

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

Held in The Symington Building, Adam and Eve St, Market Harborough

held on 17th October 2019

commencing at 6.30 p.m.

Present:

Chair: Councillor Dr Bremner.

Councillors: Bannister, Golding, Sarfas, Mahal and Whelband.

Officers: P. Storey, R. Szadziwski and V. Wenham.

Internal Auditors (LGSS): R. Ashley-Caunt and T. Croote.

APOLOGIES FOR ABSENCE

Apologies were received from John Pressley and Mark Surridge (Mazars – external auditors).

MINUTES

RESOLVED that the Minutes of the Meeting of the Governance and Audit Committee held on 24th July 2019 be approved and signed by the Chairman as a true record.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

INTERNAL AUDIT – PROGRESS AND PERFORMANCE UPDATE

T. Croote, LGSS Internal Audit Manager, presented the Committee with the current progress against the 2019/20 Plan up to 20th September 2019.

The Committee noted that:

- Approximately 50% of the 2019/20 Audit Plan was either complete or in progress, with four reports having been finalised and a further four underway.
- Since the report had been written the Freedom of Information audit had been completed and will be reported to the Committee's next meeting.
- Nine actions had been implemented since the last meeting of the Committee.
- There are currently eleven overdue recommendations of which ten (91%) are overdue by more than three months. Of these, three are classified as high or medium priority, with details provided in Appendix B of the officer's report.
- Four internal audit reports have been finalised since the last meeting of the Committee, as detailed at Appendix A to the officer's report, with key points as summarised below:

- Cyber Security
 - Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – satisfactory;
 - Compliance – satisfactory; and
 - Organisational impact – moderate,
 and made ten recommendations and agreed an action plan with management for their implementation.
 - Safeguarding
 - Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – substantial;
 - Compliance – substantial; and
 - Organisational impact – minor,
 and made three recommendations and agreed an action plan with management for their implementation.
 - 3. Agency staff IR35 compliance
 - Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – good;
 - Compliance – satisfactory; and
 - Organisational impact – minor,
 and made three recommendations and agreed an action plan with management for their implementation.
 - 4. Grow on space – embedded assurance (delivery stage)
 - Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – good;
 - Compliance – satisfactory; and
 - Organisational impact – minor,
 and made eight recommendations and agreed an action plan with management for their implementation.
- Two customer satisfaction questionnaires have been returned with scores of “Good” or “Outstanding” plus a further questionnaire received since the report was written, to be reported to the Committee’s next meeting.

In answer to members’ questions it was explained that the 90% target was agreed between senior management and Internal Audit and set out in the Partnership and Delegation Agreement. The figures can be looked at again and changed if all parties agree. The figure of 235 days to deliver the Audit Plan is based on a risk level assessment by Internal Audit, including a contingency figure and any embedded training days required.

The Committee expressed concern at the three high/medium recommendations, some of which are outstanding by several years. In addition, attention was drawn to the need for member training in respect of risk awareness of cyber attacks.

The s151 Officer stated that there was no excuse for the delays and gave assurance that all were being progressed, as below:

- Business Continuity/Disaster Recovery – following a re-building of the IT function the system had been re-set and the infrastructure tested. The practicalities needed to be tested and a stocktake undertaken with Internal Audit. The results would then be reported to the Committee. Continuity/Recovery Plans in each area were reviewed each year and now needed to be tested operationally. The s151 Officer will request Internal Audit to undertake

an audit of the Disaster Recovery Plan to ensure its practicality and suggested that the Committee receive reports on this issue at each meeting;

- Information Management – a new Security Plan had been completed and now needed to be consulted on and approved;
- Cash handling – a number of improvements had been made and immediate action taken where members of staff had been transporting cash on their own to HDC offices;
- Major projects – the s151 Officer stated that the governance arrangements for major projects, such as the Grow on Space required to be strengthened and ensure compliance with the major project governance toolkit.
- Payroll system – this work had currently been placed on hold whilst options were being investigated. It was hoped to report to Cabinet in December and Internal Audit would be requested to review the selected preferred supplier. It was anticipated that a new supplier would be in place in summer 2020. Discussions had taken place with the Joint Chief Executives on re-allocating the remaining 8.5 days set aside in 2019/20 for Internal Audit work on this issue to use on other reviews. This would be reported to the Committee for consideration as a potential amendment to the Internal Audit Plan.

