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NOTICE OF MEETING

Meeting:	Audit Committee
Date and Time:	Tuesday 25 July 2023 7.00 pm
Place:	Council Chamber
Enquiries to:	Committee Services committeeservices@hart.gov.uk
Members:	Axam (Chairman), Blewett, Davies, Engström, Hale, Southern and Thomas

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 ELECTION OF VICE CHAIRMAN

To elect a Vice-Chairman from among the councillors.

2 MINUTES OF THE PREVIOUS MEETING (Pages 3 - 8)

The minutes of the meeting held on 28 March 2023 are attached for confirmation and signature as a current record.

3 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.

4 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.

5 CHAIRMAN'S ANNOUNCEMENTS

6 UPDATE ON EXTERNAL AUDIT

To receive a verbal update on external audit, both the position nationally and also in relation to Hart's accounts.

7 INTERNAL AUDIT PROGRESS REPORT QUARTER 1 2023/2024 (Pages 9 - 18)

The Committee receive a report from Southern Internal Audit Partnership on the work undertaken at each of their meetings. This report covers the first quarter of 2023-2024.

RECOMMENDATION

That the Committee review and note the report.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/2023 (Pages 19 - 41)

To seek approval of the draft annual governance statement 2022/23.

RECOMMENDATION

That the Audit Committee review and approve the draft annual governance statement 2022/23.

9 AUDIT COMMITTEE WORK PROGRAMME 2023/2024 (Pages 42 - 44)

To consider and amend the Audit Committee Work Programme.

Date of Publication: Monday, 17 July 2023

AUDIT COMMITTEE

Date and Time: Tuesday 28 March 2023 at 7.00 pm

Place: Council Chamber

Present:

Southern (Vice-Chair, in the Chair), Blewett, Davies, Engström, Hale and Smith and Axam (Joined by Teams)

In attendance:

Collins, Farmer, Neighbour, Radley (arrived 19.07)

Officers:

Graeme Clark, Executive Director - Corporate Services

David Harwood, Internal Auditor

Daryl Phillips, Chief Executive

30 MINUTES OF THE PREVIOUS MEETING

The Chairman requested an amendment to the decision for Item 29, Appointment of Independent Person to Audit Committee.

The Committee discussed and all agreed in principle the following revised wording:

DECISION

Members at this time did not wish to consider the appointment of Independent Person(s) to the Audit Committee but agreed for it to be included in the updated Terms of Reference; this will allow an appointment to be made in the future if the Committee desires.

This amendment was proposed by the Chairman and seconded by Councillor Smith then agreed by the Committee.

With this change the minutes of 25th October 2022 were confirmed and signed as a correct record.

31 APOLOGIES FOR ABSENCE

No apologies received.

32 DECLARATIONS OF INTEREST

No declarations made.

33 CHAIRMAN'S ANNOUNCEMENTS

The Chairman and members commended the Interim Internal Audit Manager for all his work to date.

34 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee considered the revised Audit Committee Terms of Reference.

Member asked if the Committee would be preparing an end of year report on the work of the Audit Committee for this financial year. Officers confirmed it was best practice for a short high-level report to be produced. Members queried whether a new Committee could report on the work of the current Committee. Officers explained that due to the timing restrictions within the committee approval process the first annual report would be due April 2024.

The recommendation was proposed by Cllr Southern; seconded by Cllr Engström.

DECISION

The revised terms of reference were recommended to full Council at its meeting on 27 April 2023.

35 AUDIT RESULTS REPORT 2021/22

Mr Suter, from Ernst & Young (EY) summarised the Audit Results 2021/22 highlighting key findings.

- No evidence of fraud or material weakness in controls
- Changes made to the accounts in relation to the valuation of land and buildings
- No disclosure issues in relation to pensions
- Significant improvements in the accounting for Covid-19 grants

He explained that although the report was substantially complete, some elements were outstanding due to reduced EY staffing resources.

