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NOTICE OF MEETING

Meeting	Audit Committee
Date and Time	Thursday, 16th December, 2021 at 2.00 pm
Place	Mitchell Room, EII Court, Winchester
Enquiries to	members.services@hants.gov.uk

Carolyn Williamson FCPFA
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the County Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Filming Protocol available on the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES OF PREVIOUS MEETING HELD ON 29 SEPTEMBER 2021 (Pages 5 - 10)

To confirm the minutes of the previous meeting.

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS (Pages 11 - 16)

To receive the quarterly update on the County Council's use of regulated investigatory powers.

7. OPTIONS FOR THE APPOINTMENT OF EXTERNAL AUDITORS (Pages 17 - 30)

To consider a report of the Director of Corporate Operations outlining the options available to the County Council for the appointment of external auditors for the 5 year period from April 2023.

8. INTERNAL AUDIT PROGRESS REPORT (Pages 31 - 58)

To receive a report from the Director of Corporate Operations providing an overview of internal audit activity against assurance work completed in accordance with the approved audit plan.

9. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 27 JULY 2021 (LESS EXEMPT) (Pages 59 - 70)

To receive the non-exempt minutes of the Hampshire Pension Fund Panel and Board meeting held on 27 July 2021.

10. CORPORATE RISK MANAGEMENT UPDATE (Pages 71 - 82)

To consider a report of the Chief Executive and Director of Culture, Communities and Business Services providing an update against the County Council's corporate risk management arrangements.

11. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the exempt minutes.

12. CORPORATE RISK MANAGEMENT UPDATE - EXEMPT APPENDIX (Pages 83 - 84)

To consider an exempt appendix to the Corporate Risk Management update report.

13. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 27 JULY 2021 (EXEMPT) (Pages 85 - 90)

To receive the exempt minutes of the Hampshire Pension Fund Panel and Board meeting held on 27 July 2021.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

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Public Document Pack Agenda Item 3

AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Wednesday, 29th September, 2021

Chairman:

* Councillor Alexis McEvoy

* Councillor Rod Cooper	Councillor Rob Mocatta
* Councillor Tim Davies	* Councillor Stephen Philpott
* Councillor Dominic Hiscock	Councillor Juliet Henderson
* Councillor Keith House	Councillor Tom Thacker
Councillor Mark Kemp-Gee	Councillor Adrian Collett
* Councillor Derek Mellor	Councillor David Harrison

*Present

15. APOLOGIES FOR ABSENCE

Apologies were noted from Councillors Mark Kemp-Gee and Rob Mocatta.

16. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

No declarations were made.

17. MINUTES OF PREVIOUS MEETING HELD ON 26 JULY 2021

The minutes of the meeting held on 26 July 2021 were agreed as a correct record and signed by the Chairman.

18. DEPUTATIONS

No questions or deputations were received by the Committee on this occasion.

19. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

20. **INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS**

The Committee considered the report of the Chief Executive regarding the County Council's use of regulated investigatory powers.

Members heard that the report was brought in front of the Committee on a quarterly basis, as required by the Home Office, to ensure that officer use of surveillance powers was transparent and open to scrutiny. Further, Members heard that any failure to do so could impact upon the lawfulness of any evidence obtained later being utilised in court to secure a successful prosecution.

The report highlighted that surveillance powers had been used once during the previous quarter, for investigating a doorstep crime.

Members heard that usage of powers was broadly in line with that seen during the previous year. Committee Members expressed an interest in receiving an update within the next annual report outlining how effective the use of powers had been in terms of numbers of prosecutions.

RESOLVED:

That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers.

21. **EXTERNAL AUDIT REPORTS 2020/21 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND**

The Committee received and noted the external auditors draft reports for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2021.

The external auditor highlighted the following:

- That that there was general uncertainty in the market due to the ongoing Covid pandemic. As a result, the value of complex assets held by the Council required review by a specialist property team. Their report was outstanding at the time of the meeting, but the external auditors did not anticipate any issues would be raised.
- It was unlikely that the accounts would be signed off by the 30 September deadline, as a result of the delay of this report. It was heard that most public sector audits would be completed after the deadline, as a result of the ongoing impact of the Covid pandemic and pressure on audit resources. Assurances were given that the accounts would be signed off as soon as possible and it was expected that an unqualified opinion would be provided.
- The audit of the Hampshire Pension Fund was complete and had concentrated on the valuation of investment assets, in particular those at levels two and three. Members heard that the auditors were happy with the material accuracy of the pension fund figures recorded within the

statement of accounts and reported no issues in all other areas of risk. The auditors explained that the Pension Fund audit could not be signed off until the County Council audit was complete, as both needed to be signed on the same date.

- No material uncertainties were identified in respect of the County Council being a going concern, with the auditors noting that the Council's cashflow modelling, in particular, demonstrated sufficient liquidity.
- The auditors had identified no risk in value for money and brought forth no matters to report. It was further noted that the County Council had processes in place to demonstrate value for money to both the public and key stakeholders.
- Highway Infrastructure in Hampshire was considered a substantial asset, which was valued at a historical depreciation. Members suggested that ensuring an accurate valuation on the highway infrastructure would be a helpful tool to support spending decisions for maintenance. It was however understood that the level of effort, both in financial cost and time, would need to be commensurate with the outcome.

RESOLVED:

That the Audit Committee receives and notes the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2021.

22. STATEMENT OF ACCOUNTS 2020/21

The Committee considered the report of the Director of Corporate Operations presenting the annual Statement of Accounts for 2020/21.

Members heard that the Statement of Accounts would not be final until the external audit was concluded, however any changes to the draft accounts were anticipated to be very minor. It was suggested that delegated responsibility be granted to the Director of Corporate Operations to make any final amendments to the Statement of Accounts before the statutory deadline.

Once complete, letters of representation to the County Council and Hampshire Pension Fund would be signed and shared electronically, with examples presented before Members within the papers.

