility for the development and maintenance of the control and governance environment.
The Risk Management process and Strategic Risk Register;
The areas already to be specifically addressed with new actions planned are outlined in Section 1.4 below

1.4 Summary of significant governance issues identified.

The work carried out in Section 1.3 of this report has been summarised into the Action Plan below:

Governance Action Plan 2020/21				
	Issue	Actions to be Taken.	Responsible Officer	Target Date
1	Ensure agreed actions are taken to resolve high risk internal control weaknesses identified during internal audit reviews during 2020/21.	This action has been carried forward from last year as partially completed. A review of how to manage follow up's will be undertaken to ensure that actions are completed and are effective.	Internal Audit Manager	December 2021
2	Ensure Service Plans adequately reflect risks within each service and that appropriate mitigations are identified to manage them. Risks need to be documented, managed and updated on the service risk registers	This action has been carried forward from last year as partially completed. Risks from the service plans needs to be reflected in the corporate and service risk registers and be reviewed on a regular basis.	All Heads of Service	December 2021
3	That the governance arrangements for the Joint Waste Contract are stabilised.	With effect from 24 May 2021 responsibility for management of the Joint Waste Contract transferred to Basingstoke and Deane. A new Inter authority agreement has been signed reflecting the change in administration authority, and a Service Level Agreement which includes KPIs for the client team function is being finalised.	Head of Environmental and Technical Services	December 2021

4	Payroll high risk audit findings need to be completed.	There has been progress made in this area,# but some actions are yet to be completed.	Head of Corporate Services	
5	<p>Ensure key policies are up to date and that the current version is readily available.</p> <p>Policies supporting the governance process need reviewing.</p>	<p>Progress has been made on throughout 2020/21 - further work is required as highlighted in Internal Audit reviews.</p> <p>In addition, the following policies have been identified as requiring an update:</p> <p>Risk Management Policy Internal Audit Manual Whistleblowing policy Fraud and Corruption Policy</p>	<p>All Heads of Service</p> <p>Internal Audit Manager</p>	December 2021

1.5 Approval of the Statement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr David Neighbour, Leader of Hart District Council		
Patricia Hughes, Joint Chief Executive		
Daryl Phillips, Joint Chief Executive		

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2 The Annual Governance Framework and our self-assessment against this:

2.1 The Local Code of Corporate Governance (June 2021) sets out the key principles that need to be in place to demonstrate effective governance. This code is based on the principles of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). Section 2 of this report details our self-assessment against this.

2.2 This report also considers the introduction of the shadow CIPFA Financial Management Code 2019 (FM Code) during 2020/21 and our self-assessment of this is shown in Section 5 of this report.

2.3 The Covid – 19 pandemic impacted on our local governance arrangements and this is summarised in Section 4 of this report. Our Governance and review process and key roles and responsibilities of our Committees and Officers is shown in Section 3 of this report.

2.4 The CIPFA SOLACE Core Principles of Good Governance are shown below with our self-assessment shown in Section 2.5 et seq.

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of intended outcomes.
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.5 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Councils commitment to good governance.	How it will be achieved	Further information
<p>The Council has clear, transparent decision-making processes which align with our ethical values. Decisions that have been made are lawful and Codes of Conduct set out expectations on behaviour and integrity.</p>	<ul style="list-style-type: none"> ➤ Codes of Conduct are in place for both members and officers. These are used to promote the standards of behaviour expected of both members and employees. ➤ All members are required to sign a declaration of interests annually, these are readily available on our website. They are also required to declare any such interests at public meetings prior to the relevant item being discussed. ➤ Member training is provided and an appropriate induction process was in place during 2020/21 for new members. ➤ The Standards Committee is in place to ensure ethical behaviour is maintained. 	<p>Member Code of Conduct November 2020</p> <p>Officer Code of Conduct</p> <p>Declaration of Interest Forms</p> <p>Organisational Chart</p>

	<ul style="list-style-type: none"> ➤ Statutory Officers are in post. These being the Joint Chief Executives, one of whom acts as the Head of Paid Service, the other as the Monitoring Officer. The Head of Corporate Services is the Section 151 Officer. ➤ The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members, and set out the rules on how the Council conducts its business. The Constitution is subject to an on-going review by senior management to ensure it is fit for purpose, any amendments will require the approval of Full Council. ➤ Hart Values are in place and describe how the Council expects employees and members to behave when carrying out their roles and, how we expect our residents and stakeholders to be treated. ➤ The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer) has statutory reporting duties in respect of unlawful decision making and maladministration. 	<p>Constitution Nov 2020</p> <p>Vision/Values and Governance</p>
2.6 Ensuring openness and comprehensive stakeholder engagement		
The Councils commitment to good governance.	How it will be achieved	Further information
<p>The Council exists to serve its residents and local businesses. We work with a</p>	<ul style="list-style-type: none"> ➤ The Council will work with residents, businesses, communities, and partners to help us prioritise what we do, and to have a say over our approach. 	