The Head of Internal Audit confirmed that she was confident the team could meet the thirty day target for Internal Audit to review the key financial controls. This work is skewed towards the end of the current financial year to ensure maximum coverage and there would be more than one auditor assigned to the work.

The Chairman stated that it is not common for local authorities to embed Internal Audit into major projects, which HDC does, which gives a degree of assurance to the Council's functions.

RESOLVED:

- (i) That the reported performance of Internal Audit, key findings of audits completed and status of outstanding recommendations be noted.
- (ii) That Internal Audit undertake a further audit on the Disaster Recovery arrangements and that the Committee receive assurances on the outcome of the review and an updated position on the overdue action.

ASSESSMENT AGAINST THE CIPFA STATEMENT ON THE "ROLE OF THE HEAD OF INTERNAL AUDIT"

Rachel Ashley-Caunt, Head of LGSS Internal Audit, presented the Committee with the findings of a self-assessment against the various principles set by the Chartered Institute of Public Finance and Accountancy (CIPFA) on "The Role of the Head of Internal Audit in the Public Sector" which had been undertaken in August 2019. The assessment highlighted a number of areas of good practice and gave assurance that the role of the Head of Internal Audit, and the wider internal audit service, is being given appropriate support and the organisation is taking opportunities to further develop engagement with the service and the benefits this can provide. Some areas were highlighted where the Council could further develop its arrangements and seek to engage the Head of Internal Audit more pro-actively across all service areas. Actions have been agreed which should enable the Council to further benefit from the service. A full copy of the assessment and the action plan arising from this were attached as Appendix A to the officer's report and would be subject to monitoring by the Joint Chief Executives and Head of Internal Audit.

The Head of LGSS Internal Audit drew attention to Action point 6 at Appendix A to the report, which suggested that the Committee should undertake a review of its effectiveness by March 2020.

Members considered the assessment at Appendix A of the officer's report to be very useful and would like to see an update to the Committee in six months' time on the action points it contained. It was also considered that as the Committee's role is of a technical nature, training and continuity of

membership are important and that this message should be conveyed to Group Leaders. The s151 stated that he would discuss with the Head of Internal Audit mechanisms for reviewing the Committee's effectiveness and suggested that reviews should be undertaken annually or every two years. He also said there were a number of quick wins arising from the self-assessment, including regular meetings between the Head of Internal Audit and the Committee Chairman and the regular attendance of the Head of Internal Audit at meetings of the Corporate Management Team.

It was noted that the Committee has a powerful role within the Council, with both External and Internal Audit being able to request to meet with the Chairman on any issues of concern and only the Committee having the authority to amend the Audit Plans.

The s151 Officer undertook to implement Action points 3, 4 and 5 (as set out at Appendix B to the officer's report) during October 2019, Action points 1 and 2 during quarter 3 of 2019/20 and Action point 6 (review of the Committee's effectiveness) by March 2020.

RESOLVED that:

- (i) The findings of the assessment and the action plan arising from that, as set out at Appendix B to the officer's report, be noted.
- (ii) That the Committee receive a report on the progress of the action plan at its next two meetings.

ANNUAL REVIEW LETTER: LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Governance and Monitoring Officer updated the Committee on the annual review letter received from the Local Government and Social Care Ombudsman's Office (LGO) for the year ending 31st March 2019. In the financial year 2018/19 the LGO responded to 10 customer complaint referrals. The Council were only informed of 9 complaints. Of the 10 referrals, 5 complaints were closed after initial enquiries, 3 were investigated and 1 complaint was upheld. A detailed statistical overview was included in Appendix B of the officer's report. The complaint that was upheld related to a planning enforcement case. The LGO found that the Council was at fault in the time taken to respond to the developer's non compliance with the enforcement notice. The Council has apologised and paid the sum of £200 in compensation.