RESOLVED:

That the Statement of Accounts for 2020/21 for Hampshire County Council and the Hampshire Pension Fund be approved.

That the letters of representation for Hampshire County Council and the Hampshire Pension Fund set out in Appendix 1 be signed.

That delegated authority be given to the Director of Corporate Operations to approve any minor amendments to the Statement of Accounts prior to the issue of the final audit opinion and publication of the Statement of Accounts.

23. **TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2021/22**

The Committee considered a report of the Director of Corporate Operations, providing an update on the performance of the treasury management function.

Members heard that:

- All treasury management activity had been undertaken in accordance with the strategy, as approved by the County Council.
- £195m was being held in a combination of pooled funds, which continued to earn good returns, counterbalancing the very low interest rates on cash investments.
- No new borrowing was anticipated in year.
- A total of £169m had been lent out to other local authorities. The financial stability of authorities borrowing monies was fully assessed and no defaults had occurred in repayments to date.
- Officers receive updates from the County Council's Treasury Management Advisor on economic conditions, including potential inflationary pressures. It was considered that inflation levels would not have a significant impact on treasury management, as investments were generally made on short-term or variable rate basis.
- Following the meeting of the Audit Committee, the mid-year treasury management report would be presented to Cabinet.

RESOLVED:

The Audit Committee note the following recommendations that are being reported to Cabinet:

- That the mid-year review of treasury management activities be noted.
- That the clarification to the 2021/22 Treasury Management Strategy as set out in paragraph 36, for investments in un-rated corporations where the County Council owns a controlling interest in the corporation, is approved in line with previous years' strategies.

24. **ANNUAL GOVERNANCE STATEMENT**

The Committee considered the report of the Head of Law and Governance and Director of Corporate Operations presenting the Annual Governance Statement.

Members heard that the Annual Governance Statement was required to be published alongside the statement of accounts and looked back over the previous financial year, with a forward looking action plan.

RESOLVED:

That the Audit Committee approve the 2020-21 Annual Governance Statement.

25. **APPOINTMENT OF COUNTY RETURNING OFFICER**

Members considered a report of the Chief Executive which recommended the appointment of the County Council Returning Officer.

Members heard that the established procedure within the County Council was for the Chief Executive to act as the County Council Returning Officer.

Following the retirement of the previous Chief Executive, Members were asked to confirm the appointment of the Chief Executive, Carolyn Williamson, as Returning Officer.

RESOLVED:

That the Chief Executive of the County Council be appointed as County Council Returning Officer and that the appointment of Carolyn Williamson in this regard be confirmed.

26. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 26 MARCH 2021 (LESS EXEMPT)**

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 26 March 2021.

27. **EXCLUSION OF THE PRESS AND PUBLIC**

The press and public were excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would have been disclosure to them of exempt information within Paragraph 3 Part I Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons set out in the minutes.

28. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 26 MARCH 2021 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 26 March 2021.

Chairman, 16 December 2021

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HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	16 December 2021
Title:	Information Compliance – Use of Regulated Investigatory Powers
Report From:	Chief Executive

Contact name: Peter Andrews

Tel: 0370 779 1365 **Email:** peter.andrews@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the data regarding the County Council's use of regulated investigatory powers.

Recommendation

2. That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers as attached.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the data and therefore the recommended action will not impact on groups with protected characteristics in any way.

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Quarterly Reporting of Surveillance

Number of Authorisations by Quarter (1 April 2021 – 31 March 2022)

Direct Surveillance			
	Purpose of Surveillance		
2021-22 Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2	0	0	0
3			
4			
Total -	0	0	0
Covert Human Intelligence Source (CHIS)			
	Purpose of Surveillance		
Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2	0	0	0
3			
4			
Total -	0	0	0
Communications Data			
Quarter	Number of Applications	Number of Specific Notices	Offences related to:
1	1	1	Doorstep Crime
2	0	0	
3			
4			
Total -	1	1	

The decision to deploy any of the surveillance techniques defined within RIPA is dependent upon many considerations. Where there are other investigative tools available, which are both overt in nature and more appropriate to be used, they will be deployed instead of reverting to any of the surveillance techniques referenced within RIPA.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Audit Committee
Date:	16 December 2021
Title:	Options for the appointment of external auditors
Report From:	Director of Corporate Operations

Contact name: Rob Sarfas

Tel: 0370 779 1556

Email: rob.sarfas@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to outline the options available to the County Council for the appointment of external auditors for the 5 year period from April 2023 to enable the Audit Committee to make recommendations to Full Council.

Recommendation(s)

It is recommended that the Audit Committee:

2. Recommends to Full Council that the County Council accepts the invitation to opt-in to Public Sector Audit Appointments (PSAA) national scheme for the appointment of external auditors for Hampshire County Council (including the Hampshire Pension Fund) for the 5 year period from April 2023, noting that the decision to opt-in will be taken before contract prices are known.

Executive Summary

3. The Local Audit and Accountability Act 2014 requires local authorities to appoint an external independent auditor. This must be done no later than 31 December in the financial year prior to the year to be audited. The appointment may last for more than one year, but a new appointment must be made at least once every five years.
4. The accounts of the County Council and the Hampshire Pension Fund are currently audited by EY. This appointment was made through Public Sector Audit Appointments Limited (PSAA), an 'appointing person' specified by the Secretary of State. The County Council agreed to opt-in to this arrangement

in November 2016 rather than conducting its own procurement and appointment exercise.