<p>wide variety of stakeholders and work effectively in partnership. Consultation and engagement mechanisms are in place.</p>	<ul style="list-style-type: none"> ➤ During 2020/21 all Council meetings have been conducted in public, decisions have been properly recorded and are in the public domain. This ensures transparency and that the impact and consequences of decisions are clearly stated - ➤ Minutes and Agendas for all meetings provide a formal record of decisions that are made and are readily available on our website. ➤ Hart District Council is committed to working with residents, businesses, and charities to improve the services it delivers across the district. Consultation is an essential part of this, and we need to know your thoughts on changes that we intend to make. ➤ During 2020/21 the Council continued its engagement with the business community to help build effective external partnerships. A newsletter was sent to businesses on a weekly basis. ➤ We use social media including Twitter, Facebook, as a way of engaging with the community and promoting awareness of services we provide. All our social media updates are provided by our Communications Team to ensure a consistent approach is taken. ➤ Meetings take place between Hart Officers and Unison ➤ Staff surveys have taken place throughout 2020 	<p>Council Meetings</p> <p>Council Meetings</p> <p>Consultations</p>
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- Monthly staff briefings take place keeping officers up to date with new initiatives and feedback of ongoing work
- Fortnightly newsletters are sent to officers
- The Council encourages feedback on the services it provides. We have a feedback form on our website, and it is included on all generic email signatures.
- Customer Care Standards and Complaints policy are in place.
- Governance arrangements are in place where we have either outsourced services or where we provide services in partnership with other councils.

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[Council Feedback](#)

Partner/Service Provided	Governance
Revenues and Benefits, IT Land Charges, Customer Services).	5 Councils Management Board Central Client Team Inter Authority Agreement
Everyone Active (Leisure Services)	Monthly Management Meeting Leisure Client Officer
Basingstoke and Deane Borough Council (Legal	Joint Management Board

	<table border="1"> <tr> <td data-bbox="719 209 1137 316">Services, Waste, Licensing, Grounds Maintenance).</td> <td data-bbox="1144 209 1570 316">Joint Waste Board with Serco</td> </tr> <tr> <td data-bbox="719 320 1137 427">Rushmoor Borough Council (CCTV, Building Control)</td> <td data-bbox="1144 320 1570 427">Joint Governance Group</td> </tr> <tr> <td data-bbox="719 432 1137 539">Basingstoke and Deane Wokingham Borough Council – Audit</td> <td data-bbox="1144 432 1570 539">Quarterly Management Meeting Audit Committee</td> </tr> </table>	Services, Waste, Licensing, Grounds Maintenance).	Joint Waste Board with Serco	Rushmoor Borough Council (CCTV, Building Control)	Joint Governance Group	Basingstoke and Deane Wokingham Borough Council – Audit	Quarterly Management Meeting Audit Committee	
Services, Waste, Licensing, Grounds Maintenance).	Joint Waste Board with Serco							
Rushmoor Borough Council (CCTV, Building Control)	Joint Governance Group							
Basingstoke and Deane Wokingham Borough Council – Audit	Quarterly Management Meeting Audit Committee							
<p>➤ There are regular governance meetings for each of the above workstreams. These meetings ensure services are provided as expected and that roles and responsibilities are clear.</p>								
2.7 Defining outcomes in terms of sustainable economic, social, and environmental benefits								
The Councils commitment to good governance.	How it will be achieved	Further information						
The Council works with communities to plan outcomes.		Hart Corporate Plan 2017-2022						

