



NOTICE OF MEETING

Meeting:	Audit Committee
Date and Time:	Tuesday 26 July 2022 7.00 pm
Place:	Council Chamber
Enquiries to:	Committee Services committeeservices@hart.gov.uk
Members:	Engström, Hale, Smith, Axaam (Chairman), Southern (Vice-Chairman), Blewett and Davies

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.

- **At the start of the meeting, the Lead Officer will confirm the Fire Evacuation Procedure.**
- **The Chairman will announce that this meeting may be recorded and that anyone remaining at the meeting has provided their consent to any such recording.**

1 MINUTES OF THE PREVIOUS MEETING (Pages 4 - 7)

The Minutes of the meeting held on 24 May 2022 are attached to be confirmed and signed as a correct record.

2 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.

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 LOCAL CODE OF CORPORATE GOVERNANCE 2022 (Pages 8 - 20)

To seek approve to a revised local code of corporate governance.

RECOMMENDATION

That the Audit Committee review and approve the local code of corporate governance attached at Appendix 1.

6 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22 (Pages 21 - 48)

To seek approve to the draft annual governance statement 2021/22.

RECOMMENDATION

That the Audit Committee review and approve the draft annual governance statement 2021/22 attached at Appendix A.

7 INTERNAL AUDIT CHARTER (Pages 49 - 58)

To seek approve to a revised internal audit charter.

RECOMMENDATION

That the Audit Committee review and approve the internal audit charter attached at Appendix 1.

8 INTERNAL AUDIT PROGRESS REPORT Q1 2022/23 (Pages 59 - 62)

The Committee receive a report on the work undertaken by Internal Audit at each of their meetings. The last report was submitted to the Committee in respect of the period ending May 2022. This report covers the month of June 2022.

RECOMMENDATION

That the Committee review and note the report.

9 EXCLUSION TO THE PUBLIC

The following item(s) contain exempt information.

RECOMMENDATION

Members must decide whether the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

It is suggested that, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to, on the grounds that they involve the likely disclosure of exempt information, as defined in paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10 SHAPLEY HEATH GARDEN COMMUNITY PROJECT REVIEW AUDIT (Pages 63 - 88)

To receive the independent tiao review of the Shapley Heath Garden Community Project and to agree the Management response contained therein.

RECOMMENDATION

That the Committee review and note the report.

Date of Publication: Monday, 18 July 2022

Public Document Pack Agenda Item 1

AUDIT COMMITTEE

Date and Time: Tuesday 24 May 2022 at 7.00 pm

Place: Council Chamber

Present:

Axam (Chairman), Blewett, Davies, Engström, Hale, Smith and Southern

In attendance:

Councillor Spencer Farmer
Chandrika Sharma, Ernst & Young LLP
Chris Harris, tiao (The Internal Audit Agency)

Officers:

Emma Foy, Head of Corporate Services & S151 Officer
Joanne Innes, Audit Manager
Jenny Murton, Committee Services Officer

1 ELECTION OF VICE CHAIRMAN

Councillor Southern was elected as Vice-Chairman for the year 2022/23.

2 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 22 March 2022 were confirmed and signed as a correct record.

3 APOLOGIES FOR ABSENCE

None.

4 DECLARATIONS OF INTEREST

None.

5 CHAIRMAN'S ANNOUNCEMENTS

No announcements.

6 EY AUDIT PLANNING DOCUMENT FOR 2022-23

The Council's external auditor summarised the Audit Planning document for 2021/22. The plan highlighted their initial assessment of the key risks driving the development of a successful audit for the Council. It also outlined a planned audit strategy in response to those risks.

A member of the Committee highlighted that this was noted on the agenda as 2022/23 which was incorrect.

A member asked if the external auditor and the council foresaw any resource problems regarding this work going forward and was reassured all was sufficient.

DECISION

The Committee noted the content of the External Audit Planning report.

7 ANNUAL AUDIT LETTER 2020/21

The external auditor summarised that the Auditor's Annual Report (year ended 31 March 2021) replaces the Annual Audit Letter and that there are no areas of concern.

Members thanked Chandrika Sharma for her comprehensive report.

DECISION

The Committee noted the content of the Auditor's Annual Report.

8 INTERNAL AUDIT PROGRESS REPORT Q4

The Audit Manager highlighted the key findings from the Internal Audit Progress Report Q4 that ran from March to May 2022.

The Audit Manager stated that there were three reports, payroll, treasury management and waste management. There would be a fraud meeting next month to discuss work in this area which was currently progressing well.

Members of the Committee discussed:

- The lack of fraud risks to the disabled facilities grant process.
- The risk to systems and data in event of a disaster and the measures that are in place with Zellis to back this data up.

DECISION

The Internal Audit work completed between March and May 2022 was noted by the Committee.

9 SHAPLEY HEATH GARDEN COMMUNITY PROJECT

The Audit Director from tiaa apologised that the Committee did not have the final report for this meeting. He explained more data was needed and the 10,000-word document would be available before the next Audit Committee meeting in July.

The Chairman asked the Audit Director if he had everything he required and he confirmed he was comfortable he did.

The S151 Officer clarified that the report's factual accuracy needs to be checked by officers, along with GDPR and data protection before a final report can be issued. A decision will be made after this process to determine how and when it can be published.

Members of the Committee discussed:

- Making sure the report is with the Committee well in advance of the next Audit meeting in July, with sufficient time to process it and submit any potential questions.
- Making the report publicly available, dependent on GDPR and data protection issues and any redactions that may be required.
- The report is factual and does not include future recommendations on Shapley Heath.
- The cost of further 'out of scope' work on this report if deemed necessary.

The S151 Officer reiterated that the report critiques how the Shapley Heath Garden Community Project was handled and is not a judgement call on the project itself. The report covers a period from 2018 until the end of the 2021/22 financial year.

10 ANNUAL INTERNAL AUDIT REPORT 2021/22

The Audit Manager highlighted the key findings from the Annual Internal Audit Annual Report 2021/2022 and explained there was a satisfactory level of effectiveness.

The Chairman questioned Housing Benefit fraud and single person discount fraud; the Audit Manager explained all residents who receive single person discount were contacted and that over 300 had not responded to confirm their eligibility, therefore the single person discount has been removed.

Members of the Committee also discussed IT high risk finding and controls and the work the IT Manager and Data Manager are undertaking in this area.

The Audit Manager to provide an update to the Committee on this IT work at the next Audit Committee meeting.

DECISION

The Committee accepted the report.

11 THE PROVISION OF INTERNAL AUDIT

The S151 Officer explained that since the departure of the previous Audit Manager in 2021, the Council's internal audit work has been shared between Wokingham Borough Council and Basingstoke and Deane District Council and coordinated by Hart District Council's Internal Audit Manager.

This work going forward will be procured through one supplier and will be put in place by the interim S151 Officer for April 2023.

Members of the Committee stressed the importance that this work is planned well in advance and the S151 Officer confirmed that procurement had already commenced and the timescale for this work would be brought to the next Audit Committee meeting.

Members of the Committee also discussed:

- The departure of the current S151 Officer and the interim S151 Officer, adequate handovers of work and when a new permanent S151 Officer would be appointed.
- The length of the tendering process for the procured work and possible break clauses.

DECISION

The procurement process was noted by the Committee.

The meeting closed at 8.03 pm

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2022

TITLE OF REPORT: LOCAL CODE OF CORPORATE GOVERNANCE

Report of: Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To seek approve to a revised local code of corporate governance.

RECOMMENDATION

2. That the Audit Committee review and approve the local code of corporate governance attached at Appendix 1.

BACKGROUND

3. Delivering Good Governance in Local Government: Framework, published by CIPFA (Chartered Institute of Public Finance & Accountancy) and SOLACE (Society of Local Authority Chief Executives) in 2016, sets the standard for local authority governance. The framework is intended to assist authorities in developing their own approach to governance, including the preparation of the annual governance statement (AGS).
4. In March 2017, the Committee approved a revised local code that met the requirements of the 2016 framework. The local code details the key policies, procedures and systems by which the Council is controlled and governed. The local code is reviewed and updated annually to ensure it reflects current working practices.