5. The current contract will conclude with the audit of the 2022/23 accounts, however due to timescales set by PSAA, the governance requirements under the Local Audit and Accountability Act 2014, and procurement lead-in times, the County Council must decide by 11 March 2022 whether to again opt-in to PSAA's arrangements for the 5-year period commencing April 2023. A decision to opt-in will effectively be the appointment decision and in accordance with the Local Audit and Accountability Act, that decision must be made by Full Council.
6. To appoint an auditor outside of the PSAA scheme, the County Council would need to set up an auditor panel comprising a majority of independent members and run a procurement exercise. This could be individually or in collaboration with other local authorities.
7. Opting-in to the PSAA scheme has the potential to reduce costs to the County Council. The up-front procurement costs would be shared with other authorities opting-in to the arrangements and the larger contract value should allow audit firms to offer lower fees than they would to individual authorities. In addition, there would be no need to set up and service a local auditor panel and the contract would be administered by the PSAA, with local agreement regarding timescales and approach for each audit assignment. The disadvantages are that councils that opt-in will do so before knowing contract prices and will have no direct involvement in choosing auditors, as they will be appointed by PSAA. Fees throughout the life of the contract will be agreed by the PSAA, although local authorities can provide comments.
8. Conducting an individual or joint auditor procurement and appointment exercise outside of the PSAA's scheme would allow the County Council to have local input into the appointment of its auditor (although the auditor panel would have to comprise a majority of independent members). The County Council would incur the costs of recruiting and servicing the auditor panel as well as the costs of running a procurement exercise and managing contractual arrangements. The lower contract value may also lead to increased audit fees. In addition, the County Council's finance team produce the accounts for the partner organisations Hampshire and Isle of Wight Fire and Rescue Authority, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire and currently benefit from economies of scale where all partners are audited by the same firm. There is a risk that this benefit could be lost if different auditors are appointed by any of the partners.
9. Working jointly with other authorities through a joint exercise could mean costs are reduced as they would be shared across the participating authorities. This approach would however also bring additional complexity and result in decision making being further removed from local input.

10. The current scale fees for the audit of the County Council and Pension Fund accounts are £89,720 and £24,442 per annum respectively. The auditors are then able to submit fee variation proposals to PSAA, who will review these proposals and may agree additional fees. The most recently agreed additional fees for 2019/20 were £27,104 and £13,593 for the County Council and Pension Fund respectively. Given challenges in the audit market there is an expectation that under all available options the contract price per annum could be greater than currently paid.

Existing external audit arrangements

11. The Local Audit and Accountability Act 2014 (the Act) abolished the Audit Commission and led to the establishment of transitional arrangements for the appointment of external auditors. These transitional arrangements were put in place to cover the period up to and including the audit of the accounts for 2017/18 and resulted in Ernst & Young LLP being appointed as the County Council's external auditors for this period. This appointment was made under a contract let by the Audit Commission and then managed by Public Sector Audit Appointments Limited (PSAA).
12. Reports were presented to the Audit Committee during 2015 and 2016 providing details of the requirements under the Act and outlining options available to the County Council at the end of the transitional period. The Audit Committee recommended to Full Council that the appointment be undertaken through engagement with PSAA as part of a sector-led appointment. This approach was agreed by Full Council in November 2016. Ernst & Young LLP (EY) were then appointed by PSAA for the period beginning with the audit of the 2018/19 accounts and concluding with the audit of the accounts for 2022/23. 484 of 493 eligible bodies (98%) [opted to join](#) the PSAA scheme for this period.
13. Although the existing arrangements will be used for the audit of the County Council's accounts for the 2021/22 and 2022/23 financial years, the governance requirements under the Act, opt-in deadlines set by PSAA, and the lead in times associated with the procurement and appointment of auditors means that it is now time to review options for the period beginning in April 2023 and for the Audit Committee to recommend an approach to Full Council.
14. This also applies to the audit of the Hampshire Pension Fund's accounts because the County Council is the Administering Authority and reporting entity for the Pension Fund. The Pension Fund is not a separate legal entity and pension funds are not listed as 'relevant authorities' in their own right within the Act, so there is no statutory basis for a separate auditor appointment within the Act. The auditor appointed for the County Council's accounts therefore also audits the Pension Fund. The audit of the Pension

Fund is however recognised as a separate engagement by the auditors with additional audit work, reporting and fees charged to the Pension Fund.

15. It is also worth noting that the County Council's finance team prepares accounts for the partner organisations Hampshire and Isle of Wight Fire and Rescue Authority, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire, all of whom form part of the shared services partnership. All partners opted-in to the PSAA arrangements for 2018/19 to 2022/23 and are currently audited by the same audit firm (EY) and use the same financial systems. This has enabled the County Council to benefit from economies of scale in the external audit process. All partners have the same deadline to decide whether to opt-in to the PSAA scheme for the period from April 2023.
16. The current scale fees for the audit of the County Council and Pension Fund accounts are £89,720 and £24,442 per annum respectively. The auditors are then able to submit fee variation proposals to PSAA, who will review these proposals and may agree additional fees. The most recently agreed additional fees for 2019/20 were £27,104 and £13,593 for the County Council and Pension Fund respectively. The fee variation for the County Council's accounts included additional costs relating to pension valuation, PPE valuation and use of expert, PFI, Covid-19 impacts, and increased FRC challenge.
17. PSAA's own costs of managing the scheme are covered by audit fees paid by opted-in bodies.

Requirements under the Local Audit and Accountability Act 2014

18. The Local Audit and Accountability Act 2014 sets out that the accounts of a relevant authority must be audited in accordance with the Act by an auditor appointed in accordance with the Act. This appointment of an auditor must take place no later than 31 December in the year preceding the audit. An auditor may be appointed for more than one financial year, but a further appointment process must take place at least every 5 years. This does not prevent an authority from re-appointing an auditor at the end of a 5 year period.
19. There are three ways for a local authority to appoint an auditor under the Act:
 - Undertake an individual auditor procurement and appointment exercise
 - Undertake a joint auditor procurement and appointment exercise with other bodies
 - Opt-in to arrangements made through an 'appointing person' specified by the Secretary of State.

