

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

Harborough Innovation Centre
Wellington Way, Airfield Business Park, Leicester Road,
Market Harborough LE16 7WB

held on 10th December 2019

commencing at 6.30 p.m.

Present:

Chair: Councillor Bannister (Vice-Chairman, in the chair).

Councillors: Golding, Graves, Mahal (arr. 6.33pm) and Whelband.
and Mrs Page (ex officio).

Officers: N. Proudfoot, A. Singleton, P. Storey, K. Watling and V. Wenham.

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

External Auditors (Mazars): V. Gittings and M. Surridge.

APOLOGIES FOR ABSENCE

Apologies were received from Councillors Dr Bremner (Chairman) and Sarfas. In the absence of the Chairman the chair was taken by the Vice-Chairman.

MINUTES

RESOLVED that the Minutes of the Meeting of the Governance and Audit Committee held on 17th October 2019 be approved and signed by the Chairman as a true record.

The Chairman stated that in relation to the minute on the Annual Review Letter: Local Government and Social Care Ombudsman, it had not been possible to obtain information from the Ombudsman on complaints upheld against the Council over the last three years owing to the Ombudsman's involvement in the forthcoming general election. The report on the complaints will be made to the next meeting of the Committee in March 2020.

Councillor Mahal arrived during this item.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

AGENDA ORDER

With the agreement of the Committee the Chairman amended the order of reports on the agenda to take report 5: Business Continuity and Disaster Recovery Provisions after reports 1 and 2 as it linked to the risk and opportunities detailed in those reports.

QUARTER 2 2019/20 RISK AND OPPORTUNITY MANAGEMENT

The Committee considered the Council's Corporate Risk and Opportunity Register at the end of Quarter 2 of the 2019/20 year.

At the end of Quarter 2 of the 2019/20 year there were 14 Risks and 4 Opportunities on the Corporate Risk and Opportunity Register.

One risk, CR 08: Not having a sound Local Plan, had been removed during Quarter 2 as the Council now has an adopted Local Plan.

Of the 18 Risks and Opportunities, 2 (11.1%) were assessed as Red status, these being CR 36 - Uncertainty following the United Kingdom's imminent departure from the European Union, and CR 37 - Increase in homeless presentations results in an increased demand in Council support for relief. A Homelessness Update had been considered by the Performance Scrutiny Panel on 5th December 2019 and it was agreed that the report be circulated to members of this Committee for information.

Further information was requested on CR 36 – Uncertainty following the UK's imminent departure from the European Union. Officers stated that it was unclear what the risks would be at this stage but the mitigation was contained within the agenda report and the Council has plans already in place. Information had been provided at a recent members' briefing and it was AGREED that this would be circulated to members of the Committee. The Joint Chief Executive (NP) would be happy to answer questions arising from that briefing note.

With reference to COR OP 05: To work with the other Leicestershire Authorities to explore different structures for delivering Council services for the benefit of residents, a report on the County Council's Unitary proposals was scheduled for the HDC Council meeting in February 2020, subject to confirmation. The item has been on hold through the general election period. On-going work is taking place on how the districts can work together to deliver council services.

RESOLVED that the Corporate Risk and Opportunity Register at the end of Quarter 2 of the 2019/20 year be noted.

RISK AND OPPORTUNITY MANAGEMENT FRAMEWORK

The Committee considered the Risk and Opportunity Management Framework attached at Appendix A to the officer's report in order to ensure that it is appropriate for use during the 2020/21 and 2021/22 years. The Committee's comments will be reported to Cabinet at its meeting on 10th February 2020 which will consider the Council's Risk and Opportunity Management Framework. The Framework was last approved for use on 15th January 2018 and is subject to review every two years to ensure that it remains fit for purpose.

It was AGREED that the titles of the members of the Risk Strategy Board should be included in the Management Framework for clarity.

A member expressed the view that of the two red risks in Quarter 2 they considered CR 37: Increase in homeless presentations to be more significant than CR 36: Uncertainty regarding the UK's imminent departure from the European Union and asked how the risks were scored. The Joint Chief Executive (NP) stated that there were officer discussions around the risks associated with items, which were then scored using the matrix contained in the Management Framework. In terms of risk 36, this is an unknown situation, with updates almost daily. There is no precedent and some of the risks could remain whether or not the United Kingdom exited the European Union.