Members questioned the amendment of land valuations, the practical implications of this and the challenges with resourcing the audit and if there was a statutory deadline for completion of the audit. Officers confirmed that the land valuations changes although important had no material impact on the income and expenditure position. Mr Suter explained that the resourcing issues within audit were a national issue. There is not a statutory deadline for the audit to be completed. Members thanked Ernst & Young (EY) for their efforts.

The recommendation was proposed by Cllr Southern; seconded by Cllr Davies.

DECISION

The Committee unanimously agreed to note the Ernst Young LLP report.

36 STATEMENT OF ACCOUNTS 2021/22

Executive Director - Corporate presented members with the Statement of Accounts 2021/22 and the Annual Governance Statement 2021/22. The Executive Director said that Mr Suter's comment that an unqualified opinion would be issued should give the committee confidence in the accounts, but he confirmed that any material changes would be returned to the Audit Committee.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

Audit Committee approved the:

Statement of Accounts 2021/2022 and the Annual Governance Statement 2021/22

The recommendation was proposed by Cllr Southern; seconded by Cllr Smith.

DECISION

That delegated authority be given to the Executive Director - Corporate in consultation with the Chairman of Audit Committee, to approve any non-material changes to the 2021/22 Statement of Accounts that arise from the final external audit review work, and to approve the letter of representation.

37 INTERNAL AUDIT PLAN 2023-24

Mr Pitman, from Southern Internal Audit Partnership, introduced the Internal Audit Plan 2023-24. This risk-based plan was devised in consultation with key stakeholders, it is a fluid document and will change as new and emerging risks are identified throughout the year.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

The Committee approved the Internal Audit Plan for 2023/24.

38 INTERNAL AUDIT CHARTER 2023/24

Mr Pitman summarised the Internal Audit Charter 2023/24. It sets out the purpose, authority and reporting requirements and is approved annually by the Senior Leadership team and Audit Committee.

A member questioned whether the report should be amended to reflect that the Audit Charter is in fact listed in the service plans. This was confirmed.

The recommendation was proposed by Cllr Southern; seconded by Cllr Engström.

DECISION

The Committee approved the Internal Charter 2023/24.

39 RISK MANAGEMENT POLICY

The Committee reviewed the policy. The Interim Internal Audit Manager explained that whilst Cabinet has responsibility for the policy, the Audit Committee have risk management governance responsibilities and should have the opportunity to comment on the policy prior to Cabinet approval.

A member questioned the two points of authority and what happens if the Audit Committee is not content with any response from officers or from the Cabinet. The Interim Internal Audit Manager detailed how the risk responsibility lies with the Cabinet and the Audit Committee will have to accept their view ultimately.

The recommendation was proposed by Cllr Southern; seconded by Cllr Davies.

DECISION

The Committee raised no issues for Cabinet to consider prior to their approval of the policy.

40 RISK MANAGEMENT UPDATE

The Interim Internal Audit Manager presented the Risk Management update stating there were no issues to highlight.

The recommendation was proposed by Cllr Southern, seconded by Cllr Engström.

DECISION

The Committee noted the effectiveness of the risk management framework.

41 INTERNAL AUDIT ANNUAL REPORT AND OPINION

The Interim Internal Audit Manager highlighted the key findings from the draft Annual Internal Audit Annual Report 2022/23 adding that the plan had been delivered in full and thanking colleagues at Basingstoke and Deane and Wokingham Councils for their work. No significant issues need to be highlighted to the committee.

Hart District Council staff are responsible for managing IT controls and systems updates and formal procedures need to be produced.

A member requested an explanation of the recent error in Council Tax letters dispatched.

Executive Director - Corporate outlined the actions taken since the issue was identified and confirmed that the investigation is not yet complete. The Executive Director said he would report on the matter to the next meeting of the Audit Committee.

The report recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

The Committee noted the Internal Audit report and opinion.

