



Dear Councillor

**CORPORATE GOVERNANCE COMMITTEE - THURSDAY, 18 APRIL 2024**

I am now able to enclose for consideration at the above meeting the following report that was unavailable when the agenda was printed.

**Agenda Item**

**No.**

**3. LGA GOVERNANCE PEER CHALLENGE FEEDBACK REPORT**  
(Pages 3 - 40)

To receive a feedback report from the Chief Executive detailing the LGA Governance Peer Challenge Feedback Report.

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**Public**  
**Key Decision – No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	Local Government Association Governance Peer Challenge
<b>Meeting/Date:</b>	Cabinet – 16th April 2024 Corporate Governance Committee - 18th April 2024 Council – 22nd May 2024
<b>Executive Portfolio:</b>	Executive Councillor for Customer Services – Councillor S Ferguson
<b>Report by:</b>	Chief Executive
<b>Ward(s) affected:</b>	All

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### **Executive Summary:**

The Council invited the Local Government Association (LGA) to undertake an Audit Peer Challenge in March 2023. Peers made a number of recommendations during the review and an Action Plan was developed to address these points.

There is an expectation the LGA peer review team return to assess progress on recommendations within six months. Following appointment of the new Chief Executive and growing national interest in local government governance, audit and risk, the Council invited the peer review team to return to assess progress and provide independent advice on questions posed by the Corporate Government Committee and consider any new recommendations that should be implemented.

The peer team returned on the 28th of February 2024, having reviewed a number of documents prior to their arrival and whilst on site, gathered more information from twelve meetings; during which they met with twenty-seven people, which included a range of elected Members and Officers.

The peer team made five recommendations; the first concentrating on progress of the initial seventeen recommendations from the March 2023 visit, and the remaining four were new, having regard to wider corporate governance aspects. The body of the report also provides helpful insight and wider observations.

**Recommendation:**

The Cabinet/Committee is

**RECOMMENDED**

- (a) to receive the LGA Governance Peer Challenge report, Appendix 1, and note the recommendations; and
- (b) to note Appendix 2, which provides an update on progress against all the proposed recommendations.

The Committee

**RECOMMENDS**

- (a) that Council receive the LGA Governance Peer Challenge report, Appendix 1, and note the recommendations; and
- (b) that Council note Appendix 2, which provides an update on progress against all the proposed recommendations.

The Council is

**RECOMMENDED**

- (a) to receive the LGA Governance Peer Challenge report, Appendix 1, and note the recommendations; and
- (b) to note Appendix 2, which provides an update on progress against all the proposed recommendations.

## **1. PURPOSE OF THE REPORT**

- 1.1 To receive the LGA Governance Peer Challenge report, provide a timetable for the report to be received by the Corporate Governance Committee and Council and provide an update on progress against the recommendations since 28th February 2024.

## **2. WHY IS THIS REPORT NECESSARY**

- 2.1 There is a requirement to publish the LGA Governance Peer Challenge report within 12 weeks of receipt and the Council would do this in any event to promote transparency and good practice. The report may be found at Appendix 1 and the recommendations are set out within pages 6 and 7 of the report.
- 2.2 The report will be presented to the Corporate Governance Committee on 18th April 2024 and thereafter will oversee the progress against all recommendations. The report will also be presented to Council on 22nd May 2024.
- 2.3 The progress against recommendations table, found at Appendix 2, is presented alongside the report to demonstrate the improvements that have been made since 28th February 2024.
- 2.4 When the Corporate Peer Challenge is undertaken in May 2024, the team will be reviewing the progress of these recommendations.

## **3. ANALYSIS**

- 3.1 The peer team immediately recognised the cultural journey the Council has been on over the last couple of years and with the arrival of the new Chief Executive, who has a governance background, there has been an opportunity for a fresh perspective to drive improvement across the Council in line with the administration's priorities.
- 3.2 There was recognition that the Risk Management Strategy was approved in November 2023 and it is intended to use this information to inform the internal audit reviews.
- 3.3 There was a recognition that 9 of original 17 recommendations had been completed although some disappointment that more progress has not been made. There were an additional 4 recommendations identified that would help the organisation make progress with strengthening wider corporate governance.
- 3.4 The peer team provided helpful insight and suggestions which has enabled officers to reinvigorate progress against the remaining 8 outstanding recommendations. Appendix 2 provides the updates against those recommendations and also references the new recommendations.
- 3.5 One of the main issues raised by the peer team relates to the Council's internal capacity to deliver, particularly around risk and internal audit.

The s.151 Officer has identified where additional capacity can be utilised to support the risk management function and will be recruiting temporary support for an initial period of 9 months. Furthermore, as the annual audit plan is finalised, additional support will be obtained from BDO, who have also been commissioned to undertake the External Quality Assessment.

3.6 The s.151 Officer is also progressing capacity issues within the procurement function of the Council. Whilst this is not specifically referenced within any recommendations by the peer team, the issue was raised by the Corporate Governance Committee. Contract management and procurement can impact on wider governance of the Council and the progress being made demonstrates the commitment to ensuring good practice and prioritisation of functions.

3.7 There are a number of other factors to consider, including;

(i) The role of the Monitoring Officer and whether the Council's current arrangements provide the support, guidance and advice required in a local government sector that has changed in recent years, with a heightened focus on governance more broadly. The Chief Executive is currently reviewing existing staff structures to consider how to strengthen the capacity of the role of Monitoring Officer.

(ii) Review all governance, roles and responsibilities and working in a political environment training and development for officers as well as members – it was pleasing to be able to advise the peer team that we had a range of training planned (which commenced on Monday 8th April 2024) and this did include such training specifically for officers.

Noting the reference to broader governance, this should include the Constitution and it is proposed to create a Constitution Review Working Group at Annual Full Council in May 2024 that will report into the Corporate Governance Committee to support recommendations to Council on any proposed changes that will improve overall governance and clarity.