It was AGREED that for red risks only the reasons for the scores allocated should be included in the Quarterly Risk and Opportunity Management reports.

RESOLVED: That the Cabinet be recommended to approve the Council's Risk and Opportunity Framework, as set out at Appendix A to the officer's report, for use during the 2020/21 and 2021/22 years.

UPDATE: DISASTER RECOVERY / BUSINESS CONTINUITY PLAN

The Service Manager IT provided an update on the status of the testing of the Business Continuity and Disaster Recovery arrangements, as the Committee had requested at its meeting on 17th October 2019. Appendix 1 to the officer's report gave details of the separate arrangements in place for Business Continuity and Disaster Recovery, the tests undertaken and their status. Since the report was written a full testing had taken place on the Elections system. Internal Audit will be reviewing the Plan and will provide a new set of recommendations following that. The intention is to be able to incorporate Disaster Recovery in the Business Continuity desktop exercises so that testing of both will be a regular activity.

It was noted that there was an amount of repetition in the matrix, with the same testing listed against several servers, rather than indicating the testing and listing the servers it applied to. The Service Manager IT stated that the matrix had not been prepared specifically for IT but had been adapted from another source as it listed the local, regional and national risks and the action required in each case. The matrix is heavy in detail but indicates that IT are taking as much care in testing the Business Continuity / Disaster Recovery Plan as they would in installing a new system.

A member asked if there is a template indicating the frequency of testing of the Plan, in whole or in part, as some of the dates in the original plan were in 2015. The Service Manager IT stated that the previous IT Strategy had a 3 - 5 year lifespan, but with the new draft IT Strategy it was considered to be too long a period in that IT is changing all the time, as are the threats, and cyber security is now one of the biggest issues nationally. This is the reason for including Disaster Recovery in the Business Continuity Plan so that it can be tested 3-4 times per year. This may need to be reviewed as the service evolves. Each service area has its own Business Continuity Plan, which includes their review period and steps to be taken. There is a service priority order to get the Council's services operational again. Plans will be tested, beginning with the Uniform system between January and March 2020. Service Managers will put together the testing schedule, with the IT elements being added. After testing, this will form the basis of the Business Continuity Plan for that service, including lessons learned and any changes required.

Members requested that the views of the Corporate Services Portfolio Holder be sought on the Business Continuity Plan going forward.

A member stated that the Plan appeared to assume that the Council's internet connection would continue and queried what would happen if it was lost. The Service Manager IT stated that there are other internet connections available in Market Harborough if the connection to the Council offices is lost. A new contract is going live which will allow an internet connection in the west of the country if the connection is lost in this region. There would be a much bigger issue if the internet connections are lost nationally.

It was noted that 33 Business Continuity tests have been completed, with four more to be held. It was AGREED that it would be useful for the Committee to receive an overview of the lessons learned from

the testing and also to receive annual reports on the Business Continuity / Disaster Recovery Plan testing.

RESOLVED: that the action update be noted.

INTERNAL AUDIT PROGRESS REPORT

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:

- 77% of the 2019/20 Audit Plan was either complete or in progress.
- At the time the report was written six reports have been finalised (one of which was deferred from 2018/19) and fieldwork is underway on a further five assignments.
- Since the Committee's last meeting it has been agreed to postpone the payroll review to 2020/21 to coincide with the Council's plans and timetable for seeking an alternative payroll provider. The days planned for this review have been added to the contingency figure.
- Approval was being sought to allocate ten days of the contingency to an audit of IT disaster recovery arrangements, as discussed at the Committee's last meeting. It is also intended to use some of the contingency to bolster the planned report on HDC investments.
- Since the last Committee meeting seven actions arising from Internal Audit reports have been implemented.
- There are currently twelve overdue recommendations of which ten (83%) 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.
- Two 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:
 - Freedom of Information requests
Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – good;
 - Compliance – good; and
 - Organisational impact – minor,and made five recommendations and agreed an action plan with management for their implementation.
 - Effective use of consultation
Based on their findings Internal Audit has given the following assurance ratings over the management of the associated risks:
 - Control environment – satisfactory;
 - Compliance – good; and
 - Organisational impact – minor,and made ten recommendations and agreed an action plan with management for their implementation.
- Internal Audit are on target to deliver the audit plan within the 235 days budget and are delivering 95% productivity against the target of 90%.
- Five 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.