<p>In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.</p>	<ul style="list-style-type: none"> ➤ A Corporate Plan is in place and is for the period 2017 – 2022. The plan has been developed with members and outlines the priorities of the Council. ➤ The Council has established a long-term vision, covering the period 2020 – 2040. ➤ The Council’s Medium Term Financial Strategy was approved by Cabinet in December 2020. ➤ ➤ The Council uses a robust budget process to ensure financial resources are allocated to corporate priorities. ➤ A performance management framework is in place that enables management and members to access information on service delivery and monitor progress against planned objectives, including the Corporate Plan. Service Plans are linked to the Corporate Plan, performance against plans is reported to Overview and Scrutiny Committee. ➤ The Council has set out an Equality Policy which identifies how we will work towards agreed equality objectives. Where required Equality Impact Assessments are also carried out. A new equality policy for 2021-23 is going to Cabinet April 2021. 	<p>Long Term Vision</p> <p>2021/22 Budget and Medium Term Financial Strategy</p> <p>Hart Performance</p> <p>Corporate Equality Policy and Objectives 2017/21</p> <p>Hart Equality and Diversity Information 2020</p>
<p>2.8 Determining the interventions necessary to optimise the achievement of intended outcomes.</p>		
<p>The Councils commitment to good governance.</p>	<p>How it will be achieved</p>	<p>Further information</p>

<p>The Council takes decisions on interventions based on its clear vision for services, engaging with communities, stakeholders and the expertise of professional service officers.</p>	<ul style="list-style-type: none"> ➤ A performance framework exists to monitor progress on intended outcomes, it is also used to support our decision-making process. Performance indicators have been reported to Overview and Scrutiny during 2020/21. ➤ Service Plans are in place that outline clear visions for the services we provide. Service Plans also help ensure resources are allocated to corporate priorities. The content and reporting of service plans was reviewed during 2020/21. ➤ The Council's budget process ensures financial resources are aligned to corporate priorities. ➤ The Scheme of Delegation clearly outlines who is responsible for the decision-making process, and where responsibilities lie for the functions of the Council. The Scheme of Delegation is contained within the Constitution. ➤ Decision makers receive objective analysis, information and risk assessments on options that are available to achieve intended outcomes. ➤ The Council makes use of collaborative and joint working, where appropriate. Community benefit and improved resilience is often a key consideration in how services are procured. 	<p>Service Plans 2020/21</p> <p>Constitution</p>
<p>2.9 Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>		

The Councils commitment to good governance.	How it will be achieved	Further information
<p>The Council maintains an effective relationship between the Leader of the Council and the Joint Chief executives. We encourage the development of all employees to ensure they are able to carry out their roles effectively.</p>	<ul style="list-style-type: none"> ➤ There are regular meetings between the Joint Chief Executives and the Leader of the Council. Similar meetings take place between Heads of Service and Portfolio Holders. These have ensured an effective line of communication exists between senior managers and members. ➤ Member and Officer training programmes are in place. The Corporate Training Programme is designed to target areas of training that were identified from personal development reviews. ➤ Induction Training has been provided to new employees during 2020/21. Training is also provided to new members. ➤ Mandatory training has been provided to all managers during the year on Cyber Security, Fraud Awareness and Safeguarding. ➤ Arrangements are in place to maintain the health and wellbeing of the workforce. A Wellbeing Survey was used during 2020/21, to assess whether employees are provided with an appropriate level of support regarding their health and wellbeing. ➤ The performance framework includes personal development reviews (PDR's) for individuals. These are linked to both Corporate and Service Plans. Training needs to all employees are considered as part of the PDR process. 	

	<ul style="list-style-type: none"> ➤ Roles and responsibilities of senior management are clearly identified. The Scheme of Delegation makes it clear the protocols that must be followed for the decision-making process. ➤ An appropriate protocol is in place to enable Elected Members and Senior Officers to have a shared understanding of their respective roles. ➤ The Joint Chief Executives provide regular updates to employees on what is going on within the council. These include a question-and-answer session. 	<p>Constitution</p>
<p>2.10 Managing risks and performance through robust internal control and strong financial management.</p>		
<p>The Councils commitment to good governance.</p>	<p>How it will be achieved</p>	<p>Further information</p>
<p>The Council maintains an appropriate internal control framework, Financial management is robust to ensure council spending is within agreed budgets.</p>	<ul style="list-style-type: none"> ➤ The Council has a risk management framework in place that identifies and reports risk and how it is being managed. ➤ The effectiveness of the risk management framework is reported to the Audit Committee half yearly. ➤ The content of the Corporate risk Register is reviewed by Leadership Team on a regular basis. It is reported to Overview and Scrutiny half yearly. 	<p>Risk Management Policy</p> <p>Corporate Risk Register Review March 2021</p>