3.8 There are other smaller points that are not necessarily contained within the recommendations but provide useful insight that officers will consider and incorporate into delivery of services to ensure the Council delivers against the corporate objective of doing our core work well, delivering good quality, high value-for-money services with good control and compliance with statutory obligations.

#### **4. KEY IMPACTS**

4.1 The Council is required to demonstrate it operates with good governance and follows the standards published by CIPFA and it complies with Public Sector Internal Audit Standards. Where weaknesses in complying with

either of these are found, the Council has an obligation to respond to avoid challenge and intervention from DLUHC.

4.2 External audit relies upon the assurance provided by internal governance. If this is found to be lacking then it will be reflected through their audit opinion, resulting in loss of confidence in the Council's financial controls.

4.3 Cabinet, and Full Council, are reliant on the Corporate Governance Committee understanding and challenging the effectiveness of governance across the organisation; if the committee does not have the appropriate skills to undertake this then it is not providing valuable feedback.

## **5. WHAT ACTIONS WILL BE TAKEN**

5.1 The actions are set out in Appendix 2 and will be monitored by the Corporate Governance Committee.

## **6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES**

6.1 The recommendations and general insight the peer report highlights will assist in delivering against the corporate objective of doing our core work well, delivering good quality, high value-for-money services with good control and compliance with statutory obligations.

## **7. LEGAL IMPLICATIONS**

There are no direct legal implications arising from the receipt of the peer report but as this relates to broader corporate governance requirements, implementing the recommendations will be key to the Council acting in accordance with wider legislative obligations.

## **8. RESOURCE IMPLICATIONS**

8.1 The s.151 Officer has identified the additional resources required and has confirmed these may be met from existing budgets.

## **9. LIST OF APPENDICES INCLUDED**

Appendix 1 – LGA Governance Peer Review

Appendix 2 – Progress on Recommendations

## **10. BACKGROUND PAPERS**

None.

**CONTACT OFFICER**

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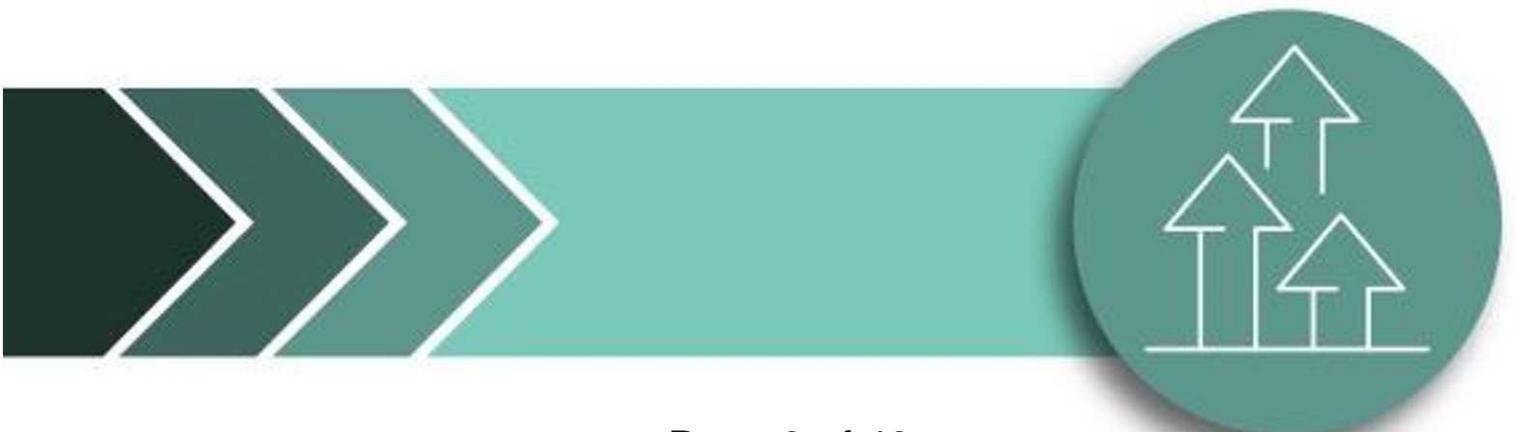
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# LGA Governance Peer Challenge

Huntingdonshire District Council

28<sup>th</sup> February 2024

Feedback report





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## 1. Executive summary

Huntingdonshire District Council (HDC) invited the LGA to undertake an audit peer challenge in March 2023. Peers made a number of recommendations during the review and the council subsequently developed an action plan to address these. Following growing national interest in local government governance, audit and risk, and the appointment of a new chief executive in October 2023, the council invited the LGA back to review the progress made on their action plan and to provide independent advice on questions raised by the Corporate Governance Committee (CGC) around internal audit and risk.

Peers immediately recognised the cultural journey HDC has been on over the last two years when the council changed political control from conservative to a joint administration which saw the Independents, Liberal Democrats, Labour, and Green parties combine to lead the council collectively. This was a huge change for both members and officers who had worked in a conservative administration for nearly 50 years. Although the new administration had some experienced councillors, there were many that had never worked in politics, some of whom were selected to be on the executive. It is clear that the new administration hit the ground running and have spent the last two years developing a deeper understanding of the operation of the council, the processes, functions and governance which regulate and control how and what can be delivered.

The councillor's peers met and spoke with are clearly passionate about the district and regardless of politics want to deliver the best for their residents. However, it was also clear that they don't know what they don't know and would benefit from further training and development and opportunities to look beyond Cambridgeshire to seek out best practice, different models of delivery and new ideas to support them in their running of the council. Peers recommend HDC review all governance, roles and responsibilities and working in a political environment training and development for officers and members. Then develop a four-year programme to include induction, role descriptions and ongoing support to increase knowledge and awareness.