MAIN ISSUES

5. Previously the local code was simply a list of policies and procedures. To allow those reading the local code to better understand how those policies and procedures assist in delivering good governance, explanatory text has been added to aid clarity and understanding.
6. Many narrative changes have been made to the local code and it is not possible to summarise those changes in this report.
7. The local code supports the AGS by detailing the governance processes and procedures in place across the Council. However much of the information in the local code is repeated in the AGS.
8. Consideration is being given to expanding the amount of narrative in the local code with the intention of reducing the length of the annual governance statement (currently 26 pages). This will allow the AGS to become a high level and strategic document.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

9. Good corporate governance arrangements underpin delivery of all aspects of the Corporate Plan.

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

Legal and Constitutional Issues

10. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require the Council to 'conduct a review of the effectiveness of the system of internal control'...

The review of the local code of corporate governance meets the requirement of Reg. 6(1)(a).

11. The Audit Committee's terms of reference require it to review and sign off the annual Statement of Accounts, which includes the AGS. It is appropriate for the Committee to approve the local code of corporate governance.

Financial and Resource Implications

12. There are no financial implications arising from this report.

Risk Management

13. If the Council did not fulfil the statutory requirement to conduct a review at least once a year of the effectiveness of its system of internal control, the external auditor would be likely to highlight this point in their annual report. This may lead to local negative publicity.

EQUALITIES

14. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

15. No direct carbon/environmental impacts arising from the recommendations.

ACTION

16. The local code of corporate governance is approved.

Contact Details: David Harwood, Interim Internal Audit Manager
David.Harwood@hart.gov.uk

Appendices

Appendix A. The Local Code of Corporate Governance.

Background Papers: None

Appendix 1



LOCAL CODE OF CORPORATE GOVERNANCE

Date Created	March 2017
Review Date	May 2022
Next Review Date	May 2023
Owner	Internal Audit Manager

1 Introduction

- 1.1 Hart District Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money entrusted to it is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 Members and Senior Officers are responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal.
- 1.3 Corporate Governance comprises those arrangements put in place by the Council to ensure that in always acting in the public interest the intended outcomes for service users and stakeholders are defined and achieved. 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.

2 Corporate Governance Framework

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) published in 2016 a proper practice framework "Delivering Good Governance in Local Government". That framework is used as the basis for the Council's Local Code of Corporate Governance (Code). This Code is reviewed annually, approved by the Audit Committee and is a key supporting document for the Council's statutory Annual Governance Statement.
- 2.2 The Code has seven Principles.

Acting in the public interest requires a commitment to and effective arrangements for:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.

In addition, achieving good governance also requires effective arrangements for:

3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

5. Developing the Council's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong financial management.
7. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3 Delivering the Framework

- 3.1 The Council recognises that it is important that the framework is applied in such a way that it demonstrates both the spirit and ethos of good governance. This cannot be achieved by the implementation of policies and procedures alone but also requires the culture of the Council and its core values to be reflective of the hallmarks of good governance.
- 3.2 Set out on the following pages are details of the processes and procedures in place to support delivery of each of the seven Principles. They are a combination of both written policies and procedures that contain not only rules and regulations to be followed but also actions to be taken and the standards of behaviour required to be observed. In addition, also listed are a number of activities that underpin the day-to-day management and administration of the Council. Compliance represents good governance practice.
- 3.3 Underpinning each of the Principles in the Council's commitment to equality of opportunity in its approach to policymaking, service delivery and employment.

Supporting evidence

Principle 1.

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

What this means: 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.

- Codes of Conduct for Members' and Employees are in place. The Members' code is included in the Constitution. It is consistent with the seven Nolan Principles of selfishness, integrity, objectivity, accountability, openness, honesty and leadership.
- Register of gifts & hospitality.
- Register of interests for both Members and staff.

- Corporate complaints policy refreshed and adopted by Cabinet in March 2022.
- Overview & Scrutiny Committee receive the annual review letter of the Local Government and Social Care Ombudsman.
- Standards Committee, promoting high standards of conduct within the Council.
- Members declaration of interests at meetings and the recording of same in Committee minutes.
- Details of upcoming and past Committee meetings, agendas, reports and minutes are published on the website (via the Modern.Gov system). Meetings are open to the public for all items apart from those that are exempt from publication.
- Financial Regulations and Contract Standing Orders detailing good financial administration and procurement practices.
- Codes and Protocols contained in the Constitution – Member Code of Conduct, Members disclosable and non-disclosable interests, codes of good practice for planning and licensing. Member/Officer working, the roles and responsibilities of the Executive Leader of the Council and the Head of Paid Service.
- Statutory Officers in post (Head of Paid Service, Monitoring Officer and Responsible Financial Officer).
- Responsible Financial Officer complies with the CIPFA Statement on the Role of the Chief Financial Officer.
- New employee welcome/induction events led by one of the Joint Chief Executives.
- Formal staff appraisal system.
- HART values – Helpful, Approachable, Responsive, Take ownership – developed by staff to reflect their commitment to work together for both residents and communities.
- New Councillor induction event. In respect of Councillors elected at the 5 May 2022 elections, the event was recorded and made available to all new Members to watch at their convenience.
- Development opportunities offered to Members.
- Members of Licensing Committee and Development Management Committee are required to attend annual training relevant to these roles.
- Anti-Fraud and Corruption Policy, which details the Council's zero tolerance of fraud, corruption and bribery and its pro-active approach to preventing and detecting fraud.
- Whistleblowing policy for the use of both employees and suppliers.
- Anti-money Laundering Policy and Procedure.
- Annual countering fraud report to Audit Committee.
- Corporate Equality Objectives and Policy
- Equality and Diversity information
- ICT Policies including Data Protection.

Principle 2.

Ensuring openness and comprehensive stakeholder engagement.

What this means: The Council exists to serve its residents and local businesses. We work with a wide variety of stakeholders and work effectively in partnership. Consultation and engagement mechanisms are in place.

- The Council's priority outcomes are contained within the Corporate Plan.
- Hart 2040 Vision – 'To become the best place, community and environment to live, work and enjoy'. The Vision provides a clear direction for Hart and will help to improve our use of resources and align our strategies to reach the outcomes our communities deserve. The Vision will also inform the corporate plan and future work programming.
- The Annual Governance Statement which details significant governance improvements that are required together with the progress made in delivering improvements from the previous year.
- Modern.Gov. Meetings are open to the public for all items apart from those exempt from publication and are normally livestreamed so all residents can watch from home.
- A Forward Plan of key decision is published.
- The public can put questions to Members at Council, Cabinet and Overview and Scrutiny Committee. Documents on the website (Council's Scheme for Public Questions and Public Participation at Cabinet and Overview and Scrutiny Committee) set out the process to be followed. The public are also allowed to speak at Planning Committee meetings on particular applications.
- Consultation and Engagement Strategy
- Consultation webpage on the Council's website that lists current and recently closed consultations.
- Published Customer Care Standards and an opportunity via the website for customers to provide feedback on the level of service received.
- Corporate complaints policy
- The Council maintains and regularly updates its website. A new website is due to be launched by March 2023.
- Publishing information to meet the requirements of the Local Government Transparency Code 2015.
- Hart for Business newsletter and Hart News for residents
- Parish newsletter every fortnight is sent with updates to all Parishes, Hampshire County Councillors, MP's and District Councillors.
- The Council maintains a social media presence across Facebook, Twitter, Instagram. LinkedIn and YouTube.
- Monthly staff briefings and fortnightly newsletters are used to inform staff of key events.

Principle 3.

Defining outcomes in terms of sustainable economic, social, and environmental benefits.

What this means: The Council works with communities to plan outcomes. In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.

- Following the successful adoption of the Climate Change Action Plan, the Council declared a climate emergency in April 2021. This commits the Council to putting the reduction of CO2 in the atmosphere at the front and centre of all policies and formal decision making. To deliver this ambitious target requires ongoing and meaningful engagement with the local community and partners.
- The Hart 2040 Vision alongside both the Corporate and Service Plans provides a clear direction and set of outcomes to be delivered, both in the long and short term.
- Medium term financial plan.
- Annual revenue and capital budget.
- Capital Strategy.
- A performance management framework is in place. Monitoring of the budget, service delivery and the achievement of performance targets is regularly undertaken by both Overview and Scrutiny and Cabinet.
- A risk management policy was adopted in March 2018. Risk registers are maintained at both a Corporate and Service level and reported to Overview and Scrutiny Committee twice yearly. They are regularly reviewed and updated.
- Social Value benefits are considered when significant contracts are being sought.
- The Council has developed a separate website – Hart for Business – that details the opportunities available to business who may be looking to establish themselves in the area.
- Consultation and Engagement Strategy.
- The Homelessness and Rough Sleeping Strategy was reviewed and updated and the Strategy for the period 2022-2027 was adopted in March 2022.
- The Hart into Employment scheme was established in April 2021. It supported seven people, of which six gained employment. Under the Council's employment & skills umbrella 28 residents either gained employment or enhanced their employment prospects through advice and training.
- Treasury Management Strategy
- Commercial Strategy 2017-2022. One of its aims is to look to deliver initiatives that provide the best social or environmental outcome.
- Monthly Corporate Project Management meetings overseeing progress via our project management structures and protocol.