42 SHAPLEY HEATH GARDEN COMMUNITY PROJECT: CABINET AND STAFFING COMMITTEE FEEDBACK

The Chief Executive provided members with an overview of the recommendations. He acknowledged the findings were challenging for officers and members, areas that will continue to be addressed include:

- Tightened financial controls
- Adherence to the terms of reference
- Experience and qualifications of staff
- Strengthened internal project board
- Projects not overseen by own department head
- Greater involvement of portfolio holders
- Reporting mechanisms followed
- Officers to ensure members are more informed
- Members to challenge officers more and to a greater extent
- Amendment of Delegated Powers in the Constitution
- Amendment of whistleblowing policy

A query was raised regarding whether the Audit Committee had been given access to the Exempt report from the Staffing Committee. Officers confirmed that

an investigation/disciplinary panel had been established, chaired by Cllr Worlock. No formal report was issued by the Committee.

Members debated:

- Previous requests for financial information for this project by members
- Cabinet and specific Portfolio holders roles in this project
- Reports produced as part of the project and how they may be used in the future
- What effect the COVID-19 pandemic had on the governance of the project

Members asked how the Overview and Scrutiny Committee (O&S) would undertake a progress review against the recommendations in September. Evidence would be provided to the O&S Committee to show actions taken.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

That Audit Committee recommends to Cabinet that it ensures the full implementation of all recommendations set out in this report and that Overview and Scrutiny Committee should in September 2023 review progress.

- A. The Officer response to the management recommendations contained within the July 2022 taaa Shapley Heath Audit Review report (attached as Appendix 1)
- B. The response from Cabinet on lessons learnt; and
- C. The Staffing Committee review of the exercise of officer management oversight over the Shapley Heath Garden Community project for the period from March 2021 to the closure of the Shapley Heath Garden Community project (November 2021).

The meeting closed at 8.45 pm



Southern Internal Audit Partnership

Assurance through excellence
and innovation

HART DISTRICT COUNCIL INTERNAL AUDIT PROGRESS REPORT - JUNE 2023

Prepared by: **Neil Pitman, Head of Partnership**

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

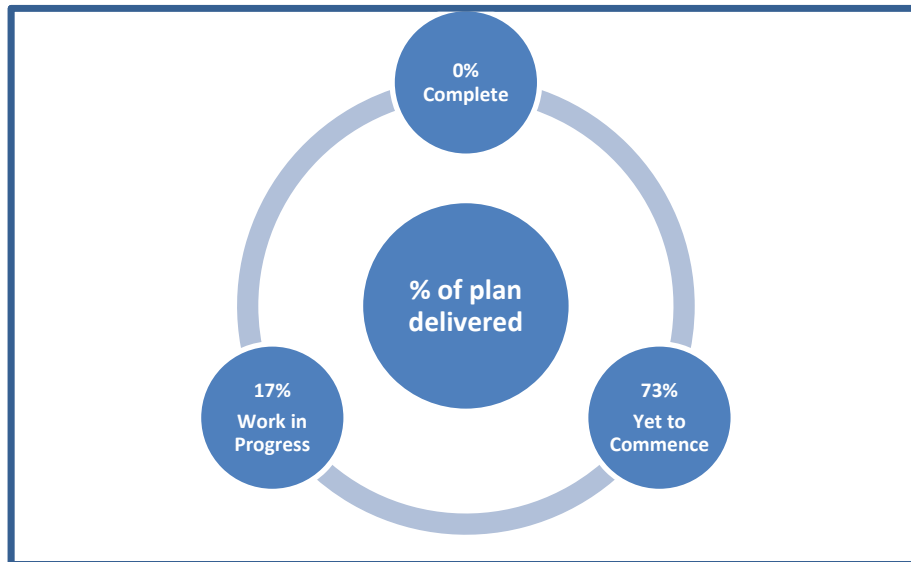
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

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

3. Performance dashboard



*Results are the outcomes of a Partnership wide survey undertaken in April 2023.

Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of ‘Live’ audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Accounts Payable	Mar 23	Corporate	Satisfactory*	2		2				
Housing Benefits	Jun 23	Corporate	Satisfactory*	1		1				
Revenues	Jun 23	Corporate	Satisfactory*	1				1		
Payroll	Jun 23	Corporate	Satisfactory*	3		3				
Total								0	1	0

() the figure in brackets indicates high priority management action(s).
 *Indicates an assurance opinion relating to a 22/23 audit review – assurance opinion definitions for these reviews are detailed at Annexe 3

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Audit Sponsor

Chief Executive
Daryl Phillips

Executive Director of Community Services Kirsty Jenkins	Executive Director of Corporate Services Graeme Clark	Executive Director of Place Services Mark Jaggard
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5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no limited assurance opinions issued.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to and agreed by the Senior Leadership Team and the Audit Committee in March 2023. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23								
Payroll	Corporate	-	-	-	-	Jun 23	Satisfactory	
IT Controls	Corporate	-	-	-	-			With S151
Housing Benefit	Corporate	-	-	-	-	Jun 23	Satisfactory	
Revenues (CTax/NNDR)	Corporate	-	-	-	-	Jun 23	Satisfactory	
Procurement	Corporate	-	-	-	-			With S151
Planning Performance	Place	-	-	-	-			With S151
2023/24								
Information Governance	Corporate	✓	✓	✓				
Risk Management	Corporate							Q3
Programme & Project Management	Corporate							Q2
HR – Workforce Strategy	Corporate	✓	✓	✓				
Savings Realisation	Corporate							Q3
Decision Making	Corporate							Q3
National Fraud Initiative	Corporate							S151 to advise on latest position
Payment Card Industry Standards	Corporate							Q4
Cyber – Staff Training & Awareness	Corporate							Q2
Vulnerability Management	Corporate							Q3

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Accounts Receivable & Debt Management	Corporate							Q3
Housing Benefits	Corporate							Q4
Climate Change	Corporate							Q3
Safeguarding	Community	✓	✓	✓				
Licencing	Place							Q2
S106 Developer Contributions	Place							Q4
Waste & Recycling	Corporate							Q4
Legal Services	Corporate							Q2

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8. Adjustments to the Internal Audit Plan

Plan Variations 2023/24	
Additions to the plan	Explanation
N/A	-
Deletions from the plan	Explanation
N/A	-

Annexe 1

Overdue 'High Priority' Management Actions

Observation:			
Risk:			
Management Action	Original Due Date	Revised Due Date	Latest Service Update

Overdue 'Low & Medium Priority' Management Actions (June 2023)

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Revenues	Jun 23	Satisfactory		1	Jan 23	Aug 23
Total				1		

Assurance Rating (prior to June 2022/23 reports)

Substantial	Substantial assurance is given where there is a sound system of control in place, which is applied consistently to ensure the intended objective is met.
Satisfactory	Satisfactory assurance given where there is generally a sound system of internal control in place with only minor lapses, and in general, objectives achieved.
Limited	Limited assurance is given where controls in place are not always applied and objectives may not be achieved, meaning the Council is exposed to the risk of financial loss, fraud or the loss of reputation.
None	No assurance is given where weaknesses in control has resulted if a failure to achieve objectives.

AUDIT COMMITTEE

DATE OF MEETING: 25 JULY 2023

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

Report of: Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To seek approval of the draft Annual Governance Statement 2022/23.

RECOMMENDATION

2. That the Audit Committee review and approve the draft annual governance statement 2022/23 attached at Appendix 1.

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. The AGS is a backward look at the governance arrangements in place in the previous financial year. From 2023 the deadline for publishing the draft has been brought forward to 31 May, Hart achieved this deadline.

MAIN ISSUES

4. The Senior Leadership Team consider that there are proper arrangements in place for the governance of the Council's affairs and facilitating the effective exercise of functions.
5. They are of the opinion that improvements can always be made and have identified three areas for improvement which are listed in the statement.
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 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.

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 2022/23 is approved.

Contact Details: Graeme Clark, Director of Corporate Services and S151 Officer
Graeme.clark@hart.gov.uk

Appendices

Appendix 1. Draft Annual Governance Statement 2022/23.