The appointment of a new chief executive has brought a fresh perspective, different skills and experience and an eagerness to drive improvement across the council in line with the administration's priorities. As a previous monitoring officer, she

understands the importance of good governance and the need for transparent decision making, especially in the current climate.

Peers were disappointed that more progress hadn't been made on the action plan. Through advanced reading and discussions on the day, they felt nine of the 17 recommendations had been completed or were on target to be delivered. They recognised capacity had been an issue and were sympathetic to this but some actions including reviewing the CGC terms of reference, using best practice examples to improve audit reports and conducting an internal and external audit assessment would not have been time consuming and should have been prioritised. Peers recommend HDC accelerate the delivery of actions from the audit peer challenge in March 2023 to ensure all 17 are complete or on course to be completed by May 2024 when the corporate peer challenge takes place. Priority needs to be given to conducting the internal and external assessments.

A new risk management strategy was approved in November 2023. The council wants to use this to drive the internal audit (IA) timetable of reviews. Some no opinion audits, referred to as a position statement and designed to give early advice and guidance have already been carried out and there was some evidence of risk being embedded in service plans along with finance to improve assurance. Peers were supportive of this approach but had concerns about the resources available to deliver.

The capacity of the IA team is currently reduced, and the risk officer is new to local government and the practice of risk management. Peers recommend the council provides immediate additional senior officer capacity and experience to the internal audit and risk functions to direct and oversee audit and risk development and actions. In parallel, it was recommended that HDC consider an options appraisal for future delivery of internal audit to ensure the council has the capacity, resilience and skills required.

The current IA reports to CGC are broad, contain information outside the core remit of internal audit services, and lack the detail required for members to see what is on track, overdue, who is responsible and what level of priority is assigned. In order to make them more succinct and purposeful, the content of internal audit reports need to focus on core business, and other senior officers' reports need to take



responsibility for the wider items such as the peer review action plan, governance developments and significant issues and updates. Examples of best practice reporting were previously provided. In addition, peers recommend that a review of the TOR of CGC would also enable the committee to focus on the core business of an “audit committee”, which with more focussed reports to the committee enable them to further enable good governance.

Peers felt the council would benefit from additional monitoring officer (MO) support, particularly at senior leadership team (SLT) and at committee meetings including the CGC to provide statutory officer advice. This would also support the requirement of wider statutory officer input into corporate reports on governance. Although there was assurance provided to the peer review team that reactive governance advice was available there were questions raised concerning the current shared service arrangements and if they were providing the capacity, accountability and proactive governance leadership required by the Council during this period of significant transition. Peers felt consideration should also be given to the MO reporting to the head of paid service to ensure the status and influence of this key statutory role.

## 2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

### 2.1 Recommendation 1

Accelerate the delivery of actions from the audit peer challenge in March 2023 to ensure all 17 are complete or on course to be completed by May 2024 when the corporate peer challenge takes place. Priority needs to be given to conducting the internal and external assessments.

### 2.2 Recommendation 2

Provide immediate additional senior officer capacity and experience to the internal audit and risk functions to direct and oversee audit and risk development and actions. Alongside this;

- consider an options appraisal for future delivery of internal audit to ensure the council has the capacity, resilience and skills required.
- review the content of internal audit reports to ensure they focus on core business, and other senior officer reports take responsibility for the wider items, such as the peer review action plan, governance developments and significant issues and updates.

### 2.3 Recommendation 3

Evaluate the capacity and status of the monitoring officer against the needs of the council to ensure accountability and leadership of governance best practice and statutory compliance in accordance with LGIU and LLG recommendations on the Changing Role of the Monitoring Officer [Changing Role of the MO Report](#). The post would also benefit from reporting to the head of paid service.

### 2.4 Recommendation 4

Following approval of new terms of reference for the Corporate Governance Committee (CGC) and a review of its membership;

- Conduct a skills audit to support the development of a programme of training and



development for members

- Ensure that a development plan is in place to increase the scores of the self-assessment
- Should the model terms of reference be approved, the additional items covered by the CGC (standards, constitution and elections) need to be considered as to where these responsibilities should sit going forward.

## **2.5 Recommendation 5**

Review all governance, roles and responsibilities and working in a political environment training and development for officers as well as members. Then develop a four-year programme to include induction, role descriptions and ongoing support to increase knowledge and awareness.

## 3. Summary of the peer challenge approach

### 3.1 The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Cllr Sally Morgan – Chair of Audit and Governance, Teignbridge District Council
- Heloise MacAndrew - Director of Law and Governance, Lancashire County Council
- Emma Hodds – Chief of Staff, Broadland and South Norfolk Councils
- Kirsty Human - LGA Peer Challenge Manager

### 3.2 Scope and focus

The council is seeking assurance that internal audit and governance arrangements for internal audit at HDC are appropriate, with particular reference to:

1. Line management responsibilities for risk, internal audit and finance and assurance of the independence of internal audit
2. The extent to which the assurance plan is appropriately informed by risk
3. Corporate capacity for risk strategy and management
4. The effectiveness of the 'three lines' individually and collectively
5. The effectiveness of arrangements for risk identification and mitigation
6. The effectiveness and independence of the Corporate Governance Committee including consideration of the committee's terms of reference.
7. The scope and quality of Head of Internal Audit reports to the Corporate Governance Committee
8. The effectiveness of management's response to internal audit findings and recommendations
9. Member understanding of the respective roles and responsibilities of members and officers in the context of relevant content within the Constitution.