Principle 4.

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

What this means: The Council takes decisions on interventions based on its clear vision for services, engaging with communities, stakeholders and the expertise of professional service officers.

- Consultation and Engagement Strategy.
- Regular Portfolio Holder Meetings with Heads of Service.
- Overview and Scrutiny Committee receive a wide variety of reports to scrutinise and provide comment upon to Cabinet.
- Service Panels are in place for all Services. Reports which include agreed performance indicators, are considered in depth by Members and Officers.
- Regular financial/budget monitoring and reporting.
- Project Management structures and protocol.
- Regular review of Corporate and Service risk registers.
- Medium Term Financial Strategy to 2023-2024. Includes an indicative forward forecast for future years and identifies potential growth/savings.
- Decision making protocols contained in the Constitution.
- Forward plans which list the key-decisions that are planned to be made over the next three months.
- Members attend the Five Councils Partnership Corporate Services Joint Committee to discuss the performance of contractors providing a range of services to the Council under the 5 Councils umbrella.

Principle 5.

Developing the Council's capacity, including the capability of its leadership and the individuals within it.

What this means: 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.

- Corporate Equality Policy.
- Delivered a range of equality and diversity training and awareness sessions to help mainstream equalities considerations into the council's everyday business.
- Human Resources policies, including the recruitment policy.
- Job descriptions reflective of the roles undertaken and reviewed prior to posts being advertised.
- Member Induction.
- Officer Induction.
- Regular 1:1's between Officers and Managers.
- Officer Performance Development Reviews which include training and skills development.
- Joint Chief Executives performance is reviewed on an annual basis by the Staffing Committee based on the feedback from the Political Group Leaders. Objectives are set annually by the Staffing Committee.
- Mandatory Officer and Member Training.
- Continuing Professional Development and learning programmes.
- Peer reviews.
- Health and Wellbeing Support services in place such as the Employee Assistance Programme.
- Protocol for Member/Officer relations within the Constitution.
- Scheme of Delegation within the Constitution is reviewed annually to ensure it reflects legal and organisational changes.
- Monthly meetings with the Political Group Leaders to enable conversations around future initiatives or challenges.
- Joint Chief Executive's join periodic Cabinet awayday discussions on the future ambitions of the Administration.

Principle 6.

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

What this means: The Council maintains an appropriate internal control framework, Financial management is robust to ensure council spending is within agreed budgets.

- Risk Management Policy. This was last updated in 2018 and due to be reviewed in 2022/23. Roles and responsibilities are clearly set out.
- Risk Registers – risks are allocated to named individuals.
- Internal Audit Service who undertake their work in accordance with the Public Sector Internal Audit Standards.
- External Audit work programme and statutory reporting.
- Audit Committee. They have a regular work programme, which includes noting progress made by Managers to address internal control weaknesses.
- Overview and Scrutiny Committee. Constructive comment is made on reports received and forwarded to Cabinet for consideration.
- Annual review of the Local Code of Corporate Governance.
- Robust review of the internal control environment ahead of the preparation of an Annual Governance Statement.
- Self-assessment undertaken against CIPFA Financial Management Code. Progress on action plan reported to Members.
- Treasury Management reports.
- Budget Monitoring.
- Financial Regulations revised in November 2020. Changes made to language so that they become easily understandable.
- Contract Standing Orders. These are to be updated during 2022/23 to reflect recent changes in the 5 Council's partnering arrangements.
- Cyber and Fraud Awareness training for officers and members.
- GDPR training for officers.
- Annual fraud risk assessment undertaken by Internal Audit.
- Policies and procedures in place to prevent fraud, including whistleblowing.
- Participation in national data matching exercises to identify fraud across boundaries.
- IT policies dealing with data security, data sharing, GDPR and record retention.
- Safeguarding procedures, ensuring those delivering services on behalf of the Council are adequately trained and the reporting of abuse and exploitation is encouraged, and everyone feels supported to do so.
- Modern.Gov.

Principle 7.

Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

What this means: The Council has transparent processes in place to ensure our decisions are in the public domain through our website, financial reporting is robust.

- The Council maintains and regularly updates its website. A new website is due to be launched by March 2023.
- The Council has a social media presence on Facebook, Twitter, Instagram, LinkedIn and YouTube. Committee meetings are available on YouTube for three months after broadcast.
- Annual Governance Statement.
- Annual Statement of Accounts and supporting narrative follows best practice.
- As required by Statute, the financial accounts are open for public inspection each year within a pre-defined time.
- Publishing information to meet the requirements of the Local Government Transparency Code 2015.
- Modern.Gov. Meetings are open to the public for all items apart from those exempt from publication and the Council welcomes members of the public to attend and ask questions. The public can put questions to Members at Council, Cabinet and Overview and Scrutiny Committee. Documents on the website (Council's Scheme for Public Questions and Public Participation at Cabinet and Overview and Scrutiny Committee) set out the process to be followed. The public are also allowed to speak at Planning Committee meetings.
- Internal Audit and External Audit reports are routinely published with Audit Committee papers.
- Compliance with CIPFA codes and practices.
- Peer / External Reviews.
- Performance of the Council is published by the Government, often by function e.g., waste & recycling rates.

4 Monitoring the Framework

- 4.1 The effectiveness of the governance arrangements set out above will be considered during the preparation of the Annual Governance Statement.
- 4.2 The Annual Governance Statement will be reported to and approved by the Audit Committee. It will include a statement as to whether the governance arrangements are adequate and working effectively in practice or identify any significant gaps in the governance arrangements and if so, require an improvement plan to be prepared that details the action to be taken to address any weaknesses.
- 4.3 Once approved, the Annual Governance Statement will be published alongside the Statement of Accounts.

End

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2022

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

Report of: Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To seek approve to the draft annual governance statement 2021/22.

RECOMMENDATION

2. That the Audit Committee review and approve the draft annual governance statement 2021/22 attached at Appendix A.

BACKGROUND

3. The Council is required by statute to prepare an annual governance statement (AGS), so allowing it to report publicly on the extent to which it complies with its own local code of corporate governance.

MAIN ISSUES

4. After considering the review of the local code of corporate governance and the annual internal audit report, the Senior Leadership Team (SLT) consider that there are proper arrangements in place for the governance of the Council's affairs and facilitating the effective exercise of functions.
5. SLT are of the opinion that improvements can always be made and have identified two areas for improvement:
 - Ensuring works funded by disabled facilities grants are properly let.
 - Enhancing the control arrangements for a small number of IT systems managed in service areas; andFurther information on these two items is included in the AGS at paragraph 4.1 (b). Section 5 explains what improvements are to be made to address these areas.
6. Ahead of presenting the AGS to the Committee for final approval (alongside the Statement of Accounts), it will be reviewed and updated to reflect any changes to the governance framework.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

7. Good corporate governance arrangements underpin delivery of all aspects of the Corporate Plan.

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

Legal and Constitutional Issues

8. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, require the Council to 'prepare an annual governance statement'. The statement shall be prepared following the review of the effectiveness of the system of internal control.
9. The AGS is required by the 2015 Regulations to be published alongside the annual Statement of Accounts. The Audit Committee's terms of reference require it to review and sign off the annual Statement of Accounts. It is appropriate for the Committee to approve the draft AGS.

Financial and Resource Implications

10. There are no financial implications arising from this report.

Risk Management

11. The external auditors in forming their value for money (VFM) opinion, review the AGS as part of considering the 'proper arrangements' that secure economy, efficient and effectiveness in the use of resources. If they consider the AGS is not reflective of the governance arrangements a qualified VFM opinion may be issued.
12. Whilst the AGS does not need to be approved by the Committee until the external auditor has completed their review of the Statement of Accounts, good practice is for the Audit Committee to have early sight of the draft AGS to allow them to review and provide comment, prior to it being forwarded to the external auditor for review. If this did not happen, the Committee would receive the AGS at the same time as they were being asked to approve its contents. This would not give the Committee sufficient time to review or request changes if they considered them to be necessary.