20. It is also worth noting, given recent challenges in the local audit market and the upcoming deadlines for appointing auditors for the 2023/24 accounts, that two consultations were conducted earlier in 2021 on local authority audit arrangements:
- MHCLG [consulted](#) on proposals to implement the recommendations from the independent [Redmond Review](#) of local authority financial reporting and external audit and are currently analysing feedback.
 - PSAA [consulted](#) on proposals for arrangements for auditor appointments from April 2023 under the national opt-in scheme.
21. The County Council submitted responses to both consultations.
22. In its response to the PSAA consultation, the County Council stressed the importance of appointing a competent auditor at a reasonable price, questioning whether evaluating tenders on the basis of 80% quality and 20% price gave sufficient weighting to the price of the audit, given that all audits should be completed to the required legal and auditing standards by default. The efficiency gains to the County Council and its partners of appointing the same audit firm for all accounts produced by the County Council's finance team was also highlighted. In addition, the response noted the need to address issues with the timeliness of audit opinions being issued across the sector.
23. In responding to the MHCLG consultation, the County Council suggested a review of the external audit approach to assessing financial resilience, which currently seems more aligned to private sector cash flows and the going concern concept. This is less relevant to local authorities given the statutory nature of the authorities.

Analysis of options for the appointment of auditors from April 2023

24. Details of the three options available to the County Council are set out below. The potential advantages and disadvantages of each option are then detailed in Table 1.
25. Under all three options, the County Council can only appoint firms registered to conduct local audits. Given challenges within the audit market there is an expectation that under all three options the contract price per annum could be greater than currently paid.

Option 1 – Individual auditor procurement and appointment exercise

26. The auditor appointment arrangements under the Act allow local authorities to appoint their own auditors via an auditor panel, with a requirement to consult

with the panel and take its advice into consideration in the selection and appointment of the auditor. The panel is also required to advise the authority on maintaining an independent relationship with its auditor.

27. An auditor panel must be made up of at least 3 members and a majority must be independent members, including the chair. The definition of independence is set out in the Local Auditor (Auditor Panel Independence) Regulations 2014 and includes a requirement that independent panel members have not been a member or officer of the authority within the last 5 years. Further criteria are detailed in Appendix 1
28. To enable the auditor panel to operate, the authority is required to provide information of relevance to the panel's work when requested and in addition members and officers are required to attend meetings of the panel to answer questions when asked. The Act also requires the authority to publish advice from its auditor panel, including details of whether or not advice has been followed and why.
29. The independent make-up of the auditor panel means that elected members will not have a majority input into assessing bids and choosing which firm is awarded the contract to audit the accounts of the County Council and Pension Fund.
30. The regulations also allow the use of another authority's auditor panel, which removes the need to constitute a new auditor panel and may increase independence. This however requires finding another authority with an established auditor panel willing to enter into this arrangement. It may also make it more difficult to ensure the specific needs of the authority are understood by the panel and the logistics for members and officers to interact with the panel may be more challenging (although the use of technology may mitigate this to an extent).
31. To run a procurement exercise, a tender process would need to be run in line with Public Contract regulations to produce a specification and evaluate bids, with the associated resource costs involving specialist officer input from Finance, Legal and Procurement teams. Relevant resource and expertise would also be required for contract management. A compliant tender would ensure value for money but in a specialist market with limited numbers of approved suppliers it is likely that better value could be achieved by leveraging the scale of the PSAA offer to suppliers (see Option 3).

Option 2 – Joint auditor procurement and appointing exercise with other bodies

32. The Act also allows a local authority to establish a joint auditor panel with other local authorities for the procurement and appointment of auditors. The

requirements around the appointment of an auditor panel are the same as for Option 1, including the independence requirements.

33. The operational arrangements with this option will be more complex due to the need to set up and run an auditor panel jointly with multiple local authorities and the need to set up any associated contractual arrangements. There is also a need to find other authorities with the appetite to join such an arrangement.
34. There will also be procurement considerations to make, for example the decision as to whether to use a single tender process to procure a single contract for all bodies or whether instead to use a joint auditor panel but procure separately.
35. Similar considerations would be required as for Option 1 in terms of resources to support a procurement exercise and subsequent contract management, although these costs would be shared with other local authorities. The contract would likely be of lower value to suppliers than the PSAA offer.

Option 3 – Opt-in to national scheme for auditor appointments through PSAA

36. The Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. The County Council therefore has the option to once again opt-in to this national scheme for auditor appointments.
37. PSAA issued its invitation to opt-in to this scheme in September 2021 alongside its scheme prospectus and procurement strategy. To opt-in the County Council must send its formal acceptance to PSAA by 11 March 2022.
38. PSAA's procurement strategy sets out that its primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services. PSAA's costs of managing the scheme are covered by audit fees paid by opted-in bodies. PSAA is a not-for-profit organisation so returns any surplus funds to opted-in bodies.
39. PSAA plans to enter into contracts with a number of audit firms to provide capacity across all opted-in bodies and to enable the management of auditor independence issues (e.g. where an audit firm already provides consultancy and advisory services to a local authority it should not also audit the authority's accounts). There is also an aim to grow the number of active suppliers in the market. The expectation is that contracts will be awarded by

August 2022 and the PSAA [scheme prospectus](#) is available through its website.

Timescales

40. To exercise the option to opt-in to the national auditor appointment arrangements (Option 3) the County Council will need to inform PSAA by 11 March 2022. This is because of the lead-in time required to run a national procurement exercise. A decision to opt-in must be taken by Full Council, with the final meeting of County Council prior to the PSAA's opt-in deadline taking place on 17 February 2022.
41. If the County Council decides instead to appoint an auditor through either Option 1 or Option 2 (individual or joint procurement and appointment) then an auditor panel will need to be established and a procurement exercise will need to be run. Option 2 will also require the identification of other local authorities to create the joint auditor panel and agreement on any contractual and operational requirements. Any procurement exercise would need to be completed to allow the appointment of auditors no later than 31 December 2022. A fully compliant tender process would take a minimum of 6 months and be dependent on the availability and expertise of officers across Finance, Legal and Procurement and would need to factor in the requirements relating to the auditor panel.
42. The partner organisations Hampshire and Isle of Wight Fire and Rescue Authority, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire will also be making decisions through their own governance arrangements about whether or not to opt-in to the PSAA scheme by 11 March 2022.