### 3.3 The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent one day onsite at Huntingdonshire District Council, during which they:

- Gathered information and views from more than 12 meetings, in addition to further research and reading.
- Spoke to more than 27 people including a range of council staff and elected members.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

## 4. Feedback

### 4.1 Line management responsibilities for risk, internal audit and finance and assurance of the independence of internal audit

Within a council structure, there are a number of options for where the internal auditor (IA) can report for management purposes. It is best practice for this to be either the chief executive/head of paid service, the section 151/chief finance officer or the monitoring officer. It is the role of the head of paid service to determine where IA should report depending on individual council circumstances. [The Public Sector Internal Audit Standards](#) require the IA to have clear unfettered access to the chief executive/head of paid service, the section 151/chief finance officer, monitoring officer and Audit Committee.

Through discussions with members and officers, peers identified a need to further clarify the roles and responsibilities of the [key statutory officers](#) – often referred to as the golden triangle:

- A head of the paid staff – usually the chief executive (or managing director) who advises councillors on policy, procedure, and legislation.
- A monitoring officer – responsible for advising councillors of the legal framework within which they operate, and for ensuring that they understand if their decisions or actions could lead to a legal challenge or be found to be maladministration. They are also responsible for matters relating to member & officer conduct, the constitution and reporting on illegality.
- A Section 151 officer – usually the director of finance, whose task it is to monitor the financial affairs of the council and to ensure that financial affairs are properly managed.

The audit charter and strategy would also benefit from updating to clearly set out the roles, responsibilities, and reporting lines in relation to risk and governance. This would reduce the risk of ambiguity and ensure everyone had a clear understanding of how the roles work individually and collectively and who to speak to about any concerns. The LGA's [draft improvement and assurance framework for local government](#) provides some helpful guidance on this.

HDC has a shared legal service with Cambridge City Council and South

Cambridgeshire District Council. The monitoring officer (MO) role is shared across two councils with deputy monitoring officers in each authority to oversee the day-to-day operations. In reality this means that the deputy MO at HDC is acting as the defacto MO and sits on the senior leadership team (SLT) in that capacity. As the MO duties are personal to the MO role and cannot be delegated (except in the case of sickness or leave) peers recommended that the council would benefit from additional in person MO support, particularly at SLT and at committee meetings including the CGC to provide legal and governance advice. There is a risk, given the chief executives knowledge and experience that she will fill this void to the detriment of her other roles and responsibilities. Consideration should also be given to the MO reporting to the head of paid service and best practice in relation to the changing role of the MO to ensure capacity and status [Changing Role of the MO Report](#).

In addition to the part time head of internal audit post, there are three other posts - one part time qualified auditor, one part time trainee and one level three apprentice. A new risk officer has only recently been appointed. Peers felt both the internal audit and risk functions would benefit from additional senior support to add capacity, skills and expertise over the short term, to enable delivery of the action plan and implement the council's new approach to risk management and the actions required in relation to the internal audit service. The existing contract with BDO for IT audits is one option that could be utilised to deliver the more complex audits and provide wider strategic input, but it is recommended that HDC consider all options to increase capacity at pace.

In the longer term, peers suggest the council looks to develop an options appraisal for future delivery of the internal audit service. Options might include keeping the service in house, externalising, sharing with another local authority or a mixture of these. Consideration should be given to all available possibilities. Completing actions 12 (calculation of auditor's chargeable time and skills audit of the audit team) and 15 (opportunities to carry out data analytics) from the audit review will support the development of this proposal.

The council has a statutory duty to undertake an external quality assessment every five years. The previous audit review recommended this be done following an internal assessment of quality assurance and development of an improvement programme. The internal assessment is likely to take around three days and could be completed

by an external provider if capacity is an issue. Peers then recommend the external assessment against the Public Sector Internal Audit Standards (PSIAS) is completed and a draft report available for corporate peer challenge team in May 2024.

#### **4.2 The extent to which the assurance plan is appropriately informed by risk**

The internal audit annual plan is currently in production, so peers were unable to read and comment on this.

Peers propose this is an area of work the corporate peer challenge team can explore during their review in May.

#### **4.3 Corporate capacity for risk strategy and management**

#### **4.4 The effectiveness of arrangements for risk identification and mitigation**

The council adopted a new Risk Management Strategy on 14th November 2023. Work has begun on aligning the risk register with service plan development and the appointment of a new risk officer is assisting in this.

The previous audit review recommended that the council conduct a risk maturity assessment. This is not yet completed, and peers recommend it is added to the workplan for the new officer to coordinate.

Peers noted that the new risk officer is a junior appointment only four weeks into role and new to local government and risk. Clearly highly educated, willing and eager to develop the role, peers recommend the post holder undergoes a thorough induction to local government, is able to access wider network support and is provided with training and mentoring. Making more use of the skills and experience in other parts of the council would also help. For example, consider reviewing the management structure around risk and project management to create capacity and resilience to drive the councils risk programme and agenda.

The corporate risk register is a live document with a large number of risks on it. Peers suggest HDC takes a more detailed look at it to see if there are any changes needed to the scoring which would reduce the number needing corporate oversight. They also noted the need to further develop the corporate risk register action plan with more detail around mitigation measures and action being taken.

HDC has an electronic system for recording risks. Peers identified a need for the CGC to understand how this risk management system works and be familiar with how risks are escalated to the corporate risk register from the operational space and vice versa.

#### **4.5 The effectiveness of the ‘three lines’ individually and collectively**

Peers were satisfied that there are currently [three lines of defence](#) in place, although there is potential for improvements to be made in each area.

- First line – Operational - HDC includes identification of risks within annual service plans. At the time of peer’s visit, service plans were being developed. There is a role for the corporate peer challenge to look at these in details to assess this process and ensure the link through to senior management.
- Second line - Risk, inspection and compliance - Peers were concerned the new risk officer post was not experienced or senior enough to be responsible for this alone. They recommend additional skills and capacity to support development and resilience.
- Third line - Internal audit - Peers suggested there was further work to do to ensure the IA function had sufficient capacity, could complete the recommended actions from the previous review, and was focussed on the core activity of the service and prioritising higher risk areas as identified by the risk register.