EQUALITIES

13. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

14. No direct carbon/environmental impacts arising from the recommendations.

ACTION

15. The draft AGS 2021/22 is approved.

Contact Details: David Harwood, Interim Internal Audit Manager
David.Harwood@hart.gov.uk

Appendices

Appendix A. The Local Code of Corporate Governance.

Background Papers: None



DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

1 Introduction

- 1.1 Hart District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which our functions are exercised, whilst having regard to a combination of economy, efficiency and effectiveness.
- 1.2 We are responsible for putting in place proper arrangements for the governance of our affairs and facilitating effective exercise of our functions. The Accounts and Audit Regulations 2015 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish an Annual Governance Statement (AGS).
- 1.3 This AGS set out the outcome of the review for the year ended 31 March 2022. It has been prepared in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles.

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2 The Council's Governance Framework

- 2.1 The governance framework generally refers to the culture, values, systems, and processes by which an organisation is directed, controlled and held to account. The Council's governance framework aims to ensure that in conducting its business it operates in a lawful, open, inclusive and honest manner, makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively, maintains effective arrangements for the management of risk and secures continuous improvement in the way that it operates. Additionally, an effective governance framework enables the Council to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 Underpinning the governance framework is the Council's Local Code of Corporate Governance. A document that details the key policies, procedures and systems by which the Council is controlled and governed. The Local Code is reviewed and updated annually to ensure it reflects current working practices. Once updated it is reviewed and approved by the Audit Committee. The Local Code should be read alongside the AGS.

3 Declaration of a Climate Emergency

- 3.1 In May 2019 the Government declared a climate change emergency. Whilst the Council at that time had introduced policies and initiatives to help adapt and mitigate the impacts of climate change (e.g., energy efficiency improvements, reducing single use plastics, planning policies to introduce greater levels of energy and water efficiency) it had no overall strategy for carbon reduction either for itself or to influence the wider community. In September 2019 the Council agreed to prepare a Climate Change Strategy which would set out the measures needed for the Council to become a net zero carbon emitter.
- 3.2 A formal cross party Climate Emergency Member Working Group was established. This Group has met regularly since September 2019 and has driven forward the climate change agenda as well as leading on developing a climate change carbon reduction action plan in lieu of the Strategy originally envisaged. The action plan was approved by Cabinet in February 2020 and covers the period to October 2023. Setting the October date was intentional. This allows a review of the plan to be completed by Autumn each year and the funding of actions considered in the Council's budget setting and service planning processes. £250k has been allocated in the 2022/23 budget for Climate Change Emergency.
- 3.3 Building on the work undertaken in preparing and delivering the action plan, the Council in April 2021 declared a climate emergency, and committed to putting the reduction of CO2 in the atmosphere at the front and centre of all policies and formal decision making. The Council pledged to make Hart District carbon neutral by 2040 and areas under the direct control of the Council carbon neutral by 2035. It was also agreed that a report be presented to full Council every six months setting out the current actions the Council is taking to address this emergency and the plan to measure annual District wide progress towards meeting the 2040 target. Reports have been presented to Council in November 2021 and April 2022.
- 3.4 All of the Councils decisions and actions, whether big or small, will contribute to either slowing or accelerating climate change. Good governance requires effective climate governance (ensuring climate risks and opportunities are identified, mitigated, managed and monitored) and it is recognised that, when considering the Council's finite resources, decisions affecting expenditure on climate issues will need to have regard to proportionality – balancing climate benefit against financial cost.
- 3.5 The impact of the Council's decision to declare a climate emergency can already be seen. For example, in March 2022 a decision was taken to allow Housing Associations to request funding from the Council so they could provide additional energy efficiency measures in new affordable homes being built in the district. All decisions taken by the Council also must consider climate change implications and committee reports have been adjusted to allow for this to be considered.

4 Review of the Effectiveness of the Governance Framework

4.1 The review of the effectiveness of the governance framework is led by Internal Audit and the Head of Corporate Services. The Senior Leadership Team also contribute to the review process.

The review considered the following areas:

- a) The annual review of the Local Code of Corporate Governance in May 2022. The Local Code is based upon the 2016 CIPFA / SOLACE framework, Delivering Good Governance in Local Government. Our self-assessment against the Code is included at Annex A.
- b) The work of Internal Audit and their 'Satisfactory' assurance opinion on the adequacy and effectiveness on the Council's internal control environment for the year ending March 2022, reported to the Audit Committee in May 2022. During the year there were issued one 'substantial', seven 'satisfactory' and three 'limited' assurance internal audit reports. No area reviewed was classified as having 'no' assurance. From the eleven reports issued, there were two high risks recommendations. One of the actions related to disabled facilities grants and the process for appointing contractors to undertake grant work. The second related to weaknesses in the management of a small number of IT systems that had been devolved to service departments. Both issues are considered serious enough to be identified as a significance governance concern. Action that is planned to be taken to address both issues is set out in Section 5 below.
- c) At the year end, an internal audit review of the Shapley Heath Garden Community Project was underway. This review was requested by the Audit Committee. It is anticipated that the internal audit report will be discussed by the Audit Committee at their July 2022 meeting. This statement will be updated to reflect those discussions.
- d) CIPFA released a revised Position Statement on Audit Committees in May 2022. Whilst this event occurred after the 31 March 2022, it was noted that the terms of reference for the Audit Committee do require to be reviewed. They will be updated during 2022/23 to reflect the Position Statement.

Interestingly the Position Statement has taken on board several recommendations arising from the Redmond Review of the effectiveness of local audit published in September 2020. Three of the most notable recommendations being that Audit Committees of local authorities should include co-opted independent members, that Audit Committee members will have a

requirement to be trained and the Audit Committee will be required to report annually to Council on how it has complied with the Position Statement, discharged its responsibilities and assessed its performance. The Council intends to meet the requirements of the Position Statement and during the next few months will consider how this will be best achieved.

- e) The unqualified opinions expressed by the external auditor on both the 2020/21 Statement of Accounts and Value for Money opinion. At the time of preparing this draft AGS the external auditor had not yet completed their review of the 2021/22 financial accounts. This statement will be amended once they have completed their work.
- f) The role of Members, as accountable democratically elected representatives, in providing community leadership, clear policy and financial direction, the development and review of policy, scrutiny and oversight as well as fulfilling regulatory and quasi-judicial duties. Annex B details the key governance impacts of Members work.
- g) 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.
- h) The Monitoring Officer has ensured that 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.
- i) The Head of Corporate Services is the Council's Section 151 Officer. They have had in place an appropriate internal control framework that has ensured financial transactions have been properly accounted for. They are a member of the Leadership Team and ensured financial implications are considered in the delivery of corporate objectives and overseen the effectiveness of the overarching strategic financial processes (e.g., budget setting, financial planning, revenue and capital expenditure monitoring, treasury management). They undertook a self-assessment of compliance with the CIPFA Financial Management Code which was reported to Audit Committee in July 2021. The Code is designed to support good practice in financial management and to assist the Council in demonstrating its financial stability.
- j) As part of their business-as-usual operations, Service Managers frequently review and amend their risk registers. The Corporate Risk Register was reported to Overview & Scrutiny in September 2021 and March 2022. The Audit Committee also

considered the effectiveness of the risk management framework in March 2022. A review of the Risk Management Policy is due to be completed in 2022/23.