	<ul style="list-style-type: none"> ➤ As part of the process for approving the budget for the council, appropriate statements were made by the Head of Corporate Services (Section 151 Officer), regarding financial risk, and the outlook for the short to medium term. ➤ The system of internal control is reviewed on an on-going basis by Internal Audit and management. An opinion on the effectiveness of the internal control system for 2020/21 was reported to the Audit Committee in May 2021. ➤ The Head of Corporate Services is responsible for the financial management of the council and is the Section 151 Officer. We have a strong culture of good financial management which ensures public money is properly safeguarded. ➤ A Medium Term Financial Strategy ➤ Robust budget monitoring arrangements for both capital and revenue are in place with budget reporting at both senior management and members. ➤ An appropriate culture is in place to help manage the risk of fraud and we take a positive approach to raising fraud awareness. Up to date policies for both Fraud and Corruption and Whistleblowing are readily available to all officers. 	<p>2020/21 Medium Term Financial and Budget</p> <p>2021/22 BUDGET & MEDIUM TERM FINANCIAL STRATEGY</p> <p>Budget Monitoring March 2021 Cabinet</p> <p>Fraud and Corruption Strategy 2019 - 2021</p> <p>Fraud and Corruption Policy</p> <p>Whistleblowing Policy July 2018</p>
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	<ul style="list-style-type: none"> ➤ The Council produces an Annual Governance Statement, which explains how we comply with CIPFA’s “Delivering Good Governance in Local Government (2016)”. ➤ Internal Audit will review the internal control framework on an on-going basis, the key financial systems. Findings and risks identified during reviews are reported to both senior management and the Audit Committee. ➤ Internal Audit will provide an objective opinion on the internal control framework that was in place for 2020/21. ➤ External Audit will review the arrangements that the Council has in place to secure value for money. They will also provide an opinion on the accuracy and completeness of the Council’s Statement of Accounts. 	<p>Annual Internal Audit Report 2020/21</p>
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SECTION 3. REVIEW OF EFFECTIVENESS OF THE MEMBER GOVERNANCE FRAMEWORK

Management are responsible for ensuring there is an effective governance framework in place, an appropriate review process must also exist to ensure that the framework remains effective. A summary of each element of the review process is shown below along with the key roles and responsibilities of statutory officers:

<p>FULL COUNCIL</p> <p>a) Received minutes of Cabinet, Overview and Scrutiny and Audit Committees.</p>

- b) Received regular reports from the Joint Chief Executive on the work of the council.
- c) Responded to regular questions from the public on a wide variety of issues. This demonstrates that the Council does listen to the views of residents.
- d) Approved the annual budget for 2020/21.
- e) Received updates from members who represent the council on outside bodies

CABINET

Cabinet carried out the role of the executive as required by the Council's constitution. It is the main decision-making body. In terms of reviewing and monitoring the governance framework during 2020/21 Cabinet has:

- a) Received regular reports throughout the on the Council's financial position.
- b) Approved amendments to policies within its terms of reference. This ensures our policies are up to date and reflect good practice.
- c) In April 2020 Service Plans for 2020/21 were reviewed to ensure the content of plans aligned with the Corporate Plan and priorities.
- d) Reviewed key strategies and policies through the year.
- e) In December 2020 reviewed the Medium Term Financial Strategy for 2021/22.
- f) In February 2020 Cabinet approved the budget for 2020/21.

OVERVIEW & SCRUTINY

In terms of reviewing and monitoring the governance framework during 2020/21 the Overview and Scrutiny Committee has:

- a) Received half yearly reports on the content of the Corporate Risk Register to review and challenge the content.
- b) Made comments to Cabinet on the content of Service Plans for 2020/21.
- c) Received reports from representatives on Outside Bodies on their involvement and make any recommendations to Cabinet on the continuing value.
- d) Received regular reports during the year on council performance.
- e) Received the annual report from the Ombudsman.
- f) Reviewed regular budget monitoring information. This is part of our budgetary control process, which has remained effective during 2020/21.
- g) In January 2021 the committee reviewed the content of the draft budget for 2021/22, prior to approval by Full Council.
- h) Been kept properly informed of the Cabinet Work Programme. This allows the committee to fulfil its role of holding decision makers to account

AUDIT COMMITTEE

The Audit Committee is responsible for providing effective assurance on the adequacy of the governance framework. In terms of reviewing the governance framework for 2021, the Audit Committee has:

- a) Reviewed the Council's Annual Governance Statement, to confirm the content accurately reflects the council's governance framework.
- b) Received regular reports on the work carried out by the Council's External Auditors.
- c) Received regular reports on the work of Internal Audit. This has allowed the committee to monitor their work and ensure the service is able to substantially deliver the audit plan.
- d) Received the Annual Report of the Internal Audit Manager. This provides the committee with the Audit Managers opinion on the effectiveness of the Council's internal control framework.