#### **4.6 The effectiveness and independence of the Corporate Governance Committee including consideration of the committees’ terms of reference**

It was positive to see the CGC had completed their first self-assessment and agreed a process for doing this in future. Peers encourage the committee to produce an action plan to increase the lower scores from the self-assessment which will assist in strategic improvements and identification of ongoing goals for the audit committee as a basis for good governance practice.

Holding pre-meetings ahead of the CGC to discuss areas of focus was recognised as good practice and peers encourage this to continue.

At the time of the review, the council still needed to adopt the Cipfa best practice terms of reference for Audit Committees. Peers were told this was being discussed at the next CGC meeting. It was disappointing to hear this hadn't been done yet as it would have been an easy recommendation to implement from the previous audit review.

Another recommendation from the 2022 audit review was to review the role of CGC. This had not been completed to date and peers had a number of further reflections on this for the council to consider. They believe:

- The CGC remit is too broad and HDC should consider other committees/working groups to review areas such as the constitution, standards and electoral arrangements which are not a usual function of CGCs.
- After reducing the scope of the committee there is an opportunity to rename it to clarify its purpose. For example, Audit, Risk and Governance. A quick look at other councils will provide a number of options.
- The membership of the CGC is too large. In addition, the committee is about to appoint one or two independent members which will increase its numbers further. Peers advise the size of the committee is reviewed in line with best practice and to accommodate the new independent members. A quick look at other councils will provide a number of options.

Once these actions have been addressed, peers recommend a skills analysis is completed of all CGC members which is followed by a tailored training and development plan to support members in the best ways possible to undertake their roles.

The East of England has an Audit Forum which all chairs of Audit are invited to. It provides a place where Audit Committee chairs can come together and discuss issues of common concern, identify and share best practice, alert each other to emerging issues and, for newly appointed chairs, to pick up tips from more experienced colleagues. HDC have a place on the forum and peers encourage the chair/vice chair to attend as many meetings as possible to increase awareness of practice elsewhere in the region.

#### **4.7 The scope and quality of Head of Internal Audit reports to the Corporate Governance Committee**

Concerns had been raised at HDC regarding amendments being made to the head of internal audit (HIA) reports ahead of the CGC. Peers confirmed that it is common practice for HIA reports to be reviewed by SLT ahead of CGC and this helps to ensure there is collective ownership across the senior management.

Discussing this issue with members and officers and reviewing the reports, peers felt there were no material changes made to the core HIA report, moreover, the issue seems to be a misperception in the reports purpose. There is a confusion of responsibilities between the HIA role and other statutory roles and a lack of completeness in some areas of core information. In addition, the concerns raised about changes arise in relation to elements which are not core to the HIA report.

Reports are currently too broad and lack the detail required for members to see what is on track, overdue, who is responsible and what level of priority is assigned. Peers suggest the following improvements are made:

- Progress against the internal audit plan – to help the CGC see whether IA are on track to deliver their annual plan, more information about the state of progress in completing audits against original plans needs to be provided.
- Tracking of audit actions/ overdue audit actions and the service progress update – it would be normal practice for the HIA report to list this/ previous years' IA reports with the original recommendation, the priority assigned to it, the management response and date for implementation/ officer responsible for implementation, with further management updates, clearly headed as such, where actions are overdue.
- A summary at the start of the table about the number of management actions overdue would-be good practice. In the HDC report it's not fully clear which are the audit recommendations, and which are the management responses/updates.
- An update on resources available would normally be focused on any impacts on the team's ability to deliver the IA plan.
- There should be separate processes for management responses to be agreed

(and updates on delays to implementation) which the HIA would include in their report.

There are elements of the HDC report which are not standard parts of a HIA report and do not relate to the IA plan:

- Significant issues and updates
- Governance updates
- Peer review on governance action plan
- External governance developments

In most cases these would come under the heading of a governance improvement plan/action plan arising from an annual governance statement. As such, while the HIA would contribute to them, they should not be the sole officer responsible for them and it's therefore more appropriate that such work is reported separately and is a joint effort, with normal processes of contributions and review by relevant officers such as the MO or S151.

Examples of best practice HIA reports were put forward as part of the previous audit review. Further examples are:

[Northwest Leicestershire](#)

[Tunbridge Wells](#)

[Thanet](#)

Peers recommend the council reviews these to produce a version which suits their needs and presents this to the next CGC.

#### **4.8 The effectiveness of management's response to internal audit findings and recommendations**

In discussion with managers, it became clear that there needs to be more input from them into the IA forward plan/strategic and audit plan. Making it a more collaborative process will help with the organisations understanding and recognition of the value of IA. Very few, if any officers attend the CGC to report on their outstanding audit recommendations. It should be common practice for officers to provide an update to members on the reasons for non-completion and to explain the steps being taken to rectify.

The council is currently undertaking its annual service planning process which made it difficult for peers to ascertain the role of IA and the relationship to managers. Peers propose the CPC in May looks at the following areas in more detail:

- Review the effectiveness and operation of the internal boards under SLT – for example, is the assurance board monitoring outstanding audit recommendations?
- Assess the link between service planning, risk identification (and the internal audit forward plan), mitigations, resource allocation.
- Consider how annual service plans support the production of a three-yearly IA plan with a detailed annual plan.

The development of the Annual Governance Statement (AGS) by the S151 officer is accepted practice and IA should feed their comments into this through the HIA Annual Opinion.

To avoid any confusion, where SLT disagree on IA recommendations there needs to be a mechanism for escalation to CGC for wider context. Being transparent about this will aid the understanding of members of the wider organisational issues.

#### **4.9 Member understanding of the respective roles and responsibilities of members and officers with reference to the constitution.**

The audit review recommended a number of actions relating to good governance:

- HIA, MO and S151 to meet regularly to raise and resolve concerns.
- Carry out a governance review as part of establishing the new management team.
- Joint training for members and officers on good governance.