- k) Work undertaken to identify potential fraudulent business grant claims received in respect of the (Covid) National Restrictions Support Grant, Restart Grants, Omicron and additional Restrictions grant schemes. The checks identified 11 attempted grant frauds in the Restart scheme, one of these was paid. The annual Countering Fraud risk assessment was completed. Investigations were also undertaken in respect of potential frauds identified via our involvement with the National Fraud Initiative.
- l) The processes put in place to protect from harm Members, Officers and Customers once Council buildings re-opened following the lifting of national Covid restrictions and the requirement to recommence delivering services in person, rather than remotely.
- m) The report of the Local Government and Social Care Ombudsman 2020/21. Four complaints had been referred to the Ombudsman, of which two fell within their remit and were investigated. Neither of these was upheld.
- n) In April 2022, a revised Corporate Complaints Policy was introduced. The policy addresses the concerns internal audit highlighted in their report of October 2021. Internal Audit plan to complete a follow-up review during Q4 2022/23. The findings of that review will feed into the 2022/23 governance review. Once the Corporate Complaints Policy has been in place for a number of months, it is the intention that high level trend data on complaints will be provided to Overview and Scrutiny as part of the corporate suite of data provided on a quarterly basis. This information was not provided on a routine basis previously.
- o) On the 16 June 2021, the Council incorporated Hart Housing Property Management Company Ltd (Co. No. 13459808), a wholly owned company. The company will hold and maintain residential assets procured by the Council. The company forms part of the Council's broader strategy to commercialise, when appropriate, its activities and functions. The majority of profits generated by the Company will be reinvested back into the delivery of Council services. (The draft business plan for the Company can be found within the Cabinet agenda, 3 June 2021). As part of the governance arrangements, a Housing Scrutiny Panel (HSP) was established, comprising three members appointed by the Overview and Scrutiny Committee. The HSP met in December 2021 for the first time.

- p) The Commercialisation Strategy was revised in July 2021. The Strategy explains how the Council aims to invest up to £50m in a balanced property portfolio that will aim to generate a rate of return of at least 3%, which will in turn be invested in service delivery. The Strategy outlines the investment criteria and decision-making process that has been introduced to ensure that all investments are appropriate.
- q) The provision of regular management and performance information, formally to both Cabinet and Overview & Scrutiny Committee and informally through discussions with Members at Service Panels.
- r) The approval in April 2021 of three new equality objectives for the period 2021-2023 (as required by the Public Sector Equality Duty) to replace the four that were in place for the period 2017-2021. The objectives were developed after holding engagement workshops with Leadership Team, Management Team and the staff change champions. Of the nine actions linked to the 2017-2021 objectives, eight were classed as 'green' within the RAG traffic light system. The remaining 'amber' action referred to the publication of workforce equality information. A decision was taken not to publish this as some categories contained such small numbers that it was likely that individuals would be able to be identified. This was not appropriate.
- s) The ongoing review throughout the year of policies and procedures that underpin the delivery of services alongside new initiatives introduced to enhance governance and/or service delivery. These include:
- The Economic Development team launched a website – Hart for Business - to promote the benefits of the district to potential new businesses and investors (April 2021)
 - Launch of the modern.gov app, to allow Members and Officers to access committee papers 'on the move' and away from a traditional PC or laptop (April 2021)
 - The Chairman of the Overview and Scrutiny Committee presenting the Committee's 2020/21 Annual Report to Council (May 2021),
 - Introduced a revised Corporate Debt Policy (July 2021)
 - Updated Customer Care Standards (August 2021)
 - Revising the Safeguarding Policy and Procedure (August 2021)
 - The implementation of the Development Management Service action plan prepared following the December 2019 peer review.

- The Council approving revisions to the Members Code of Conduct (September 2021)
- New Communications and Engagement Strategy (December 2021)
- Agreement to look at options for the restructuring of the Senior Management structure to achieve financial savings, whilst at the same time retaining a resilient senior management team (January 2022)
- A successful bid for £125k from Central Government to enhance cyber security (January 2022)
- Adoption of the Homelessness and Rough Sleeping Strategy 2022-27 (March 2022)
- Review of Whistleblowing Policy (March 2022)
- Work commenced on building a new corporate website which is expected to be launched by Autumn 2022.

5 Significant Governance Issues

- 5.1 The effectiveness review has concluded that corporate governance arrangements and the internal control environment are generally effective. It is acknowledged that improvements can always be made. Two issues are considered significant enough to be specifically highlighted. The action taken to address these is set out below.

Governance Improvement Plan 2021/22				
	Issue	Actions to be Taken	Responsible Officer	Target Date
1	Improvements need to be made to ensure that contract standing orders are followed in respect of works funded via disabled facilities grant (i.e., the appointment of contractors, seeking of quotations, completion of the contracts register).	An action plan has been prepared to address the procurement aspects raised by the DFG audit, ensuring that a framework for the allocation of work to contractors is used.	Head of Community and Housing	November 2022

	Issue	Actions to be Taken	Responsible Officer	Target Date
2	The responsibility for the maintenance and administration of three key IT systems has been devolved to Services rather than the central IT team. This has led to weaknesses in IT access controls, security management and cyber security which in turn could compromise the operational efficiency of the IT systems.	Clear guidelines will be written and passed to IT system administrators setting out their responsibilities and duties regarding, amongst others - access controls, security management and cyber security and GDPR adherence.	IT Manager	June 2022 (as included in the internal audit report)

- 5.2 Five governance issues were identified from the 2020/21 effectiveness review. An improvement plan to address these issues was included in the 2020/21 AGS.
- 5.3 The draft AGS for 2020/21 was considered by the Audit Committee in July 2021. An objection to the 2020/21 statement of accounts was received and the Audit Committee decided not to approve the AGS until the objection had been resolved. This delay to approving the AGS would have allowed the Audit Committee to amend the AGS if the objection was upheld.
- 5.4 External audit did not conclude their audit until early March 2022. Their audit report was considered by the Audit Committee on 22 March 2022. External audit having completed their work on the objection received concluded that a public interest report was not required. The 2020/21 AGS was therefore approved at the March 2022 Audit Committee meeting prior to being signed by the Leader of the Council and Chief Executive.
- 5.5 Good practice suggests that the Audit Committee should receive an updated improvement plan after six months or so. This allows the Committee to note the progress that has been made to address the governance issues identified. Due to the delay in approving the 2020/21 AGS, no such update report was provided. The table below outlines the current position in respect of each of the five governance issues identified in 2020/21.

Governance Improvement Plan 2020/21				
	Issue	Current position	Responsible Officer	Target Date
1	High risk internal audit actions are introduced.	A new monitoring system has been introduced that captures all actions that Managers have agreed to introduce. All high-risk actions are followed up to ensure they are introduced.	Internal Audit Manager	December 2021
2	<p>Ensure Service Plans adequately reflect risks and appropriate mitigating actions.</p> <p>Risks need to be documented, managed, and updated on the service risk registers.</p> <p>This action was brought forward from 2019/20 as it had not been fully completed.</p>	Risks from service plans are captured in corporate and service risk registers. They are reviewed on a regular basis and reported to Overview & Scrutiny Committee via Service Panels.	All Heads of Service	December 2021
3	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.	Joint Chief Executive	December 2021

	Issue	Current position	Responsible Officer	Target Date
4	The two high risk actions agreed following the 2020/21 payroll internal audit are introduced.	The actions have been introduced. 1. A Data Protection impact assessment has been completed. 2. Staff resilience has been improved.	Head of Corporate Services	April 2022
5	Ensure key policies are up to date and that the current version is readily available. Policies supporting the governance process need reviewing.	A list of key policies is maintained by the Head of Corporate Services. The policies updated during 2012/22 and to date are: Corporate Complaints Policy Corporate Debt Policy Safeguarding Policy Whistleblowing Policy Policies due to be updated during 2022/23 include risk management and the countering fraud and corruption policy. This action will be carried forward into 2022/23.	All Heads of Service Internal Audit Manager	December 2021 March 2023

6 Approval of the Annual Governance Statement

The effectiveness review has concluded that corporate governance arrangements and the internal control environment are generally effective.

Two areas for improvement have been identified. We propose to take steps to address the issues identified at paragraph 5.1.