Background Papers: None



DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

**SUBJECT TO CONSIDERATION AND APPROVAL BY THE AUDIT COMMITTEE
SUBJECT TO REVIEW AND SIGNING BY THE LEADER AND CHIEF EXECUTIVE**

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 governance arrangements in place for the year ended 31 March 2023. This draft will be subject to consideration and approval by the Audit Committee and, if necessary, it will be updated to include any significant post year-end events. It has been prepared in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles.

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 periodically to ensure it reflects current working practices. Once updated it is reviewed and approved by the Audit Committee.

3 Effectiveness of the Governance Framework

3.1 The effectiveness of the governance framework is reviewed by the Executive Director of Corporate Services, supported by the Senior Leadership Team.

The review considered the following areas:

- a) The annual review of the Local Code of Corporate Governance. 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 2023, reported to the Audit Committee in March 2023. During 2022/23 financial year there were issued one 'high risk', fourteen 'medium risk' and three 'low risk' actions raised in internal audit reports. No area reviewed was classified as having 'no' assurance. There was one high risk recommendation.

Following a procurement exercise, a decision has been taken to outsource delivery of the Internal Audit Service to the Southern Internal Audit Partnership (SIAP) from April 2023. This will strengthen the IA approach, provide greater resilience and bring learning and experience from an established specialist IA provider. SIAP undertake Internal Audit functions for many local authorities and other public sector bodies and Hart will join the governance board.

The Audit Committee requested in December 2021 an internal audit review of the Shapley Heath Garden Community Project. In July 2022 the Audit Committee received the audit report that had been commissioned from an external independent auditor. It highlighted several significant governance concerns relating to project management governance and contained 11 recommendations. The Audit Committee considered the report then asked Cabinet to provide a response to the report's recommendations and to also review the application of project governance, financial controls and reporting and to provide a response on the lessons learnt. At its meeting on 28 March 2023, the Audit Committee received the final action plans from the S151 Officer, the external consultant and the Staffing Committee. These were considered by the Committee and reported to the Cabinet for endorsement. An update report will be considered by the Overview and Scrutiny Committee in September 2023.

- c) CIPFA released a revised Position Statement on Audit Committees in May 2022. It was noted that the current terms of reference for the Audit Committee needed to be reviewed and this was completed and agreed by Audit Committee in March 2023.
- d) 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 although a positive audit findings report was presented to the Audit Committee in March 2023. This statement will be amended once they have completed their work.
- e) The role played by Members, as accountable democratically elected representatives, in providing community leadership, delivering clear policy and financial direction, scrutinising decisions as well as fulfilling regulatory and quasi-judicial duties. Annex B details the key governance impacts of Members' work.
- f) The work of the Senior Leadership Team who have responsibility for the development and maintenance of the control and governance environment.
- g) The Monitoring Officer has monitored the Council's compliance 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.
- h) The Director 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 Senior 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. The Code continues to provide a framework of good practice in financial management and a further review against the FM Code will be undertaken in Autumn 2023.
- i) 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 and Cabinet in November 2022 and April 2023. The Audit

Committee also considered the effectiveness of the risk management framework in March 2023 and approved a revised Risk Management Policy.

- j) In October 2022, the Council underwent a senior management restructure, moving from four service areas to three – Place, Corporate and Community. One of the two Joint Chief Executives also left the Council at this time, leaving one Chief Executive. A new Monitoring Officer was also appointed, alongside a new S151 Officer who also was appointed Executive Director of Corporate Services.
- k) The report of the Local Government and Social Care Ombudsman reported in their annual review letter 2022. Four complaints were received by the Ombudsman. After review they decided that only one required formal investigation by them, which was not upheld.
- l) In April 2022, a revised Corporate Complaints Policy was introduced which addressed the concerns internal audit highlighted. 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.
- m) In 2021, the Council incorporated Hart Housing Property Management Company Ltd (Co. No. 13459808), a wholly owned company. The company lease, maintain and rent out on an affordable basis, residential assets procured by the Council in its pursuance of its objective to increase the supply of affordable housing in the district. The company forms part of the Council's broader strategy to innovate in the provision of its activities and functions. The majority of any net income generated by the Company will be reinvested back into the delivery of Council services. As part of the governance arrangements, a Housing Scrutiny Panel (HSP) was established, comprising three members appointed by the Overview and Scrutiny Committee. In 2022/23 the lease was completed and the Board was strengthened with new director appointments.
- n) 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.
- o) 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:
- New Corporate Plan approved following public consultation and scrutiny