Peers understand that meetings take place between statutory officers, but the other recommendations are yet to be completed and the recommend these are actioned with pace.

Some member induction took place two years ago when the new administration was elected. It was challenging time for all, with many councillors new to the council and their additional roles. It was evident to peers that the council needs to invest in clarity

of roles and responsibilities particularly with regard governance and audit. HDC do have [member job descriptions](#) which could be refreshed to support members in all roles. There are many [examples](#) already in the public domain that can help with this.

Training and development were themes mentioned to peers by everyone they spoke with. There was a recognition that two years into running the council lots had been learned but there was always something new to learn especially as legislation and the external political environment was forever changing. Peers recommend a four-year member training plan is developed with member input which supports councillors from induction through to the next election.

In addition, officer induction and management training need to include information about working in a political environment and supporting committees as well as the impacts a change of control situation can have on a council. Officers need to quickly understand what information is available for all members, the administration and the opposition and this can be hard to identify at first.

Peers also recommend HDC takes a look at its constitution. If it is not feasible to do a full review, consider a staged approach to working through sections with a member working group to build confidence in the process and work within the capacity of the council.

#### **4.10 Areas for the Corporate Peer Challenge to review**

1. Completion of actions from the Audit review – March 2023
2. Review the extent to which the IA plan is appropriately informed by risk.
3. Revisit the effectiveness of the three lines of defence, individually and collectively.
4. Review the effectiveness and operation of the internal boards under SLT – for example, is the assurance board monitoring outstanding audit recommendations?
5. Assess the link between service planning, risk identification and the internal audit forward plan.
6. Consider how annual service plans support the production of a three-yearly IA plan with a detailed annual plan.
7. Extent to which the recommendations from this review have been acted upon.

## 5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The CPC process includes a progress review within twelve months of the CPC, which provides space for the council's senior leadership to update peers on its progress against the recommendations from this report.

In the meantime, Rachel Litherland, Principal Adviser for the east of England, is the main contact between your authority and the Local Government Association and is available to discuss any further support required: [rachel.litherland@local.gov.uk](mailto:rachel.litherland@local.gov.uk)

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Ref	Suggestion	Comment by HDC	Proposed Action (Mgt)	Due Date	Audit Action Taken	Progress to February 2024	Comments form Peer Review March 2024
1.	Internal Audit Manager to facilitate or feed into a CIPFA Corporate Governance Committee self-assessment exercise and help to develop a training programme for members.	An effective CGC needs to have a balance of skills across the key elements of Risk Management, Finance and Audit and, where these skills are identified as missing or skewed, appropriate training is proposed to correct this.	IAM to facilitate a self-assessment exercise for committee members, feedback outcomes at a subsequent meeting with proposed actions for members to decide upon.	Feedback to CGC at Jan 2024 meeting.	In progress.  A self-assessment exercise was carried out in September. This used the CIPFA checklist rather than the extensive toolkit as an initial indicator and included a discussion on skills based around those attending the session.  The assessment is to be shared with whole committee and include all members' comments the committee's effectiveness.  To be effective, the assessment needs to be completed by all members.	Updates of the exercise were shared at the January 2024 committee meeting. Chair has asked for a further session to be set up to discuss actions, this is being organised by Democratic Services.	<b>Recommendation 1:</b> Complete action by May 2024 peer review.  All CGC members have been reminded to send their completed skills assessment to the S151 Officer as soon as possible. These will be consolidated and linked to training plans being arranged by Democratic Services.
2.	The Terms of Reference for the	To ensure the	The IAM to review	Review of	Still to be done.	Subcommittee	<b>Recommendation 1:</b>

	Corporate Governance Committee to be regularly/annually reviewed against CIPFA best practice standards and other example of best practice from across the sector to ensure continuous improvement.	Council's ToR reflect current legislation and chartered body recommendations, they should be reviewed on an annual basis.	ToR against CIPFA best practices and propose changes to the Deputy Monitoring Officer (DMO) to reflect any updates which are necessary.	ToR to be presented to CGC in Q4 of each financial year, in preparation for the new financial year. March 24	This has been deferred to after the self-assessment by committee has been completed so any additional responsibilities or changes can be made.	of CGC to review CIPFA models ToRs & report to May meeting	Complete action by May 2024 review. Action as agreed at March CGC
3.	Further questions for consideration by the CGC: <ul style="list-style-type: none"> <li>• Could the MO/Deputy MO be more involved with the Corporate Governance Committee, by presenting the Annual Governance Statement, Corporate Code of Governance?</li> <li>• There are no declarations of interest recorded for the last 12 months. Are there any that have gone unrecorded? Is advice of the MO being taken on interests by the committee?</li> <li>• Could task groups or working groups of the committee be set up to give additional capacity to review areas of risk/financial strain in more detail?</li> </ul>	The AGS and Code of Corporate Governance were drafted by the S151 Officer in collaboration with the MO. Declarations of interest are requested at the start of all meetings and recorded in minutes.	No further action required.  DMO to ensure new members are briefed on what is a declaration of interest as part of induction process.	Ongoing control.  Ongoing control.	.  Internal Audit has checked declarations made at meetings against those on declarations register. No anomalies were found. CGC will consider working groups as and when the need arises.		See Recommendation 3 below.  Action complete.  Action complete.
4.	The Corporate Governance Committee to consider receiving	This was the basis of the Peer Review and	Action complete	N/A	Completed	Done	Action complete.