We are satisfied that the introduction of the measures stated will improve governance processes. We will monitor the implementation and operation of the measures and report upon their effectiveness to the Audit Committee during the year and 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

Signature

Date

Self-assessment against the Local Code of Corporate Governance

The Councils commitment to good governance.	How it will be achieved.	Further information.
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
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.	<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 in place for all new members. ➤ The Standards Committee is in place to ensure ethical behaviour is maintained. ➤ 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. ➤ 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. 	<p>Member code of conduct September 2021</p> <p>Officer Code of Conduct (See Section 9 of the Employee Handbook)</p> <p>Organisation Chart</p> <p>Vision/Values and Governance</p>

The Councils commitment to good governance.	How it will be achieved.	Further information.
	<ul style="list-style-type: none"> ➤ 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. ➤ 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. 	Constitution

2. Ensuring openness and comprehensive stakeholder engagement.		
<p>The Council exists to serve its residents and local businesses. We work with a wide variety of stakeholders and work effectively in partnership. Consultation and engagement mechanisms are in place.</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. ➤ During 2021/22 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. 	Council Meetings

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The Councils commitment to good governance.	How it will be achieved.		Further information.
	<ul style="list-style-type: none"> ➤ The Council encourages feedback on the services it provides. We have a feedback form on our website, and its address is included on generic email signatures. ➤ The table below details the governance arrangements in place for both outsourced services and those services provided in partnership with other Councils. Regular meetings occur to discuss service, performance and financial issues. 		Contact Us Council Feedback
	Service	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 Services, Waste, Licensing, Grounds Maintenance).	Joint Management Board Joint Waste Board with Serco	
	Rushmoor Borough Council (CCTV, Building Control)	Joint Governance Group	
	Basingstoke and Deane Wokingham Borough Council – Internal Audit	Quarterly Management Meeting Audit Committee	

3. 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. In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.	<ul style="list-style-type: none"> ➤ The Corporate Plan 2017 – 2022 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 2021-22 Medium Term Financial Strategy was approved by Cabinet in December 2020. There is a robust budget process in place to ensure financial resources are allocated to corporate priorities. ➤ 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. Equality Objectives for 2021-23 were adapted by the Council in April 2021. ➤ The Council declared a climate emergency in April 2021. A climate change carbon reduction action plan has been prepared, which is considered by Council twice yearly. 	Hart Corporate Plan 2017-2022 Long Term Vision 2021-22 Budget and Medium Term Financial Strategy Equality Objectives 2021-2023 April 2022 climate emergency update

4. Determining the interventions necessary to optimise the achievement of intended outcomes.		
The Councils commitment to good governance.	How it will be achieved.	Further information.
<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 2021/22. ➤ 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 2021/22. ➤ 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 2021-22</p> <p>Constitution</p>

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.		
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 2021/221. 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. 	

The Councils commitment to good governance.	How it will be achieved.	Further information.
	<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. 	Constitution

6. Managing risks and performance through robust internal control and strong financial management.		
The Councils commitment to good governance.	How it will be achieved.	Further information.
The Council maintains an appropriate internal control framework, Financial management is robust to ensure council spending is within agreed budgets.	<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. ➤ 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. 	Risk Management Policy Corporate Risk Register Review March 2021 2020/21 Medium Term Financial and Budget

The Councils commitment to good governance.	How it will be achieved.	Further information.
	<ul style="list-style-type: none"> ➤ 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 are in place for both capital and revenue with budget reporting at both senior management and members occurring at least quarterly. ➤ An appropriate culture is in place to help manage the risk of fraud and we take a positive approach to raising fraud awareness. The Fraud and Corruption Policy is out of date and will be reviewed during 2022-23. ➤ A fraud risk assessment was carried out by Internal Audit during 2021/22 to consider the effectiveness of controls in place to manage the risk of fraud. The conclusions of this review are reported to management and the Audit Committee. 	<p>2021/22 Budget & Medium Term Financial Strategy</p> <p>Anti Fraud and Corruption Policy</p> <p>Fraud Risk Assessment 2021-22</p> <p>Whistleblowing Policy</p>

23

	<ul style="list-style-type: none"> ➤ Internal Audit provide an annual report to the Audit Committee that includes an objective opinion on the internal control framework. The report for 2021/22 was presented to the May 2022 Audit Committee and contained a 'satisfactory' opinion. ➤ External Audit review the arrangements that the Council has in place to secure value for money. They also provide an opinion on the accuracy and completeness of the Council's Statement of Accounts. The external auditors will not complete their work until after this draft AGS has been reviewed by the Audit Committee. The AGS will be updated to reflect the external auditors' findings from their review of the 2021/22 statement of accounts. 	Annual Internal Audit Report 2021-22
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THE MEMBER GOVERNANCE FRAMEWORK

The Council operates and discharges its function via the Constitution which establishes the roles and responsibilities for Members of the Executive, Overview and Scrutiny Committee, Audit Committee and other Regulatory Committees.

The core functions of the main committees are described below.

FULL COUNCIL

- a) Received minutes of Cabinet, Overview and Scrutiny and Audit Committees.
- 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.
- d) Approved the annual budget.
- e) Received updates from members who represent the Council on outside bodies.

CABINET

Cabinet carry 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 2021/22 Cabinet has:

- a) Received regular reports throughout the year on the Council's financial position.
- b) Reviewed in April 2021 Service Plans for 2021/22 to ensure the content of plans aligned with the Corporate Plan and priorities.
- c) Reviewed and approved key strategies and policies throughout the year.
- d) In November 2021 reviewed the Medium Term Financial Strategy for 2022/23.
- e) In February 2022 Cabinet set the budget for 2022/23 and recommended to Council its approval.

OVERVIEW & SCRUTINY

In terms of reviewing and monitoring the governance framework during 2021/22 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) Reviewed proposed strategy or policy documents and provided constructive comments to Cabinet.
- c) Made comments to Cabinet on the content of future years' service plans (which set out the key actions each service will undertake during the coming year to deliver the Council's objectives and priorities, as well as core services).
- d) Received reports from representatives on Outside Bodies on their involvement and make any recommendations to Cabinet on the continuing value.
- e) Received regular reports during the year on council performance from Heads of Service.
- f) Received the annual report from the Local Government and Social Care Ombudsman.
- g) Reviewed regular budget monitoring information and treasury management performance.
- h) In January 2022 the Committee reviewed and provided comment to Cabinet, on the content of the draft budget for 2022/23 and medium-term financial strategy 2022/23 – 2024/25.
- i) Been kept properly informed of the Cabinet work programme and so allowed the Committee to fulfil its role of holding the Executive to account.
- j) Presented in May 2021 an annual report of its work to Council.

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 2022, 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.

End

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2022

TITLE OF REPORT: AUDIT CHARTER

Report of: Interim Internal Audit Manager

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To seek approve to a revised internal audit charter.

RECOMMENDATION

2. That the Audit Committee review and approve the internal audit charter attached at Appendix 1.

BACKGROUND

3. The Public Sector Internal Audit Standards (PSAIS) require that the purpose, authority and responsibility of the internal audit service to be formally defined in an internal audit charter.
4. The current charter was approved by the Committee in 2017. As approved via Tier 2 savings, it is expected that one supplier will provide the internal audit service from April 2023. The charter has been reviewed and updated to reflect both the requirements of PSIAS and to ensure that it reflects the scope, responsibilities and objectives of internal audit that will be required under any future arrangement.

MAIN ISSUES

5. The PSIAS provide specific guidance on how internal audit should be carried out, how the internal audit function should be managed and assessed for effectiveness. PSIAS also includes the mandatory elements of the Global Institute of Internal Auditors' International Professional Practice Framework, namely - Mission of Internal Audit, Definition of Internal Audit, Core Principles and international standards for the professional practice of internal auditing and Code of Ethics. This information is required to be captured in the charter.
6. The PSIAS statements defining the Mission and Definition of Internal Audit are included in full in the charter.
7. The PSIAS comprises eleven Attribute and Performance Standards. The Attribute Standards address the characteristics required by those performing internal audit activities. Performance Standards describe the nature of internal audit activities and provide quality criteria against which performance of the service can be evaluated.

Attribute Standards:	Purpose, authority and responsibility
	Independence and objectivity
	Proficiency and due professional care
	Quality assurance and improvement programme

Performance Standards: Managing the internal audit activity

Nature of work

Engagement planning

Performing the engagement

Communicating results

Monitoring progress

Communicating the acceptance of risks

8. The charter captures these Standards by simply stating that Internal Audit shall adhere to the PSIAS and associated guidance. The charter does however expand on certain aspects of the Standards, such as its authority, reporting lines, access to records and scope of its activities.
9. Internal auditors must comply with the Institute of Internal Auditors Code of Ethics – integrity, objectivity, confidentiality and competency. In addition, internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life (commonly known as the Nolan Principles). These requirements are contained in the charter.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

10. Adopting the charter contributes to the Corporate Plan priority of delivering an efficient and effective Council.

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

Legal and Constitutional Issues

11. The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
12. The Audit Committee's terms of reference within the Constitution (May 2022) do not give it the authority to approve the internal audit charter. However, the Audit Committee carries out the 'Board' functions as set out within the PSIAS. The Monitoring Officer considers it appropriate for the Committee to approve the internal audit charter.
13. A review of the Constitution is to be undertaken during 2022/23. If that has not been completed before the next Audit Committee meeting, a report proposing amended terms of reference will be presented to the Committee.