The Committee noted in relation to the Ombudsman's report and the briefing note prepared by officers that:

- The 33% uphold rate looks poor in comparison to the position in 2017/18 which was 13%, but this is attributable to a reduction in the number of referrals to the LGO and subsequent detailed investigations. If the LGO had investigated all referrals, the uphold rate would have been 10% for 2018/19 and 6% for 2017/18. The method used to calculate performance allows the figures to be skewed to show a higher failure rate than if the outcomes were based on the number of complaints actually received;
- HDC is in a better than average position in terms of both overall referrals and the number of upheld complaints, (especially when based on the way in which the figure is calculated, 33% arises from a single complaint). 43% is the average in similar authorities. This is indicative that the Council is reasonably accessible to public scrutiny of process and decision making and is on the whole, responsive to customer demands. These figures also demonstrate that current processes for accepting and responding to internal complaints is fairly robust;
- Upon conclusion of a Stage 2 complaint, that is a complaint that is responded to at Joint CEO level, the Complainant is always given leave to refer the matter to the LGO if they remain dissatisfied with the outcome of their complaint. For the financial year 2018/19 the LGO decided to investigate only 3 out of 45 internally logged Stage 2 complaints. As all 3 LGO cases were previous HDC Stage 2 complaints, this represents a 7% referral rate. However, as

only 1 case was substantiated upon investigation (which related to the delay and not the decision made by HDC) this demonstrates that HDC responded to 98% of logged Joint CEO level complaints without fault.

The Ombudsman's report in previous years had been shared with Group Leaders, however, the Ombudsman has recognised that best practice is to share this information across a local authority, although in a small authority like HDC is it acknowledged that it would be appropriate to bring the information to members in an annual report, as contained on the agenda for this meeting.

The Monitoring Officer stated that HDC historically had few complaints upheld by the Ombudsman and undertook to contact the Ombudsman's office to see if there are any trends or lessons to be learned from the complaints upheld against HDC over the last three years and present a report to the next meeting of the Committee.

It was noted that there is good information on the Ombudsman's website for the public regarding the complaints the Ombudsman can investigate. The Ombudsman is unable to investigate complaints against parish councils and looks at the processes involved in taking a decision, rather than at the decision itself.

RESOLVED that:

- (i) The Local Government and Social Care Ombudsman's Office annual review letter for 2018/19 attached as Appendix A to the officer's report and the summary of complaints set out in the briefing note attached as Appendix B be noted.
- (ii) The complaints upheld by the Local Government Ombudsman against HDC over the last three years be studied to see if there any trends and/or lessons to be learned and that a report be made to the next meeting of the Committee.

MATTERS OF SPECIAL URGENCY

Whilst not items of special urgency, the Chairman stated that the Committee met on a non-political basis as a governance committee, which is good to communicate to external members and the public. He wished to bring more rigour to the Committee in carrying out its functions. He stated that he had recently met the s151 Officer to discuss this issue and invited the s151 Officer to suggest means of doing so. The s151 Officer suggested, in relation to the approval of the annual accounts, appointing an independent and suitably qualified person to review the draft accounts and suggest issues to be considered, that the covering report to the accounts draw out any major issues or changes and their implications, and that a summary of these items be placed on the members page of the intranet after the approval of the accounts.

RESOLVED that:

- (i) An independent and suitably qualified person be appointed to review the Council's draft accounts to brief the Committee on key areas to probe and to let the Chief Financial Officer of those areas know to enable them to prepare for the Committee;
- (ii) The covering report to the Committee draw attention to key issues/major changes in the accounts and their implications;
- (iii) A summary of the key issues/major changes in the Council's accounts be posted on the Members part of the Intranet after the accounts have been approved.

The meeting closed at 7.54 p.m.