- Medium Term Financial Strategy revised in Feb 2023 following a mid-year report to O&S and Cabinet in November 2022.
- Further development 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
- Revised Financial Regulations and Procurement Rules approved February 2023
- Mandatory training for staff in cyber awareness, equalities and data protection.
- The Chairman of the Overview and Scrutiny Committee presenting the Committee's 2022/23 Annual Report to Council
- A successful bid for £125k from Central Government to enhance cyber security
- Adoption of the Homelessness and Rough Sleeping Strategy 2022-27 (March 2022)
- Revised Whistleblowing Policy approved (July 2022)
- Review of the governance arrangements for the Capita 5 Cs contract approved by Cabinet (Sept 2022)
- Cabinet approved a net zero carbon pathway report (Sept 2022), following review by climate change group and O&S – action plan being developed Spring 2023.
- The new council website was developed and launched March 2023.
- The corporate accessibility project was approved, and this commenced in March 2023

4 **Significant Governance Issues 2022/23**

- 4.1 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 and the following matters are considered significant enough to be specifically highlighted. The action taken to address these is set out below.

Governance Improvement Plan - arising from the 2022/23 review of effectiveness of governance arrangements

	Issue	Action Taken	Responsible Officer	Target Date
1	Management of projects, including governance arrangements, project planning, financial controls, monitoring and reporting.	<p>Revised the Terms of Reference for the overarching project Board to improve monitoring and reporting of project progress.</p> <p>New financial monitoring arrangements for project agreed by Project Board</p> <p>Closer portfolio holder involvement and ownership of major projects with O&S being more involved in scrutiny and monitoring</p> <p>Follow up on action plans agreed by Audit Cttee</p>	Chief Executive/S151 Officer	Implemented throughout 2023
2	Increase the robustness of the Internal Audit plan, delivery of audits and implementation of recommended actions	<p>Appointing Southern Internal Audit Partnership as Hart's internal audit provider will strengthen the delivery.</p> <p>Greater engagement with SLT and managers group will raise the importance and profile of internal audit and closer monitoring will increase delivery of actions within the agreed timescales.</p>	S151 Officer	Commencing April 2023

- 4.2 External audit did not conclude their 2021/22 audit until early March 2023. Their initial audit findings report was considered by the Audit Committee on 28 March 2023. The 2021/22 AGS was therefore approved at the March 2023 Audit Committee meeting prior to being signed by the Leader of the Council and Chief Executive.

Governance Improvement Plan 2021/22 – As identified in the 2021/22 Annual Governance Statement

	Issue	Current position (June 2023)	Responsible Officer	Delivery
1	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.	An internal audit review undertaken in February 2023 found that no procedure notes have been prepared. The review also noted that whilst system managers are clear on their role and responsibilities and tasks that need to be performed, procedure notes should still be written to document the controls and actions that are required to be performed to effectively manage and safeguard the devolved systems. This work is underway in 2023.	IT Manager	In progress
2	The internal audit report on the Shapley Heath Garden Community Project identified serious project management governance failings and made 11 recommendations. Audit Committee have asked Cabinet and the Staffing Committee to consider the report and their requests for: <ol style="list-style-type: none"> 1. a response that sets out how the 11 recommendations are to be actioned. 2. A review of the application of project governance processes. 	<p>In September 2022 the Cabinet asked for an action plan to respond to the 11 recommendations.</p> <p>The Local Government Association undertook a review of project governance, financial control and reporting arrangements.</p> <p>The Staffing Committee established a Panel to review Officer's actions.</p>	Chief Executive/S151 Officer	In progress To be reported to O&S Committee in Sept 23

	Issue	Current position (June 2023)	Responsible Officer	Delivery
	3. A review of Officer's oversight of the Project.	All three of the above actions resulted in recommendations that were presented in a comprehensive report to Audit Committee in March 2023 which Cabinet has accepted.		