Financial and Resource Implications

14. There are no financial implications arising from this report.

Risk Management

15. The internal audit service is likely to be in non-conformance with the PSIAS if the internal audit charter does not reflect professional standards. This may have an adverse effect when seeking third party suppliers for the delivery of the service.

EQUALITIES

16. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

17. No direct carbon/environmental impacts arising from the recommendations.

ACTION

18. The internal audit charter is approved.

Contact Details: David Harwood, Interim Internal Audit Manager
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Appendices

Appendix A. Internal audit charter.

Background Papers: None

Hart District Council
Internal Audit Charter

June 2022

1. Introduction

A professional, independent and objective internal audit service is one of the key elements of good governance.

This Charter provides a framework for the conduct of Internal Audit at Hart District Council and describes the purpose, authority and responsibilities of the Internal Audit.

The Charter has been prepared to meet the requirements of the 2017 Public Sector Internal Audit Standards (PSIAS) and should be read alongside them. The PSIAS provide specific guidance on how internal audit should be carried out, how the internal audit function should be managed and assessed for effectiveness. PSIAS also includes the mandatory elements of the Global Institute of Internal Auditors' International Professional Practice Framework, namely:

- Mission of Internal Audit
- Definition of Internal Audit
- Core Principles and international standards for the professional practice of internal auditing
- Code of Ethics

2. Statutory Requirement

Internal Audit is a statutory service as defined by the Accounts and Audit Regulations 2015, which require the Council to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account PSIAS or guidance.

The same regulations also require any officer or Member of the Council to make available such documents and records and supply such information and explanations as are considered necessary by those conducting the audit.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's affairs. To perform that duty the S151 Officer relies amongst others, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

3. Public Sector Internal Audit Standards

Internal audit shall adhere to the PSIAS and associated guidance.

This Charter adopts the following two PSIAS definitions:

Mission of Internal Audit

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Audit

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objects by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Through these definitions Internal Audit aims to provide assurance that proper arrangements are in place to support the Council's delivery of economic, efficient and effective services and so achieve its vision, priorities and values.

4. Relationship with the Audit Committee and Senior Management

Audit Committee

The Council has established an Audit Committee which fulfils the requirements of the Board as set out in PSIAS. The Audit Committee is responsible for the effectiveness of the governance, risk and control environment within the Council.

Internal Audit shall report functionally to the Audit Committee. The Audit Committee will:

- approve the Internal Audit Charter.
- approve the risk based internal audit work plan.
- receive updates on the progress of work undertaken against the work plan.
- receive an annual report and opinion from the Internal Audit Manager on the effectiveness of the Council's governance framework.
- obtain reassurance as to whether there are any limitations placed on the scope of work or against approved budgeted resources.

The Internal Audit Manager shall:

- have direct and unrestricted access to the Audit Committee and the right to attend all its meetings.
- when considered appropriate, have private meetings with the Audit Committee.
- have the right to meet with the Chairman of the Audit Committee and/or the relevant Cabinet Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.
- participate in the Audit Committee's review of its own remit and effectiveness.

Senior Management

The Senior Leadership Team (SLT) fulfil the role of senior management as defined by the PSIAS.

The S151/Head of Corporate Services shall support the Internal Audit Manager by ensuring that there are robust systems of risk management and internal control and an effective internal audit function¹.

The Internal Audit Manager shall:

- report administratively to the Head of Corporate Services/S151; and
- have direct and unrestricted access to Senior Management.

5. Organisational Independence

Independence is essential to the effectiveness of internal audit. It will remain free from all conditions or interference that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. This shall include, but not be limited to matters of audit selection, scope of work, procedure, frequency, timing or audit report content.

Internal audit will have no direct operational responsibility or authority over any audited activity. Internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. They shall not assess any operations for which they had responsibility in the previous 12 months.

The Internal Audit Manager will confirm to the Audit Committee annually, the organisational independence of internal audit. They shall also disclose to the Audit Committee any interference and its related implications in determining the scope of internal auditing, performing work and/or communicating results.

The Council shall appoint a Client Manager to oversee the work of the internal audit service at such a time when the Internal Audit Manager is not a directly employed member of staff. The Client Manager shall be responsible for ensuring that the service is delivered in accordance with contractual agreements and delivering the administrative tasks associated with such agreements. The Client Manager shall not interfere with Internal Audit Manager's organisational independence.

6. Due Professional Care

Internal auditors must comply with the Institute of Internal Auditors Code of Ethics as set out in PSIAS. In addition, internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life (commonly known as the Nolan Principles).

Internal auditors must exhibit due professional care when carrying out their work and whilst gathering, evaluating and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others.

Internal auditors with real or perceived conflicts of interests, impairments of independence or objectivity whether in fact or appearance, must inform the Internal Audit Manager as soon as these issues become apparent. The Internal Audit

¹ CIPFA publication "The Role of the CFO in public sector organisations"

Manager shall inform the Head of Corporate Services of any disclosures and take appropriate action to address these issues as they arise.

7. Authority & Confidentiality

Internal auditors (including all third-party internal audit service providers whose work is directed by the Internal Audit Manager) shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Internal Audit Manager considers necessary to enable internal audit to fulfil its responsibilities.

All employees and elected members are required to assist the internal audit activity in fulfilling its roles and responsibilities. All records, documentation and information accessed by internal auditors whilst undertaking internal audit activities shall be used solely for that purpose. Individual internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during their work.

8. Internal Audit Management

The Council shall appoint a professionally qualified and suitably experienced Internal Audit Manager who shall determine the priorities of, manage and deliver the internal audit service in accordance with this Charter.

The Internal Audit Manager shall:

- ensure they have a comprehensive understanding of the Council's systems, structures and operations so allowing the preparation of a risk-based audit plan that is closely aligned to the need to provide assurance against the Council's strategic priorities, key business objectives and risks, as contained or identified within its Corporate Plan, Service Plans, risk register and framework of assurance.
- review and adjust the audit plan as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- coordinate with other assurance providers to avoid overlap or duplication in audit plan coverage.
- when preparing the audit plan consider whether internal audit resources are sufficient to meet its responsibilities and achieve its objectives.
- report annually the impact and consequence of any resource limitations to the Audit Committee who will then recommend to Cabinet whether to accept the consequence identified or seek an increase in internal audit resource.
- use the resources allocated to internal audit to appoint external experts or specialists to assist in the delivery of the internal audit plan.
- put in place arrangements that ensure they are notified of all suspected or detected instances of non-welfare fraud, corruption, or impropriety to allow them to assess the impact on the control environment.
- assist in the investigation of allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

- promote a counter-fraud culture across the Council to aid the prevention and detection of fraud.
- maintain a quality assurance and improvement programme to ensure that all audit work is completed to high standards and in accordance with PSAIS and the standards, practices and procedures set out in the internal audit manual.
- undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided.
- establish effective relationships with managers at all levels.

9. The Scope of Internal Audit Activities

The Council has in place three lines of defence to effect control. The first line of the defence is the Council's day-to-day operational controls. The second line of defence are management controls. The third line of defence is independent inspection, both internal and external.

Internal audit shall be free to examine and evaluate operations, resources and services regardless of where they sit within the three lines of defence.

To identify audit plan coverage, activities are prioritised based on risk, using a combination of internal audit and management risk assessments (as detailed by risk registers) and consultations with key stakeholders. This shall result in the preparation of an audit plan that delivers reviews across the following areas:

Assurance activities: the results of which will directly influence the annual opinion on the adequacy and effectiveness of the control environment.

Advisory activities: results of which will contribute to the opinion on the adequacy and effectiveness of the control environment.

Consulting services: these will be advisory in nature and requested by management. Consultancy work not already included in the audit plan and which may affect the level of other assurance activities undertaken will be reported to the Audit Committee.

10. Outsourced or Shared Services.

Where the Council delivers its services through outsourced or shared services (e.g., Waste, Streets and Grounds Maintenance, Business Rates, Council Tax, Legal) the Internal Audit Manager shall liaise with the respective organisations internal audit service to discuss and agree the scope of assurance that the Council will receive from the organisation. This information will be considered by the Internal Audit Manager when preparing the annual audit plan.