Table 1 – Advantages and disadvantages of the options available to the County Council

	Option 1 – Individual auditor procurement and appointment exercise	Option 2 – Joint auditor procurement and appointing exercise with other bodies	Option 3 – Opt-in to national scheme for auditor appointments through PSAA
Advantages	<ul style="list-style-type: none"> • Setting up an auditor panel allows the County Council to have local input into the appointment of its auditor (although the auditor panel must have a majority of independent members) • Able to set own procurement evaluation criteria rather than this being decided by PSAA (although must take advice from auditor panel) • Able to form a direct contract with the audit provider with the opportunity to agree contractual terms regarding performance and quality 	<ul style="list-style-type: none"> • Costs associated with setting up the auditor panel and running a procurement exercise can be shared across the local authorities involved with the joint process • May increase the chance to negotiate lower fees due to the larger combined contract value than for an individual procurement • Able to form a direct contract with the audit provider with the opportunity to agree contractual terms regarding performance and quality 	<ul style="list-style-type: none"> • Costs are shared across all authorities opting in to the arrangements • The larger contract value should allow audit firms to offer lower fees • Any conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon • There is no need to set up a local auditor panel • The contract is managed by PSAA
Disadvantages	<ul style="list-style-type: none"> • Costs of recruitment and servicing of the auditor panel including expenses and allowances • Procurement costs to run a selection process and negotiate contracts • Lower contract value than other options reducing opportunities to negotiate lower fees, may result in higher audit fees • May result in the appointment of a different auditor from other partners¹ leading to loss of economies of scale within the finance team • The risk that the procurement process does not result in an appointable audit firm • Can only appoint firms registered for local audit so will not identify any additional suppliers to those available to the PSAA 	<ul style="list-style-type: none"> • Costs of recruitment and servicing of the auditor panel including expenses and allowances • Procurement costs to run a selection process and negotiate contracts • Decision making is further removed from local input. There may be a wholly independent auditor panel or there may be elected member representatives from each authority within an auditor panel that has a majority of independent members. • May lead to reduced control over the audit process if a joint contract is entered into • Potential for complications due to independence issues e.g. where an audit firm is currently or has recently carried out consultancy or advisory work for one of more of the councils conducting the joint procurement • Greater complexity of operational and contractual arrangements to set up and manage 	<ul style="list-style-type: none"> • Individual elected members have less opportunity for direct involvement in the appointment process • Councils will need to opt-in before contract prices are known • Audit fees are agreed by PSAA not the County Council • The contract is managed by PSAA • Procurement evaluation criteria set by PSAA rather than the County Council (e.g. PSAA has defined a relative price:quality weighting of 20:80)

¹ Hampshire and Isle of Wight Fire and Rescue Authority, Police and Crime Commissioner for Hampshire, Hampshire Constabulary

Consultation and Equalities

43. The Local Audit and Accountability Act 2014 sets out that the accounts of a relevant authority must be audited in accordance with the Act by an auditor appointed in accordance with the Act. The Act sets out routes authorities may follow to procure and appoint an auditor and this report provides details of those routes for consideration. This is a statutory requirement and no consultation or Equalities Impact Assessments are required.

Conclusions

44. The County Council must comply with the requirements of the Local Audit and Accountability Act 2014 in appointing independent external auditors. There are three main routes available to local authorities in making these appointments, each of which bring their own advantages and disadvantages. These advantages and disadvantages need to be weighed up in making a decision on which route to recommend to Full Council for the appointment of auditors for the 5 year period beginning April 2023. Any decision to opt-in to the national scheme through Public Sector Audit Appointments Limited (PSAA) must be made by 11 March 2022. If the County Council does not opt-in to this scheme then it will need to appoint an auditor panel and begin a procurement exercise to appoint auditors no later than 31 December 2022. This could be individually or jointly with other authorities.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:

It relates to the effective governance of the County Council

Other Significant Links

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>
Local Audit and Accountability Act 2014 - Update	5/2/15
Local Appointment of external auditors - update	23/6/16
Local Appointment of External Auditors - Update	29/9/16
Appointment of external auditors	24/11/16

Direct links to specific legislation or Government Directives

<u>Title</u>	<u>Date</u>
Local Audit and Accountability Act 2014 (legislation.gov.uk)	
The Local Audit (Auditor Panel Independence) Regulations 2014 (legislation.gov.uk)	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report relates to the consideration of routes available to the County Council for the appointment of external auditors under the Local Audit and Accountability Act 2014 and there are not considered to be any equality impacts as a result.

Appendix 1

Independence criteria for auditor panels

[The Local Audit \(Auditor Panel Independence\) Regulations 2014](#)
([legislation.gov.uk](#))

(2) A member of a relevant authority's auditor panel, other than a health service body's auditor panel, is "independent" at any given time if the following conditions are met—