- e) Approved the Statement of Accounts
- f) Reviewed regular reports on the effectiveness of the Council's risk management arrangements and challenged the framework to ensure it remains fit for purpose.

Role of the Monitoring Officer

The Monitoring Officer has ensured that during 2020/21 the Council has complied with the law, and, that high standards of conduct have been maintained by both officers and members. The Monitoring Officer has managed any amendments to the Constitution and has ensured the decision-making process has been transparent.

Role of the Section 151 Officer

During 2020/21, The Section 151 Officer has had in place an appropriate internal control framework that has ensured financial transactions have been properly accounted for. The Section 151 officer is a member of Leadership Team and has ensured financial implications are taken into account in the delivery of corporate objectives.

SECTION 4. THE COVID-19 PANDEMIC

4.1 The global pandemic of coronavirus has resulted in an unprecedented challenge to both the Council and the community that it serves. All public services have been placed under considerable stress, not least of which was to seek at no notice to continue to operate in a 'lockdown' scenario with staff displaced and working from home. The Council however, responded by maintaining essential Council services, providing support to local businesses, supporting the most vulnerable in our communities and delivering national funding packages

4.2 On Friday 20th March 2020, the Hampshire and Isle of Wight Local Resilience Forum formally declared Coronavirus a major incident. Hart District Council evoked its Emergency Plan and in accordance to the Constitution, enabled decision making under emergency provisions.

4.3 The Council had to fundamentally change during this period.

- In the way it provided its services, needing to work remotely under the lockdown provisions and
- Which services it delivered, with new services being delivered from provision of food, medicines and care for those shielding, to business grants to local businesses.

4.4 Recognising the importance of considering recovery processes alongside response to a civil emergency, Cabinet approved the Council's Recovery Plans in October 2020. At the beginning of November (5th), England began its second lockdown. This was followed by a series of tiered lockdowns during December but ultimately the Government decision was to undertake a third lockdown in January, with a phased release from the lockdown, from March 2021.

4.5 Despite the resource implications, the Council has continued to:

- Continue to provide business as usual services to our residents.
- Deliver on our ongoing requirement to the response phase, most recently delivering the Lateral Flow Testing station and then supporting the localised testing for residents in GU51 and GU52 for a variant of concern.
- Progressed many of the key actions arising from the Covid-19 Recovery Plan.

- 4.6 The Council continued with all Committee meetings stated in Section 3 over Teams remotely, whilst streaming to residents over YouTube.
- 4.7 All decisions taken during a major incident is recorded formally in an Emergency Planning Log. These were then reported. Cabinet to formally endorse as soon as reasonably practical after the decisions have been taken.

To aid visibility of this process, details of emergency decisions taken have been reported verbally to Cabinet at the meetings of February and March 2021. This also reflected the consultation undertaken with Cabinet or Group Leaders prior to these decisions being taken.

On the 1st April 2021, the Monitoring Officer formally noted that the Council had stepped down from Major Incident and that further work would continue on Recovery, but that emergency provisions within the Constitution were no longer being used by the Council.

SECTION 5: The CIPFA Financial Management Code

- 5.1 The CIFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Section 151 Officer has carried out a review of the Council's performance against the Financial Management Standards which will be reported to Overview and Scrutiny Committee in August 2021 and Cabinet in September 2021.

SECTION 6: Internal Audit Opinion

6.1 Due to the impact of COVID-19 during 2020/21 the plan for 2020/21 had to be reduced and we had to prioritise our work to focus on our financial system reviews. This was because the internal audit resource was used to carry out other priority work to respond to COVID-19. A summary of work together with the overall opinion on the internal control framework is shown below:

Area of Review	Opinion Provided
Accounts Payable	Satisfactory
Accounts Receivable	Satisfactory
Cash/Income Management	Satisfactory
Council Tax & Business Rates	Satisfactory
IT Controls	Satisfactory
Main Accounting	Substantial
Payroll	Limited
Section 106 Agreements	Satisfactory
Treasury Management	Satisfactory
Housing Benefits	Opinion not yet provided

The annual opinion on the internal control framework during 2020/21, provided by the Audit Manager is satisfactory, however, there was *** qualifications to this opinion. These qualifications were based on audit reviews where a limited assurance opinion was provided on the effectiveness of the internal controls in place, a summary of these is shown below:

Payroll	<ul style="list-style-type: none">• Data Management weaknesses• Up to date and readily available key HR policies were not always easy to find.• The Starters and Leavers process is still not applied consistently by managers.• Need to review and update Disclosure Barring Service Framework

[Annual Internal Audit Report 2020/21](#)

Section 7: Financial Management Code

7.1 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability.