The responsible Heads of Service and the Monitoring Officer shall ensure that all contractual agreements for outsourced or shared services incorporate appropriate rights of access for internal audit to conduct audits relating to any aspect of the performance of the contract.

11. Reporting and Monitoring

Communicating Internal Audit Findings

At the conclusion of a review, findings will be communicated to the appropriate manager. This may be done verbally or through a written report or memorandum.

The written report/memorandum will:

- include an overall assurance opinion on the adequacy of the governance, risk, and control processes.
- identify inadequately addressed risks and non-effective control processes.
- detail agreed corrective action (after considering that the cost of assurance is proportional to the potential benefits) and timescales for implementation.
- identify issues of good practice.

When corrective action has not been agreed, the Internal Audit Manager will escalate the matter to the appropriate manager, consistent with the assessment of the risk identified.

The Internal Audit Manager shall regularly review and report to senior management, the progress made by managers in introducing the agreed corrective actions. Senior Management are responsible for ensuring that agreed corrective actions are introduced.

Reporting to the Audit Committee

The Audit Committee will be provided with periodic updates on internal audit work. The updates shall cover significant findings and actions, significant risk exposures (including fraud risks) and control issues and provide information on the status of the agreed internal audit work plan.

Amendments and revisions to the audit plan shall also be reported and agreed by the Audit Committee.

Full copies of closed internal audit reports will be issued to Audit Committee members on a quarterly basis. A summary of the internal audit reports findings shall be presented to the Audit Committee.

The Internal Audit Manager shall present an annual report to the Audit Committee that meets the requirements of the PSIAS. The annual report, which shall be timed to support the Council's annual governance statement will contain an opinion that provides reasonable assurance (rather than absolute assurance) on the overall adequacy and effectiveness of the Council's control environment.

12. Quality Assurance & Improvement

The Internal Audit Manager shall maintain a quality assurance and improvement programme (QAIP) that meets the requirements of PSIAS.

The QAIP will be designed to provide SLT and the Audit Committee with assurance that internal audit:

- performs its work in accordance with this charter.
- operates in an effective and efficient manner.
- is adding value and continually improving the service it provides.

The Internal Audit Manager will:

- undertake an annual review of the effectiveness of internal audits compliance with PSIAS.
- arrange for an external independent review of internal audit to be undertaken at least once every five years.

The results of the reviews shall be reported to senior management and the Audit Committee. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must also be reported to the Audit Committee. Any significant deviations must be considered for inclusion in the annual governance statement.

Any improvement plans arising from either the self-assessment or the external independent review shall be prepared and reported to both Senior Management and the Audit Committee.

All third-party internal audit providers who are engaged to support delivery of the internal audit plan shall also comply with the PSIAS quality and assurance standard and be required to provide copies of external independent review reports to the Internal Audit Manager and if appointed, the internal audit Client Manager.

13. Relationships with external audit

Internal Audit will establish and maintain an open relationship with the external auditor. Internal audit will plan its activity so that there is adequacy of audit coverage and to minimise duplication of assurance effort. However, the work of internal audit will not be driven by external audit's own priorities. External audit will have full and free access to all internal audit strategies, plans, working papers and reports.

14. Review of the Charter

The Internal Audit Manager will review this Charter each year and report the outcome of that review to SLT and the Audit Committee. Approval of the Charter shall be the responsibility of the Audit Committee. This version was approved on the 26 July 2022.

End

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2023

TITLE OF REPORT: INTERNAL AUDIT PROGRESS REPORT

Report of: Interim Internal Audit Manager

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non-Exempt

PURPOSE OF REPORT

1. The Committee receive a report on the work undertaken by Internal Audit at each of their meetings. The last report was submitted to the Committee in respect of the period ending May 2022. This report covers the month of June 2022.

RECOMMENDATION

2. That the Committee review and note the report.

MAIN ISSUES

Internal Audit reviews

3. At the time of writing this report, all the audits contained in the 2021-22 internal audit plan have either been completed and reported to the Committee previously or are in progress.
4. Six audit reviews from the 2021-22 internal audit plan are in progress. These are:
 1. Main accounting system and budgetary control.
The draft report is being reviewed by the Interim Internal Audit Manager. It has been given a 'substantial' assurance opinion and contains three recommendations.
 2. Council tax and business rates.
The draft report is being reviewed by the Interim Internal Audit Manager. It has been given a 'satisfactory' assurance opinion and contains three recommendations.
 3. Financial resilience.
The draft report has been issued to management for comment. It has been given a 'satisfactory' assurance opinion and contains four recommendations.
 4. Housing Benefit.
Testing has been completed. The report is being drafted.
 5. Planning performance
Fieldwork is still being conducted.
 6. Shapley Heath.
A report has been issued and is due to be discussed at the 26 July 2022 Committee meeting.

5. Two audits from the 2022-23 internal audit plan have started. Their scopes are as follows:

Fleet Pond: To obtain reasonable assurance that the Fleet Pond programme (Northern footpath, car park and access road) will be delivered to budget, in time and to the right quality, and in accordance with the Council's project management methodology.

Procurement: To obtain reasonable assurance that since the procurement service returned to an 'in-house' service in January 2020 that all (medium and high value) procurement and contractual decisions were made in accordance with Contract Standing Orders and achieve value for money.

6. The 2022-23 internal audit plan contains 13 reviews. Four are due to start in quarter two - delivery of the savings plan, fraud risk assessment, accounts receivable and IT controls/cyber assurance.

Follow-up of agreed actions

7. To ensure that all 'high risk' agreed actions have been introduced, a spreadsheet follow-up tracker has been designed and populated with all agreed internal audit actions introduced from April 2019.
8. Three 'high risk' actions were added to the tracker following the reviews completed in 2021-22. Two remain outstanding and have been included on the annual governance statement (disabled facility grants and IT controls) as areas for improvement. Managers are undertaking work to address the risks identified.
9. At their last meeting, the Committee asked for an update on the one high risk finding from the IT Control audit. The audit found that within some systems that were being managed by services there were '... no clearly defined responsibilities for service areas to adhere to in respect of expected IT access controls, security, management and cyber security...'. The audit recommended that there should be clear guidelines given to managers/systems administrators to ensure that they are fully aware of their responsibilities.
10. To address the recommendation, the IT Manager and Data Governance Officer undertook their own review to identify weaknesses and areas of focus. Three systems were considered of higher risk due to the data they held.
11. Documentation covering such areas as firewalls, user access controls, patch management and system backup and recovery has been provided by the supplier of one of these systems. Two suppliers have provided some information, but not all and discussions are continuing. In addition, penetration testing has been completed on one system to ensure adequate security safeguards are in place. The Committee will be provided with an update at their next meeting on the progress that has been made.

Other matters

12. During the reporting period Internal Audit have also taken the lead in reviewing and updating the local code of corporate governance and drafting the annual governance statement. The internal charter has also been reviewed and updated. All three of these documents are due to be presented to the 26 July Committee meeting.
13. Work has also started on drafting the specification and associated documents in respect of the out-sourcing of the internal audit service. It is anticipated that a

new provider will be selected by 30 November, so giving them sufficient time to complete a hand-over with the current providers and prepare the risk based internal audit plan for 2023-24.

14. Following the resignation of the previous internal audit manager in June, an interim manager has been appointed to manage the service until 31 March 2023. The new service provider will assume responsibility for the delivery of the service from April 2023.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

15. The Committees oversight of internal audit contributes to the Corporate Plan priority of delivering an efficient and effective Council.

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

Legal and Constitutional Issues

16. The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
17. Audit Committee terms of reference give it the responsibility to receive summaries of all internal audit reports and such additional information as may be required.

Financial and Resource Implications

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

Risk Management

19. Non-delivery of the internal audit plan may affect the ability of internal audit to provide an overall assurance opinion to the Committee. In addition, not introducing 'high risk' agreed actions may lead to a low-level annual opinion being given. If either of these issues arose, it would be a significant concern and require highlighting in the annual governance statement.
20. To mitigate these risks, internal audit reviews will be conducted across the year so that they are all substantially completed by the year end. A quarterly review of progress made by managers to introduce agreed actions will also be completed. Actions that are not introduced in time will be escalated to the Senior Leadership Team for review and action.

EQUALITIES

21. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

22. No direct carbon/environmental impacts arising from the recommendations.

ACTION

23. The internal audit progress report is noted.

Contact Details: David Harwood – Interim Internal Audit Manager.

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Background Papers: None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Exempt from Publication