- a) the panel member has not been a member or officer of the authority within the period of 5 years ending with that time (the "last 5 years"),
- b) the panel member has not, within the last 5 years, been a member or officer of another relevant authority that is (at the given time) connected with the authority or with which (at the given time) the authority is connected,
- c) the panel member has not, within the last 5 years, been an officer or employee of an entity, other than a relevant authority, that is (at the given time) connected with the authority,
- d) the panel member is not a relative or close friend of—
 - a. a member or officer of the authority,
 - b. a member or officer of another relevant authority that is connected with the authority or with which the authority is connected, or
 - c. an officer or employee of an entity, other than a relevant authority, that is connected with the authority,
- e) the panel member is not the authority's elected mayor,
- f) neither the panel member, nor any body in which the panel member has a beneficial interest, has entered into a contract with the authority—
 - a. under which goods or services are to be provided or works are to be executed, and
 - b. which has not been fully discharged,
- g) the panel member is not a current or prospective auditor of the authority, and
- h) the panel member has not, within the last 5 years, been—
 - a. an employee of a person who is (at the given time) a current or prospective auditor of the authority,
 - b. a partner in a firm that is (at the given time) a current or prospective auditor of the authority, or
 - c. a director of a body corporate that is (at the given time) a current or prospective auditor of the authority.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker	Audit Committee
Date:	16 December 2021
Title:	Internal Audit Progress Report (November 2021)
Report From:	Director of Corporate Operations

Contact name: Neil Pitman

Tel: 0370 779 4082

Email: Neil.pitman@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to provide an overview of internal audit activity against assurance work completed in accordance with the approved audit plan (2021-22) and to provide an overview of the outstanding management actions

Recommendation(s)

2. That the Audit Committee are invited to note the Internal Audit Progress Report (November 2021) as attached.

Contextual Information

3. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance

4. In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and
 - a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion

5. Appendix A summarises the activities of internal audit for the period up to November 2021.

Performance

6. Our 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion.

7. Significant matters that jeopardise the delivery of the plan, or require changes to the plan are identified, addressed and reported to the Audit Committee.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: <i>'Board' consideration and approval of the Internal Audit Plan, in accordance with the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards</i>	

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Internal Audit Charter 2021-22	19 July 2021
Internal Audit Plan 2021-22	19 July 2021
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals within this report.

Internal Audit Progress Report 2021-22

November 2021

Hampshire County Council



Hampshire
County Council

**Southern Internal
Audit Partnership**

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1. Role of Internal Audit

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

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

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

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

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

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

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

2. Purpose of report

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

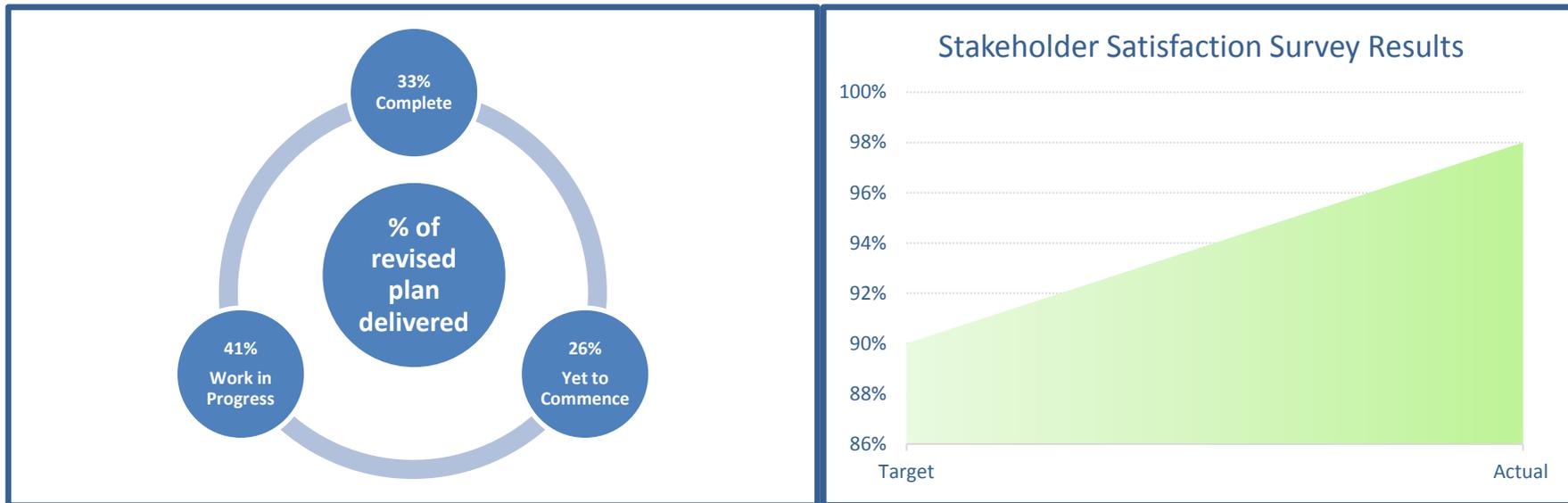
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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

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

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Sold Services (Legal Services)	27.07.20	HoLG	Adequate	1(0)	0(0)	0(0)		1	
Trading Standards – Income Generation	28.07.20	DoCCBS	Adequate	8(0)	0(0)	6(0)	2		
Local Bus Subsidy Support	22.09.20	DoETE	Adequate	10(5)	0(0)	8(5)		2	
Minerals and Waste	04.02.21	DoETE	Reasonable	12(1)	1(0)	11(1)			
Procurement – Corporate Services	19.04.21	DoCO / DoTG	Reasonable	4(2)	1(0)	3(2)			
IT User Access Control	10.05.21	DoCO	Reasonable	8(0)	2(0)	6(0)			
Funded Nursing Care	13.05.21	DoAH&C	Limited	13(5)	2(0)	11(5)			
Hampshire Transport Management	10.06.21	DoCCBS	Reasonable	2(1)	1(0)	1(1)			
Education in Secure and Specialist Settings	15.06.21	DoCS	Reasonable	9(2)	1(0)	8(2)			
Debt Referrals/Write-Offs	08.07.21	DoAH&C	Limited	15(15)	5(5)	10(10)			
Armed Forces Covenant	15.07.21	DoHR,OD	Reasonable	1(0)	1(0)	0(0)			
Direct Payments	21.09.21	DoAH&C	Limited	11(0)	9(0)	2(0)			
Meals on Wheels	23.09.21	DoAH&C	Reasonable	8(0)	2(0)	6(0)			
CCBS Marketing	24.09.21	DoCCBS	Reasonable	5(2)	5(2)	0(0)			
On-Street Parking Services	01.10.21	DoETE	Reasonable	3(0)	1(0)	2(0)			
Budget Monitoring	22.10.21	DoCO	Reasonable	2(0)	2(0)	0(0)			
Health & Safety (Governance Framework)	01.11.21	DoCCBS	Limited	11(0)	10(0)	1(0)			
County Supplies - supplier management	02.11.21	DoCCBS	Reasonable	9(5)	9(5)	0(0)			
IT Service Desk	09.11.21	DoCO	Reasonable	4(2)	1(0)	3(2)			
Flood Management	10.11.21	DoETE	Reasonable	2(2)	2(2)	0(0)			