7.2 An assessment of compliance with the Financial Management is being carried out. This assessment will review the processes in place to satisfy the principles of good financial management and identify any significant governance issues

7.3 Findings of this assessment will be reported to Audit Committee in July 2021.

7.4 ADD ACTIONS ARISING FROM THE REVIEW OF COMPLIANCE TO FM CODE

DRAFT

Audit Committee

DATE OF MEETING: TUESDAY, 27 JULY 2021

TITLE OF REPORT: ASSESSMENT OF COMPLIANCE WITH CIPFA
FINANCIAL MANAGEMENT CODE

Report of: Head of Corporate Services

Cabinet Portfolio: Deputy Leader and Finance & Corporate Services
Key Decision No

Confidentiality Non Exempt

1 PURPOSE OF REPORT

- 1.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code. CIPFA introduced a Financial Management code (FM Code) to provide guidance to local authorities. This report provides the results of an Officer review against the key standards in the code.

2 OFFICER RECOMMENDATION

The Committee notes:

- 2.1 The publication of the FM Code and the requirement for it to be applied from 1 April 2020.
- 2.2 That the first year, 2020/21, is a shadow year where local authorities can demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.
- 2.3 That an initial assessment has been carried out at APPENDIX A of the Council's assessed level of compliance compared to the Standards contained in the FM Code.
- 2.4 There is an item on the Internal Audit Plan 2021/22 to review progress against actions raised in the initial review.

BACKGROUND

- 3.1 In December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management. The first year of implementation of this code is 2021/22 with authorities invited to assess themselves against in 20/21. Hart District Council assessed itself accordingly at the 31 March 2021 to

actions to be implemented in during 2021/2022. The assessment is provided at Appendix A.

4 MAIN ISSUES

- 4.1 The driver for the FM Code was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 4.2 The FM Code acknowledges that there is much good practice across the sector, but the failure of a small number threatens stakeholders' confidence in local government. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 4.3 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
- 4.4 Appendix A demonstrates our self-assessment against the code and provides several actions to be taken during 2021/22 to improve compliance. Progress against these recommendations will be reported to each future Audit Committee meeting.

5 CORPORATE GOVERNANCE CONSIDERATIONS

5.1 Service Plan

Is the proposal identified in the Service Plan?	No
Is the proposal being funded from current budgets?	Yes
Have staffing resources already been identified and set aside for this proposal?	Yes

5.2 Legal and Constitutional Issues

No Legal or Constitutional Issues Identified.

5.3 Financial and Resource Implications

No significant financial and resource implications identified.

5.4 Risk Management

Financial sustainability risk is included on the Finance and Corporate Risk Registers.

6 EQUALITIES

6.1 No Equalities Risk Assessment required.

7 CLIMATE CHANGE IMPLICATIONS

7.1 No direct carbon/environmental impacts arising from the report.

8 ACTION

8.1 This report is noted and progress on implementation of recommendations is monitored.

Contact Details: Emma Foy, Head of Corp Services: emma.foy@hart.gov.uk

Section 151 Officer Assessed Level of Compliance with the CIPFA FM Code at

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
Responsibilities of the Leadership Team and Chief Financial officer (CFO)				
A	The leadership team can demonstrate that the services provided by the authority provide value for money	17-18	Legislative requirement for Authorities to deliver VFM. Delivery of VFM depends on decisions by Elected Members. Shared responsibility across the Leadership Team to communicate and understand the risks involved.	<p>All Member decisions are published in the public domain with evidence provided as part of the decision report to evidence that all legal and financial implications have been considered.</p> <p>The Council has a constitution in place which includes requirements on Contracts and Standing Orders.</p> <p>There is a contract register and all payments over £500 are published in the public domain.</p> <p>Any increases in budget are required to be reported through Cabinet and approved.</p> <p>The Council has subscribed to LG Inform which enables benchmarking on costs to be reviewed and for officers and members to understand how costs and services compare to other Councils.</p> <p>Whilst there is an understanding in the top of the organisation further embedding could be improved lower down in the organisation where practically larger numbers of smaller amounts of money are spent.</p> <p>External Auditor provides a specific Value for Money Assessment each financial year.</p> <p>Actions: Toolkit training on procurement and VFM to be provided to all managers.</p>