	a briefing on CIPFA’s Internal Audit Untapped Potential report highlighting areas for action.	has already been made available to members. The Peer Review feedback, and this action plan accomplishes the action					
5.	Consider a review the role of the Corporate Governance Committee within the Constitution, to ensure the role of committee is clear and transparent.	This should be part of the review linked to action 2.	Per action 2	Per action 2			<p><b>Recommendation 1:</b> Complete action by May 2024 review.</p> <p>This is part of action 2 above.</p> <p>Findings of review to be presented to CGC in April 2023.</p>
	<p>Governance review suggestions.</p> <ul style="list-style-type: none"> <li>Internal Audit Manager, the Monitoring Officer and Director of Finance and Corporate Resources to consider regularly meeting to raise and resolve concerns.</li> <li>Carrying out a governance review (stock take) as part of establishing the new management team.</li> <li>Joint training for members and officers on good governance.</li> </ul>	The IAM and S151 already meet on a regular basis, with the DMO being invited as needed. We assume this relates to CLT recruitment, which is ongoing, and will be assessed once recruitment is complete. The self-assessment exercise for members in Action 1 should be extended to CLT as well, with similar follow up training.	No further action	Ongoing control.		CLT recruitment not yet completed (final CLT member joins mid-March). Assume this will also link in with the future peer review.	<p><b>Recommendation 1:</b> Complete action by May 2024 review.</p> <p>CIPFA skills matrix assessment to be used.</p>

7.	Senior management and internal audit to work together to consider whether internal audit is best placed to undertake additional tasks outside of its core purpose such as Annual Governance Statement, Code of Corporate Governance review.	It is important the IAM has the opportunity to feed into the AGS and Code of Corporate Governance, but this has been drafted by the S151 Officer recently and will continue as such.	No further action	Completed	Completed		<b>Action complete.</b>
8.	Consideration be made to keeping the Internal Audit Manager informed of the outcomes of Management Team meetings or invited where relevant to observe discussions relating to key transformation projects to enhance strategic approach to auditing.	The IAM is already able to discuss ongoing projects/programmes with the relevant managers, and the risks arising.	Service management team meetings will be asked to update the IAM with any changes to service risks discussed.  The IAM will engage with the PMO regarding current projects/programmes.	With immediate effect		IAM has been given full access, and encouraged, to discuss all projects with the relevant PMO or Service Manager	<b>Action complete.</b>
9.	The Internal Audit Manager to discuss key strategic risks from the register with each service area and devise an assurance plan covering the management of key risks.	The IAM has full access to all risks on the Council's 4Risk system and should use these to develop the action plan going forward.	Future IA plans to be linked to the Council's risk registers.	With immediate effect	The Risk Register has been used to formulate the Internal Audit plan. It is still the intention to review the operational audits in the Plan once Services have completed their risk register.	Service risks are due to be reviewed in the Service Plan review (due for submission 8 <sup>th</sup> March). This will then feed into the 2024/25 audit plan activity.	<b>Recommendation 1:</b> Complete action by May 2024 review.  Audit plan to be created from service risk registers on 4Risk.

10.	Conducting a risk maturity assessment would be a good way to provide advice and increase the chances that the risk register can be relied on for planning purposes as maturity increases.	Once the Council's Risk Management Strategy has been approved and distributed, this will be the next stage of developing its risk management robustness.	A risk maturity exercise to be undertaken.	Within six months of the revised Risk Strategy being approved.	Risk Management Strategy was approved on 14th November, the risk maturity assessment can now commence.	New Risk & Controls Officer recruited to fill the vacancy left by the previous officer's resignation. Risk register review work will commence with the Service Plan development.	<b>Recommendation 1:</b> Complete action by May 2024 review.
11.	Internal Audit considers areas in the assurance plan where a 'position statement' style approach could be used to provide advisory support for new or developing areas.	IA is already developing this methodology and using it in specific areas across the Council.	No further action required.	With immediate effect.	Completed		<b>Action complete</b>
12.	A calculation of auditor's chargeable time (i.e., available audit days minus annual leave, management commitments, training days and ad-hoc/investigatory work) to be undertaken.	The methodology for calculating the number of audit days available has been developed as part of the planning for 2023/24.	The calculation of available days to continue to be used as a measure of IA capacity.	With immediate effect.	The resource plan has been designed.	Resource plan designed but still be allocated to plan.	<b>Recommendation 1:</b> Complete action by May 2024 review.  This will be completed as part of the Annual Audit Plan.

	In addition, a skills and knowledge assessment of the audit team to be undertaken once an assurance plan for 2023/24 has been devised. If a shortfall is identified, this to be reported to senior management and CGC for resolution.	The skills and knowledge assessment can be undertaken once the current recruitment exercise for IA has been completed.	Undertake skills and knowledge assessment of IA team	Within three months of current recruitment exercise completing.	The skills and knowledge assessment is still to be undertaken but a skills matrix has been started to capture the qualifications, experience, skills and preferences for each auditor.		
13.	The internal assessment to reference available evidence to support conformance for each standard in preparation for a full External Quality Assessment.	The Council has a statutory duty to undertake an External Quality Assessment every five years. The internal assessment, and collection of evidence is the initial stage of this, to identify area of non-compliance.	IAM to undertake internal assessment of IA and to develop a plan for achieving areas of non-compliance.	To be completed by 31st March 2024		Update awaited from IAM.	<b>Recommendation 1:</b> Complete action by May 2024 review.  BDO has since been commissioned to undertake review with report ready by May 2024 review.
14.	A detailed QAIP (quality assurance & improvement plan) to be developed shared and discussed with senior management and the CGC. QAIP to include;  <ul style="list-style-type: none"> <li>Areas of all perceived partial conformance with PSIAS</li> </ul>	This is a follow on from action 13 and is the detailed plan for achieving compliance.	IAM to develop internal assessments outcomes into a QAIP, including training needs and performance metrics.	To be completed by 30th June 2024.	Development of the QAIP has commenced.		<b>Recommendation 1:</b> Complete action by May 2024 review.  This will be dependent upon the outcomes of the BDO report.

