

Introduction by the Chair of the Corporate Governance Committee

This report summarises both the Committee's activities during 2023/24 and issues that arose in that financial year. It is intended to:

- reassure the Council and other stakeholders that the committee is undertaking its responsibilities properly and in a way that allows it to exercise effective oversight; and
- demonstrate to the District's residents and other stakeholders the importance that the Council places on good governance, openness and probity in public life. The report sets out the contribution the Committee makes to achieving those aims. The Committee's meetings are open to the public and its report are available on the Council's website.

This is the end of my second year as Chair of the Committee, which has continued its focus on the following key issues:

1. Play a key role in the responding to the findings of the Local Government Association Peer Review of Internal Audit, focusing particularly on those aspects that relate directly to the activities of the Corporate Governance Committee.
2. Continue to make progress in resolving issues raised in previous Annual Governance Statements, and to increase the rate of progress during the year.
3. Identify lessons to be learned and applied from those issues.
4. Receive assurance that business continuity plans are in place and up to date.
5. Continue to increase the percentage of internal Audit actions completed on time.
6. Continually review and enhance the controls necessary to deal with cyberattacks and to manage Cloud services effectively.

Over the year the increasing focus on the Risks that exist for the organisation, and the role that Internal Audit plays in assessing the standard of management of these Risks, has continued. The Committee has asked for and received updates to the Corporate Risk Register at each meeting, and the ongoing scrutiny of Risk in the context of Audit continues to be a key objective of the Committee going forward.

To this end, the Chair and Vice Chair have worked with the Executive Councillor for Corporate & Shared Services to investigate ways of increasing the Council's effectiveness in Risk management, and the role that the Corporate Governance Committee can play in this. We have greatly appreciated the valuable input into this initiative from the Internal Audit team led by the Internal Audit manager.

Reassessment of some of the key audit actions has continued during the year, after it had become apparent that those actions needed to be reviewed in light of changed circumstances. It was agreed with the pertinent Corporate Director that changes be made to the relevant outstanding Audit actions to reflect the necessary changes.

The Chair and Vice Chair took part in the review of the LGA Audit Peer Challenge in March 2024. The LGA team identified a need to progress those of the 17 recommendations from the Challenge that were not yet complete with a deadline of May 2024 when the LGA Governance Review was scheduled to take place. We

have worked with HDC senior management and the Internal Audit team to ensure that all 17 recommendations are implemented, including those that relate to the Committee's activities.

One of the key actions focused on was the review of the Terms of Reference of the Committee. These were revised by reference to the CIPFA model terms of reference, supplemented by those terms relating to those areas of focus of the Committee which sit outside of its core Audit functions. The revised Terms of Reference will be presented for approval by Full Council in May 2024.

Another key action that has been addressed was to complete a skills matrix of committee members, to assist in assessing members' experience and potential training needs and the overall capability level of the committee. I would like to thank all those committee members who completed the skills matrix.

In light of the Government's stated intention to require local government audit committees to include one or more Independent non-voting members, the Committee has successfully undertaken an initiative to recruit Independent members to the Committee, with the result that two Independent members will join the committee from May 2024 subject to the approval of Full Council.

I would like to thank those Officers who have supported the Committee's activities over the Corporate year 2023-24; the Members who served on the Committee during the Corporate year, and in particular for Members' contributions to the Committee's oversight of all aspects of Corporate Governance.

I would also like to express my thanks to the Shared Services Cyber and Information Security Lead, for his presentation to members of the committee on 3C Shared Services' ICT provision to the Council in informal closed session in November 2023 and to the Strategic HR Manager, for presenting on the subject of HR training in closed session before the start of the Committee meeting in March 2024.

Councillor Nic Wells, Chair, Corporate Governance Committee

May 2024

ANNUAL REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

YEAR ENDED 31ST MARCH 2024

This is the report to Council of the Corporate Governance Committee to summarise activities undertaken during 2023/24 demonstrating compliance with the *CIPFA Audit Committee Position Statement 2022 (CACPS)*, discharging its responsibilities and providing an assessment of its performance.

The CACPS sets out the purpose, model, core functions and membership of the Corporate Governance committee (CGC). It details outputs that must be established and evidenced:

- Purpose of CGC.
- Independent and effective model.
- Core functions, including specific responsibilities for:
 - Maintenance of governance, risk and control arrangements.
 - Financial and governance reporting.
 - Establishing appropriate and effective arrangements for audit and assurance.
- Audit committee membership.
- Engagement and outputs.
- Impact.

These areas are explored in the following report and the activities and achievements noted.

1. Purpose of CGC

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

In March 2024, the Committee agreed a revision of its Terms of Reference (ToR) which clarified its responsibilities and position in the governance structure of the authority.

2. Independent and Effective Model

The committee is an apolitical non decision making forum; it is an advisory committee that has sufficient importance in the authority, so that its recommendations and opinions carry weight and have influence with the

leadership team and those charged with governance. It is directly accountable to Council and is independent of the scrutiny and executive functions but has rights of access to and engagement with other committees or functions.

As part of the Local Government peer review of Internal Audit, the effectiveness of CGC was considered and, whilst it felt the committee was supportive of the work of Internal Audit, some recommendations were made to improve the effectiveness of this; these included the review of ToR, skills and training needs assessments and to consider using task groups to enable greater coverage of work. Skills assessments were undertaken and training plans to complement these are under development.

During the year, the committee approved the recruitment of up to two Independent Members to bolster the independence and skills of the committee. Two new independent members were recruited and will participate in the committee from May 2024 onwards.