Medicine Control within Reablement	15.11.21	DoAH&C	Limited	11(5)	6(2)	5(3)			
Total				149(47)	61(16)	83(31)	2	3	0

*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been three new reports published concluding a “Limited” assurance opinion since our last progress report in July 2021.

Direct Payments		
Audit Sponsor	Assurance opinion	Management Actions
Director of Adults’ Health and Care	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;"> Low 0 </div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;"> Medium 11 </div> <div style="background-color: red; color: white; padding: 5px; text-align: center;"> High 0 </div> </div>

Summary of key observations:

Direct Payments are paid by the authority to clients to arrange their own care services or equipment placing them in control of their own lifestyles and are an alternative to receiving services from the Council.

This review focused on ensuring that the option of direct payments is offered to all service users and that, where the direct payment option is taken up, statutory requirements, including the annual review process, are followed, and evidenced. We also looked at the calculation of direct payments and the support in place for direct payment users.

There were found to be detailed policies and procedures in place for direct payments as part of the Social Care Practice Manual which was available to all staff on Hantsnet. Testing confirmed that of those Direct Payments reviewed all had financial assessments completed and there were approved provisions and current care plans.

Whilst it was confirmed that a direct payments agreement template is in place, from sample testing there was no agreement evident on AIS for 16% of the ongoing payments reviewed. This document forms the basis of the contract for the use of direct payments with the service user and/or their nominated or authorised person and includes their declaration that they agree to the terms and conditions for receipt and use of the payments.

There is a requirement for an annual review to be carried out for each client. As well as being a care review for the service user, this review should include a detailed look at the use of the direct payments to ensure that the payments are still in line with the client’s needs and act as a check for any fraudulent or inappropriate use of the payments. For 36% of the records randomly sampled no annual review was evident as being completed within the last 12 months.

Where an annual care review had been completed, we sought to confirm examination of the direct payments account, to ensure compliance with the requirements. Generally, there was no mention of a detailed look at the direct payment transactions or account within the annual review.

An 'Authorised Person Checklist' forms the basis of verifying that the Authorised Person is suitable and includes the considerations and requirements set out in the Care Act 2014 which detail what is expected of an Authorised Person. However, in three out of four relevant cases a completed checklist could not be found on AIS.

H&S – Governance Arrangements		
Audit Sponsor	Assurance opinion	Management Actions
Director of Culture, Communities and Business Services	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 3</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 8</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>
<p>Summary of key observations:</p> <p>A centralised Corporate Health & Safety Team was established in January 2020. Previously the team were part of Corporate Services, however, in April 2021 (prior to audit fieldwork) the team transferred to CCBS. The move to a centralised team, sought to implement a consistent management structure, improved capacity at a management level, enable integration of skills and resources and implement a dedicated health and safety function.</p> <p>This audit was a high-level overview to ensure that the governance framework has effectively embedded and that there is improved assurance provided to Members, CMT and DMTs on their statutory health and safety obligations.</p> <p>It was confirmed that the Health and Safety Policy Statement, signed by the Leader of the County Council and Chief Executive, sets out Hampshire County Council’s ‘statement of intent’ and its commitment to maintain appropriate systems to ensure it meets its common law and statutory obligations for health and safety. The document is sufficiently comprehensive and provides clarity about the adopted framework and the principal roles and responsibilities of members, officers and boards and how they support health and safety at both a corporate and departmental level.</p> <p>It was further confirmed that corporate health and safety procedures are published on the County Council’s intranet, and a review programme is in place to ensure these are reviewed annually. Any changes to procedures as a result of the annual review will be published on the intranet, showing the month of review and the changes made.</p> <p>The Health and Safety Policy Statement refers to the role of Cabinet and other elected members for health and safety, specifically in relation to ensuring suitable resources being available to discharge the County Council’s health and safety responsibilities and to monitor, via reports, the overall performance of the County Council’s health and safety management arrangements. However, there is no formal reporting to members incorporated into the overall reporting framework for health and safety.</p> <p>The effectiveness of the Council’s Health and Safety arrangements are reported annually to Corporate Management Team and on a six-monthly basis to Departmental Management Teams. In addition to this, health and safety risks are escalated through the Risk Management Board. However, there is currently no forum for discussing corporate health and safety issues in-year, and for these to be discussed collectively across directorates.</p>		

The Corporate Health & Safety Organisation Chart produced when the Corporate Health and Safety Team were established provides clarity to those involved with supporting Health and Safety at Hampshire County Council, and shows relevant Department Leads (Assistant Directors). The original structure chart made no reference to a Lead for Corporate Resources or Corporate Services and no six-monthly reviews were completed and reported on for these areas of the Council. These departments have since been restructured, with new directorates being established (Corporate Operations; HR, OD and Communications and Engagement; and Law and Governance). Whilst there are less operational health and safety issues arising within these areas of the business, it would be beneficial to review the appropriateness of nominating a Lead for each of the new directorates and having a defined reporting protocol to ensure there is a process of engagement and communication with respect to health and safety issues across the County Council.