A member stated that during consideration of the Internal Audit Plan 2020/21 contained later on the agenda they would be asking for Planning Enforcement to be included in the Plan and asked which

Council objective that would fall under. The Head of Internal Audit stated that it was the intention to report on this issue during 2020/21 and that the objective would be relating to The Place.

In response to questions regarding monitoring actions and their completion, especially where they are overdue, Internal Audit stated that each time a report is finalised it is included in the management system, with the actions, owner and deadline included. Each month a report is generated which shows the overdue actions and their owners, which is sent to service managers asking for an update on outstanding actions. When an action is said to be completed supporting evidence is requested and then the action is closed. After receiving all responses Internal Audit meet with the Joint Chief Executives and they have oversight of the position. Where Internal Audit are unhappy that an action has not happened or is taking too long to complete there is an opportunity to challenge that and to report to this Committee. The report by Internal Audit to management includes all actions but only high and medium priority actions overdue by three months are reported to the Committee. All overdue actions could be reported to the Committee.

It was AGREED that all those actions overdue by more than three months, including low priority, be reported to the Committee, with details of the nature of the actions, their status and their owners.

RESOLVED:

- (i) That the reported performance of Internal Audit, key findings of audits completed and the 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.

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

Rachel Ashley-Caunt, Head of Internal Audit, presented an update report on the implementation of the action plan arising from the self-assessment, which had been considered by the Committee at its previous meeting, held on 17th October 2019. Since that meeting the Council's management have sought to progress the actions arising from the assessment, as detailed in Appendix A of the officer's report. All actions due for implementation by October are complete. Of the remaining actions, one related to engaging the Head of Internal Audit (HIA) in the Smarter Services programme and it has now been arranged for meetings between the HIA and the Smarter Services leads to take place monthly. These meetings will enable the HIA to have engagement in the key stages, as required, and to enable the prompt identification of any potential Internal Audit support which could add value. This action has, therefore, been progressed and will now proceed as an ongoing engagement. The remaining actions are due for completion by the end of the financial year.

The action plan arising from the assessment will be subject to monitoring by the Joint Chief Executives and Head of Internal Audit.

In answer to a member's question the Head of Internal Audit stated that the CIPFA Statement is a national standard and that there are a number of positives arising for HDC from the self-assessment and that not all authorities engage with Internal Audit to the extent that HDC does.

RESOLVED: that the update on the implementation of the action plan arising from the self-assessment be noted.

AUDIT STRATEGY MEMORANDUM

Mark Surrige, Director of Mazars LLP, the Council's External Auditors, presented a report summarising Mazar's audit approach for 2019/20, highlighting significant audit risks and areas of key judgements and providing details of their audit team. The fee had not been set for 2020/21. The Memorandum contained the figure for 2019/20 for context.

Some concern was expressed regarding the significant increase in materiality and for subsidiary, and also that members do not receive information on gross income and expenditure. The External Auditor stated that the fee for 2020/21 had not been set at this time and would be reported to the Committee at a later date. He believed that the Council is seeking assurance regarding the mechanisms relating to the operation of internal budgets. CIPFA are consulting on providing more reconciliation between net and gross revenue and the government is consulting on greater transparency in financial reporting.

RESOLVED: that the information detailed in the Audit Strategy Memorandum be noted.

INTERNAL AUDIT – DEVELOPMENT OF INTERNAL AUDIT PLAN 2020/21

Rachel Ashley-Caunt, Head of Internal Audit, presented a report on the process proposed for the development of the Internal Audit Plan for 2020/21 and asked the Committee to advise up until mid February 2020 on any areas where they require assurance from the Audit Plan in 2020/21. The resulting draft Internal Audit Plan will then be presented to the Committee in March 2020 for review and formal approval.

It was AGREED that Planning Enforcement be added to the draft Audit Plan for 2020/21, to include such items as the source of planning conditions, policy, monitoring, enforcement, consistency and expediency. The Head of Internal Audit stated that she had undertaken similar work for other authorities and could include bench marking in terms of enforcement policy.

RESOLVED:

- (i) That the proposed approach to development of the Internal Audit Plan for 2020/21 be approved.
- (ii) That assurance is required during 2020/21 on Planning Enforcement.

MATTERS OF SPECIAL URGENCY

There were none.

The meeting closed at 8.24 p.m.