The review of ToR also considered the committee size, and this has subsequently reduced to seven members plus up to two independent members for 2024/25.

3. Core Functions

3.1. Maintenance of governance, risk and control arrangements.

The committee considers updates from the organisation on the operation of its governance, risk and control arrangements. During 2023/24, this included:

- Recommending the approval to Council of the revised Risk Management Strategy.
- Reviewing and endorsing the Local Code of Corporate Governance update.
- Receiving regular updates on the organisation's Corporate Risk register, debating the risks included upon it, the mitigating actions proposed to control exposure to adverse impacts should those risks materialise and recommending further areas for consideration.
- Monitoring actions arising from Internal Audit reviews and receiving updates on actions not implemented by the agreed target dates.
- Reviewing new policies and policy updates and recommending these for approval to Council. During the year, the following policies were reviewed:
 - Whistleblowing
 - Risk Management Strategy
 - Disposals and Acquisitions policy, Land and Property – update on thresholds.
- Receiving and noting the Annual Review of Fraud Investigation activity report.
- Receiving and noting the Annual Complaints report.
- Receiving and noting the Polling Districts and Polling Place Review.
- Receiving an update on the organisation's compliance with the Information Rights Act and Information Governance.
- Receiving the LGA Peer Review of Internal Audit Report, agreeing the recommended actions and monitoring completion of these.

- Recommending the appointment of Lead and Deputy Independent Persons.
- Considering a report by the Elections and Democratic Services Manager on the Code of Conduct and Register of Disclosable Pecuniary Interests.
- Considering the annual review of the Benefits Risk Based Verification Policy.

3.2. Financial and governance reporting.

The committee received the audited Statements of Accounts for 2021/22 and draft Statements of Accounts for 2022/23 during the year, together with the supporting Annual Governance Statements (AGS) for the respective years and agreed publication of such having satisfied itself they properly reflect the risk environment, any actions required to improve it, and to demonstrate how governance supports the achievement of the authority's objectives.

The organisation's external auditors attended committee meetings in April 2023 and September 2023 to feedback observations from their reviews and to give committee members an opportunity to ask questions of the independent review and gain assurance on the organisation's control and governance framework.

3.3. Establishing appropriate and effective arrangements for audit and assurance

The committee reviews and approves the Internal Audit Charter on an annual basis alongside the Annual Internal Audit Plan. The Charter, which was significantly revised in May 2024 to align with CIPFA's and PSIAS's recommendations, defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The Annual Internal Audit Plan details the expected activities for the Internal Audit Team over the coming year and is based upon the outputs of the Risk Management Strategy. It aims to be able to provide assurance that the controls in place to protect the organisation are deployed effectively and monitored regularly.

The following Internal Audit activity was undertaken during 2023/24, and confirmed to committee:

Audit Area/Opinion	Date report issued	Actions Arising	
		Red	Amber
<u>Substantial Assurance:</u>			
None			
<u>Reasonable Assurance:</u>			
CIPFA Financial Management Code	April 2024	0	0
Safeguarding	January 2024	0	16
Tree Management	April 2024	0	8
Disabled Facilities Grants annual declaration	n/a	0	0
Climate - carbon data	draft	0	4
<u>Limited Assurance:</u>			
None			
<u>Position statement only:</u>			
Business Continuity Planning	May 2024	n/a	n/a
People Capacity	May 2024	n/a	n/a
GDPR – Health Check Improvement Action Plan	draft	n/a	n/a
<u>Key Controls:</u>			
Council Tax	February 2024	0	0
NNDR	February 2024	0	0
Creditors	November 2023	0	0
Debtors	December 2023	0	0
Main Accounting System	December 2023	0	0

The committee receives regular reports on the completion of audit actions, in particular, actions which are not implemented by the agreed due date. The reports to committee update on the reasons for non-implementation and the work being undertaken to achieve completion. During the year, the committee noted a number of actions related to Procurement activities (although not all of these rested with the Procurement team) and asked that resource capacity in this area was reviewed; additional Procurement resources have been approved to assist services across the organisation.

4. Audit committee membership

The terms of reference for the committee were reviewed in March 2024 to ensure CIPFA's requirements for an audit committee were met. Whilst CIPFA's model terms of reference was used as a basis for the review, the committee's terms of reference also include responsibility for Constitutional, Conduct and Regulatory Arrangements. The review included a proposal to reduce the committee

membership to seven members plus up to two independent members. This was agreed at Council in April 2024.

Two independent non-voting members were recruited and approved to committee in April 2024, to complement the skills of the existing committee members.

An assessment of members' governance skills was undertaken and will be used to inform the member training programme for the current year.

5. Engagement and outputs

During 2023/24 the committee met on seven occasions.

Committee meetings were regularly attended by the Internal Audit Manager, the Director of Finance and Corporate Resources, the Managing Director/Chief Executive and other officers as required. The Chair and Vice Chair were able to meet the officers outside of committee, if required.

The organisation's external auditors attended committee meetings on two occasions to discuss audit progress and were able to meet independently with the Chair.

Committee members were invited to contribute to the LGA Peer Review of Internal Audit, and their opinions noted in the final report.

6. Impact

As part of the LGA Peer Review of Internal Audit, the committee was asked to consider its role in the organisation's governance and assurance processes, and suggestions made for change, such as:

- Reviewing membership committee size and membership.
- Recruiting Independent Members.
- Reviewing its Terms of Reference
- Assessing its skills and considering areas for improvement through training.

As already noted, these have all been undertaken during the year and the committee now more closely aligns itself with CIPFA's Audit Committee Position Statement 2022.