5 Approval of the Annual Governance Statement

The 2022/23 review has concluded that corporate governance arrangements and the internal control environment are generally effective.

Two areas for improvement have been identified, plus the continuing action carried over from 2021/22. We propose to take steps to address the issues identified at paragraph 4.1 and will report on the action taken to the Audit Committee both during the year and as part of future annual governance reviews.

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**Cllr David Neighbour,
Leader of Hart District Council**

Daryl Phillips, Chief Executive

Signature

Date

Self-assessment against the Local Code of Corporate Governance

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

The Council's commitment to good governance.	How it will be achieved.
	<ul style="list-style-type: none"> <li data-bbox="651 323 1883 501">➤ 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. <li data-bbox="651 544 1883 651">➤ 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.

The Council's commitment to good governance.	How it will be achieved.
<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 2022/23 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. ➤ The Council consulted on its Corporate Plan in Autumn 2022 which informed the final version approved by Council in February 2023 ➤ Hart District Council is committed to working with residents, businesses, and charities to improve the services it delivers across the district. Consultation is an essential part of this, and we need to know your thoughts on changes that we intend to make. ➤ We use social media including Twitter and Facebook, as a way of engaging with the community and promoting awareness of services we provide. All our social media updates are provided by our Communications Team to ensure a consistent approach is taken. ➤ Newsletters are sent to Parish and Town Councils, MP's and County Councillors. ➤ Meetings take place between Hart Officers and Unison

The Council's commitment to good governance.	How it will be achieved.	
	<ul style="list-style-type: none"> ➤ Monthly staff briefings take place keeping officers up to date with new initiatives and feedback of ongoing work ➤ Customer Care Standards and Complaints policy are in place. ➤ 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. 	
	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 (Building Control)	Joint Governance Group
	Southern Internal Partnership – Internal Audit provider from 1/4/23	Quarterly partner meetings

The Council's commitment to good governance.	How it will be achieved.
<p>The Council works with communities to plan outcomes. In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.</p>	<ul style="list-style-type: none"> ➤ The Corporate Plan 2023 – 2027 has been developed with members and outlines the priorities of the Council. ➤ The Council has established a long-term vision, covering the period 2020 – 2040. ➤ The Council's Medium Term Financial Strategy was approved by Cabinet in February 2023. 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.

The Council's commitment to good governance.	How it will be achieved.
<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 2022/23. ➤ 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 2022/23. ➤ 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.

The Council's commitment to good governance.	How it will be achieved.
<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 Chief Executive and the Leader of the Council. Similar meetings take place between the directors 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 in May 2023. 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. ➤ 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. ➤ 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 Councils commitment to good governance.	How it will be achieved.
<p>The Council has transparent processes in place to ensure our decisions are in the public domain through our website, financial reporting is robust.</p>	<ul style="list-style-type: none"> ➤ Information on the decision-making process is readily available to all stakeholders via the Council’s website. ➤ An appropriate committee structure is in place to ensure there is an effective decision-making process and, that all relevant information is reported in a timely manner to those making key decisions. Key decisions are subject to an appropriate level of scrutiny. ➤ An Audit Committee is in place. The committee reviews the work of both Internal and External Audit, approving the Statement of Accounts and providing assurance on the Council’s governance arrangements. ➤ A Local Code of Corporate Governance is in place and is reviewed annually. It complies with the requirements of the CIPFA/SOLACE Framework 2016. The Local Code was presented to the Audit Committee in July 2022. ➤ The Council produces an Annual Governance Statement, which explains how we comply with CIPFA’s “Delivering Good Governance in Local Government (2016)”. ➤ Internal Audit will review the internal control framework on an on-going basis, the key financial systems. Findings and risks identified during reviews are reported to both senior management and the Audit Committee. ➤ Internal Audit provide an annual report to the Audit Committee that includes an objective opinion on the internal control framework. The report for 2022/23 was presented to the March 2023 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

The Councils commitment to good governance.	How it will be achieved.
	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 2022/23 statement of accounts.