<p>B</p>	<p>The authority complies with the CIPFA Statement on the Role Of Chief Finance Officer in Local Government.</p>	<p>18-19</p>	<p>In summary this Statement requires that the CFO:</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material 	<p>The Head of Corporate Services is the Council’s Section 151 and Chief Financial Officer.</p> <p>The Head of Corporate Services is a key member of the Leadership Team and is also including in meetings with other Statutory Officers, Cabinet and Council.</p> <p>All reports required to consider financial implications and be cleared by Section 151 before publication.</p> <p>Member briefings take place on the Medium-Term Financial Strategy and updates are reported through the year.</p> <p>Training is provided to all budget holders on Financial Management and use of Integra the Council’s financial system.</p> <p>All reports are reviewed by the JCE and S151 before they are published and discussed in committee.</p>
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Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
			<p>business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</p> <ul style="list-style-type: none"> • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently, and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 	<ul style="list-style-type: none"> • The Finance team consists of 8 Hart based officers, 4 officers in the Mendip team and 1 officer in the Internal Audit Team. • This Team includes 3 qualified accountants, 1 part qualified accountant and 2 qualified accounting technicians. All officers undertake continuing professional development. • The Council also subscribes to additional professional expertise and advice in relation to technical accounting, treasury management, financial management & planning, and taxation. <p>Actions: To continue to support continuing professional development outside the finance team especially for managers.</p>
Governance and Financial Management Style				
	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<p>21</p>	<p>A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles.</p> <p>Clarity over the role of Head of Paid Service and Monitoring Officer. Audit Committee provides independent assurance over governance and risk</p>	<p>The Financial Procedure Rules create the role of a Budget Holder. Job descriptions and job evaluation system recognise management of resources as a key responsibility. This is assigned at a level so that service delivery and budget can be aligned.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
			and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance.	<p>The role of Monitoring Officer and Head of Paid Service are defined in the Council's code</p> <p>The terms of reference for Audit Committee cover the areas referenced.</p> <p>The Annual Governance Statement details the Council's internal control arrangement and is published.</p> <p>Regular meetings between Leadership Team and Cabinet Members.</p> <p>Actions: None Identified.</p>
Page 61	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	22	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	<p>The Council prepares and Annual Governance Statement and Local Code of Corporate Governance in line with the framework.</p> <p>The draft is provided to Audit Committee for review and approval in advance of its inclusion in the Statement of Accounts.</p> <p>The Local Governance Framework reflects the current constitution and governance processes.</p> <p>Actions: None Identified</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
E	The financial management style of the authority supports financial sustainability	22-23	Strong financial management is assessed against a hierarchy of (1) delivering accountability, (2) supporting performance and (3) enabling transformation.	<p>The monthly detailed budget monitoring purposes ensure that's budget holders are responsible for the delivery of their budget and Heads of Service are required to review and sign this off monthly. Regular service reporting also takes place to individual Cabinet Members.</p> <p>Actions: To embed the link between accountability, performance, and transformation through the newly re-introduced service boards.</p>
Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	25-26	Requirement to test sustainability against plausible scenarios of cost drivers, service demands, resources, and key risks. Review of alternative options to match demand and resources.	<p>Financial Resilience is considered as part of the review of the Medium-Term Financial Strategy.</p> <p>Quarterly detailed budget monitoring is carried out where the overall financial position is reported to Members.</p> <p>The Council carries out a detailed review of going concern annually as part of the completion of the statement of accounts; this is reviewed by the External Auditors</p> <p>The updated Resilience Index was published by</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				<p>CIPFA in December 2020. There were no areas of concern for this Council at the point it was reported.</p> <p>Actions: Further scenario and stress testing to be included as part of the development of the MTFS.</p>
G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	26	<p>Based on the above, have a long-term financial strategy that links to vision, strategy, and outcomes. This should include a vision of what services will look like in the future to achieve financial sustainability. The length of the long-term is undefined and should be linked to the risks faced. Potentially should be 10 years+.</p>	<p>The Council produces a five-year MTFS, but this does not include a vision of what services will look like in the future to achieve financial sustainability. Actions: To further develop a 10-year MTFS.</p>
	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	26-27	<p>The Council has a long-term Capital Strategy that ensures that assets are managed, and future are linked to capital resources available.</p> <p>Commercial investment activity should be considered over a suitable time horizon with risks fully considered. Ensure compliance with Prudential Code if borrowing.</p>	<p>The Council prepares a Capital Strategy in compliance with the Prudential Code that includes information on Assets/vehicle Management Plans and Condition Surveys.</p> <p>The Council takes advice from Link Asset Management regarding Capital Strategy and compliance with the Prudential Code</p> <p>A 25-year revenue model is in place to identify the longer-term implications of capital and commercial investment i.e., ensuring sufficient provision (MRP) is made.</p> <p>Actions: None Identified.</p>
I	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>	27	<p>Translation of the long-term view into a more detailed medium-term financial plan. The time frame of which should support financially sustainable decision making. Clear link to service plans.</p>	<p>The service and financial planning process has been enhanced to strengthen the analysis on the contribution services make to delivering outcomes in the Strategic Plan.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				<p>The outcomes of this process inform the MTFSand financial planning process.</p> <p>Actions: To review the lessons learned from theservice and financial planning process.</p>
Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	29	<p>These are generally covered by part 2 of Local Government Act 2003. This includes robustnessof estimates and reserves (covered below) and the requirement for financial monitoring.</p> <p>It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Council is aboutto incur unlawful expenditure. This would include setting an unbalanced budget.</p>	<p>All estimates and reserves are reviewed by theChief Finance Officer as part of the MTFs.</p> <p>At this point in time, we have sufficient resources to discount a Section 114 notice.</p> <p>Actions: None Identified.</p>
K	The budget report includes a statement by the chief finance officer on the robustness of theestimates and a statement on the adequacy of the proposed financial reserves.	29-30	Reserves to be considered as part of the budgetprocess and should be 'adequate' and 'necessary'. Should enable the Council to manage unexpected events from within its ownresources. The budget report details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.	<p>The MTFs includes a statement from the chieffinance officer on the robustness of estimatesand a statement on the adequacy of the proposed reserves.</p> <p>A risk assessed minimum level of reserves isincluded in the MTFs.</p> <p>Actions: None Identified.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	<p>Enabling residents to understand that resources are limited, and spending must be 11 prioritised. Leadership Team redirects resources to areas of higher priority.</p> <p>Understanding of statutory service delivery requirements. Use stakeholder consultation to set priorities. Helps to encourage community involvement, which could help reduce costs.</p>	<p>Basic budget consultation is currently undertaken alongside consultation on the strategic plan. There are many opportunities to extend this to more community stakeholders.</p> <p>Actions: To further develop the approach to budget consultation and Strategic Plan consultations.</p>
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31-32	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of money should be considered. Alternative options should be considered. The complexity of the business case should be proportionate to the decision.	<p>Detailed business cases are required for all significant procurement's commercial investments.</p> <p>Actions: Extend business case requirements for all detailed savings plans and MTFS related decisions.</p>
Monitoring Financial Performance				
N	The leadership team acts using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	33	The Council should have timely information on its financial and operational performance. Performance indicators should be reviewed, alongside any overspends/ undelivered savings.	Financial performance is reported on a quarterly basis to Overview and Scrutiny Committee and Cabinet, it is reported to the Chief Financial Officer monthly.