	<p>and LGAN with actions to develop into conformance with a timeframe and responsible officer allocated for each.</p> <ul style="list-style-type: none"> <li>Team training requirements; covering areas of emerging risk such as climate, artificial intelligence, cyber security, culture, data analytics.</li> </ul> <p>Performance metrics measured by the team with stretching targets to demonstrate a commitment to continuous improvement. These should be agreed with the CGC and Senior Management and reported at least annually.</p>						
15.	<p>Internal Audit to continue to look for opportunities to carry out data analytics and invests in skills in this area for the future. In the meantime, the team can suggest data maturity enhancements in each area audited if full population testing cannot be carried out.</p>	<p>These are key tools to complement the work of the IA team and their deployment is key to maintaining the effectiveness of the team. However, this is an action that should follow the development and implementation of the QAIP.</p>	<p>Following completion of the QAIP, the IAM to consider how these skills can be developed and implemented within the team.</p>	<p>To be completed by 31st December 2024.</p>			<p><b>Recommendation 1:</b> Complete action by May 2024 review.</p> <p>Following BDO's assessment a submission to be made to New Ideas process to enable investment in the appropriate skills/software.</p>
16.	<p>Internal Audit to consider its approach to supporting the Assurance Board forward plan and Terms of Reference review</p>	<p>The IAM sits on the Assurance Board and is able to request items to be covered at the board. A</p>	<p>No further action required.</p>	<p>Completed.</p>			<p><b>Action complete</b></p>

	<p>in addition to supporting the CGC forward planner for in areas such as;</p> <ul style="list-style-type: none"> <li>• Statutory Compliance Framework</li> <li>• Health and Safety assurance</li> <li>• Best Interest Reports Lessons Learnt</li> <li>• Governance Stocktake;</li> <li>• Covid Review</li> <li>• Counter Fraud and Whistleblowing Strategy, Actions, Resources, Review of risks,</li> <li>• Strategic/Complex Partnerships/Collaborations review.</li> </ul>	<p>items to be discussed is being formulated and the opinion of the IAM should be sought as part of this.</p>					
37.	<p>The Director of Finance and Corporate Resources and Internal Audit Manager to work together to formally appoint the outsourced IT audit provider so that assurance can be provided to support the opinion.</p>	<p>A tender was run, and a contract offered to the successful bidder. However, the provider declined the offer due to internal pressures on their side.</p> <p>The provider that was runner up to the tender has been approached.</p>	<p>To appoint the provider that was runner up, or to re-run the tender process.</p>	<p>Update to be provided to CGC at 12th July 2023 meeting.</p>	<p>Complete - contract signed and audit plan for IT areas assessed/ suggested, subject to agreement. 3 reviews are proposed for 2023/24 although ICT have stated they may not be able to accommodate.</p>		<p><b>Action complete</b></p>
<p><b>New Recommendations, March 2024</b></p>							
1	<p>Accelerate the delivery of actions from the audit peer challenge in March 2023 to</p>						<p>Our ICT auditors, BDO have been engaged to undertake an internal assessment of HDC's</p>

	ensure all 17 are complete or on course to be completed by May 2024 when the corporate peer challenge takes place. Priority needs to be given to conducting the internal and external assessments.						Internal Audit team to identify those areas where improvement is needed before a full external assessment is commissioned.
2	<p>Provide immediate additional senior officer capacity and experience to the internal audit and risk functions to direct and oversee audit and risk development and actions.</p> <p>Alongside this;</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> consider an options appraisal for future delivery of internal audit to ensure the council has the capacity, resilience and skills required.</li> <li><input type="checkbox"/> review the content of internal audit reports to ensure they focus on core business, and other senior officer reports take responsibility for the wider items, such as the peer review action plan, governance developments and significant issues and updates.</li> </ul>						<p>A resource request for an interim Risk Manager has been submitted. This role will embed the new risk management strategy through the creation of a training programme, reporting tools, review of the current risk register and additional support and guidance to the existing Risk and Controls Officer.</p> <p>In addition, we have requested two further Procurement roles (a Procurement Manager and a Contracts Manager) to mitigate procurement risks across the organisation.</p>
3	Evaluate the capacity and status of the monitoring officer against the needs of the						The Chief executive is reviewing Monitoring Officer needs for the future and considering

	<p>council to ensure accountability and leadership of governance best practice and statutory compliance in accordance with LGIU and LLG recommendations on the Changing Role of the Monitoring Officer Changing Role of the MO Report. The post would also benefit from reporting to the head of paid service.</p>					<p>options for addressing these.</p>
<p>4 Page 38 of 40</p>	<p>Following approval of new terms of reference for the Corporate Governance Committee (CGC) and a review of its membership;</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Conduct a skills audit to support the development of a programme of training and development for members</li> <li><input type="checkbox"/> Ensure that a development plan is in place to increase the scores of the self-assessment</li> <li><input type="checkbox"/> Should the model terms of reference be approved, the additional items covered by the CGC (standards, constitution and elections) need to be considered as to where these responsibilities should sit going forward.</li> </ul>					<p>Work has already commenced on reviewing the terms of reference for CGC, with a working group formed and a remit to report back to CGC in April. This includes considering where responsibilities not covered by the CIPFA model terms of reference should sit.</p> <p>Members have been asked to complete the skills matrix and this will be presented to committee when complete. A training programme can then be developed.</p> <p>Additional training has already been organised</p>

						to provide Finance training.
5	Review all governance, roles and responsibilities and working in a political environment training and development for officers as well as members. Then develop a four-year programme to include induction, role descriptions and ongoing support to increase knowledge and awareness.					<p>All members were invited to the Officer and Member relationship training session on 8<sup>th</sup> April 2024.</p> <p>Two independent members have been recruited to assist CGC and provide further challenge.</p>

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