The Councils commitment to good governance.	How it will be achieved.
<p>The Council maintains an appropriate internal control framework, Financial management is robust to ensure council spending is within agreed budgets.</p>	<ul style="list-style-type: none"> ➤ The Council has a risk management framework in place that identifies and reports risk and how it is being managed. ➤ The effectiveness of the risk management framework is reported to the Audit Committee. ➤ The content of the corporate risk register is reviewed by the Senior Leadership Team on a regular basis. It is reported to Overview and Scrutiny and Cabinet 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. ➤ 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 2022/23 was reported to the Audit Committee in March 2023. ➤ The Director 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. ➤ 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.

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 2022/23 Cabinet has:

- a) Received regular reports throughout the year on the Council's financial position.
- b) Reviewed in April 2022 Service Plans for 2022/23 to ensure the content of plans aligned with the Corporate Plan and priorities.
- c) Reviewed and approved key strategies and policies through the year.
- d) In February 2022 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 2022/23 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 2023 the Committee reviewed and provided comment to Cabinet, on the content of the draft budget for 2023/24 and medium-term financial strategy 2023/24 – 2025/26.
- 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 2023 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.
- g) Reviewed the reports about the Shapley Heath project.

End

AUDIT COMMITTEE WORK PROGRAMME

JULY 2023

Issue and Description of Topic	Current Position Objective	Original Due Date	Revised Date	Resources Required	Contact	*This item may contain Exempt Information
Internal Audit Progress Report Quarter 1 2023/24	To review and note the report on the work undertaken by Internal Audit at each of their meetings.	25 Jul 2023				
Draft Annual Governance Statement 2022/23	To approve the draft annual governance statement 2022/23.	25 Jul 2023				
External Audit Update Report on 2021/22 Accounts and Annual Audit Letter	To receive an update from EY (Ernst & Young).	24 Oct 2023				
Internal Audit Progress Report Quarter 2 2023/24	To review and note the report on the work undertaken by Internal Audit at each of their meetings.	24 Oct 2023				
Audit Results Report 2022/23	To receive the Council's External Auditors report on the key findings of their audit of the 2022/23 Statement Accounts.	24 Oct 2023				
Statement of Accounts 2022/23	To approve the Statement of Accounts 2022/23.	24 Oct 2023				

Final Annual Governance Statement 2022/23 and Letter of Representation	To approve the Annual Governance Statement 2022/23 and Letter of Representation.	24 Oct 2023				
Internal Audit Charter 2024/25	To approve the Internal Audit Charter 2024/25, it sets out the purpose, authority and reporting requirements and is approved annually by the Senior Leadership team and Audit Committee.	26 Mar 2024				
Internal Audit Plan 2024/25	To present the Internal Audit Plan for 2024-25 in accordance with the requirements of the Public Sector Internal Audit Standards.	26 Mar 2024				
Risk Management Update	To receive a report that that updates the Committee on the effectiveness of the Council's risk management framework.	26 Mar 2024				
EY Audit Planning Document 23/24	The purpose of this report is to provide the Audit Committee with the 2023-24 External Audit Planning Report.	26 Mar 2024				
Internal Audit Progress Report Quarter 3 2023/24	To review and note the report on the work undertaken by Internal Audit at each of their meetings.	26 Mar 2024				
Annual Audit Letter 2022/23	The purpose of this report is to provide the Council's External Auditors Annual Audit letter with the conclusions of the 2022/23 audit to those charged with governance.	26 Mar 2024				

Audit Committee End of Year Report 23/24	An end-of-year report on the work of the Audit Committee for 23/24	June/Jul 2024	Minutes stated due Apr 24.			
Internal Audit Annual Report and Opinion	To note the Internal Audit Report and Opinion for 23/24.	June/Jul 2024				