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
				<p>Actions: To consider further integration of the financial reporting.</p>
O	<p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p>	33	<p>There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans. Specific reference is made to commercial asset portfolios, contingencies, and provisions.</p> <p>Cash flow is managed in accordance with guidance.</p>	<p>As part of the MTFs, the Council produces five-year Balance Sheet projections, and these are monitored in the Treasury Management Reports to Overview and Scrutiny Committee and Cabinet.</p> <p>The key elements are monitored by Cabinet and Overview and Scrutiny Committee through Performance reports</p> <ul style="list-style-type: none"> ● Council Tax and Business Rate Arrears. ● Sundry Debt ● Investments and Borrowing. ● Commercial Investments <p>Actions: Further performance reporting on Council Tax and Business Rates arrears, Sundry Debt and Commercial Investments be provided as part of the new Service Board Performance reporting regime.</p>
External Financial Reporting				
P	<p>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority</p>	35	<p>The CFO has statutory responsibility for (1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a 'true and fair view'.</p>	<p>These are all complied with. Assurance is provided through External Audit and Internal Audit.</p> <p>Actions: None Identified.</p>

Ref.	Description	Pages of the Code	Detail	CFO Assessment and Actions Required
	Accounting in the United Kingdom			
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	25	The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance. The Leadership Team understand variances from budget and how they have been managed. The future implications of variances should also be considered i.e., will it affect the financial strategy/ financial resilience.	Detailed narrative is provided with each quarterly budget report. Variance analysis is also required as part of monthly budget monitoring. Quarterly reporting reconciles to the Budget set each February. Actions: None Identified