The six-monthly departmental reports are consistent in format and content and report on key activities and actions in relation to health and safety. However, whilst the reports provide members of DMT with progress against actions and activities, this is in a narrative form and does not assign specific target dates or a nominated responsible officer for each agreed action.

Management actions to address issues highlighted as part of the audit are well advanced and discussion have been held with both CMT and the Risk Management Board.

Medicine Control within Reablement		
Audit Sponsor	Assurance opinion	Management Actions
Director of Adults' Health and Care	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 6</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 5</div> </div>

Summary of key observations:

The scope of this review focused on the role which Reablement have in aiding service user's medication requirements, ensuring that there are documented policies and that these are adhered to. We conducted sample testing to ensure that controls are in place to protect staff and service users regarding the safe administration of medicine.

There were found to be policies and procedures in place for medicine control which detail the statutory and local responsibilities, training requirements and processes. These include an overarching corporate policy on medication management, as well as a more specific policy which relates to Reablement. These documents are clear and relevant and are available to all staff within the social care policies and procedures on the intranet.

There are arrangements in place for investigating and monitoring medication incidents, including a centrally managed process of individual incidents being investigated and signed off by Team Managers with red or amber incidents also reported to Operational Service Managers for checking and sign off. Monthly reports of incidents are also issued to Operational Service Managers for area teams as well as to the Head of Reablement covering all areas. These are reviewed for any patterns or wider issues which may require further investigation or action.

A sample of Reablement cases were selected to ensure that the medication records showed that the administration of the medication took place in line with the plan. 10 of 20 cases tested had medicine recording errors. These errors included recording medication taken on the 'record my visit log' but not on the 'daily medication record' resulting in no record of exactly which medication was taken. Three cases also included medication incidents that were not identified or formally reported.

There is a requirement that all staff that administer medications are assessed annually to ensure that they remain competent. Our testing found that there was no consistency in recording that this had been carried out (2 of 17) and there were instances where the last assessment was in excess of 12 months (9 of 17).

AIS is not always up to date with all records relating to the client after their reablement care is complete. Our sample found one of 20 had their medication plan missing and a further two had no risk assessment recorded.

We tested nine medication error reports and could see that the errors were reported immediately to the relevant manager, formally reported within 24 hours of discovery with adequate information included on the report and any action necessary was taken as a result. However, whilst there were clear records in place for eight to show that advice was sought from a healthcare professional in line with procedures, in one case this was not recorded within the documentation.

There is a known and ongoing issue where hospital discharge summaries and referrals do not sufficiently detail the medication required by the service user. This results in a risk that the team may not be able to correctly identify all required medication. It has been confirmed that this concern is already in the process of being addressed.

6. Planning & Resourcing

The internal audit plan for 2021-22 was approved by the Council's Management Team and the Audit Committee in July 2021.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020-21 Carry Forward								
Direct Payments	DoAHC	✓	✓	✓	✓	21.09.21	Limited	
Health & Safety (Governance)	DoCCBS	✓	✓	✓	✓	01.11.21	Limited	
Debt management	DCE & DoCR	✓	✓	✓	✓			
Armed Forces Covenant	ACE	✓	✓	✓	✓	15.07.21	Reasonable	
Server Build Process	DoCO	✓	✓	✓	✓	07.09.21	Reasonable	
Hampshire Futures – Careers	DoCS	✓	✓	✓	✓			
Social supervision	DoAHC	✓	✓	✓	✓			
Education Personnel Services	DoHR,OD	✓	✓	✓				
Medicine control	DoAHC	✓	✓	✓	✓	15.11.21	Limited	
Marketing	DoCCBS	✓	✓	✓	✓	24.09.21	Reasonable	
Contract Management – CCBS	DoCCBS	✓	✓	✓	✓	10.06.21	Reasonable	
2021-22 Plan								
Health and Safety	DoCCBS							Q4
Budget Monitoring	DoCO	✓	✓	✓	✓	22.10.21	Reasonable	
Trading companies – Governance	Cross Cutting	✓	✓	✓				
Risk Management	DoCCBS	✓	✓	✓				
Information governance	CE	✓	✓					

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Insurance arrangements	CE							Q4
Annual Governance Statement	CE	✓	✓	✓	N/A	N/A	N/A	
Annual self-assessment PSIAS	DoCO	✓	✓	✓	N/A	N/A	N/A	
Market Underwriting	DoCO	✓	✓	✓				
Restructure and Redundancy	DoHR,OD	✓	✓	✓				
Whistle blowing - HR case management	DoHR,OD							Q4
Senior appointments process - advice	DoHR,OD	✓						
Operating Systems	DoCO	✓	✓	✓	✓	23.09.21	Substantial	
Disaster Recovery	DoCO	✓	✓	✓	✓			
IT Asset Management	DoCO	✓	✓					
Service Desk	DoCO	✓	✓	✓	✓	09.11.21	Reasonable	
Major Incident Management	DoCO							Q4
Microsoft Contract Management	DoCO	✓	✓					
O365 Platform Management	DoCO							Q4
Vulnerability Scanning and Remediation	DoCO	✓						
Secure Website Development	DoCO	✓	✓	✓				
Application Review – SWIFT	DoCO	✓	✓	✓	✓			
Data Centre Security (Follow Up)	DoCO	✓	✓	✓	✓	✓	N/A	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
PCI DSS	DoCO	✓	✓	✓	N/A	01.10.21	N/A	
Safeguarding - Children	DoCS							Q4
School Thematic: COVID Catch up fund	DoCS	✓	✓	✓	✓	21.10.21	Reasonable	
School Thematic: Minibuses/MIDAS training	DoCS	✓	✓	✓				
School Thematic: Recruitment	DoCS	✓	✓	✓				
School Thematic: Income Generation	DoCS							Q4
SFVS (20/21 review)	DoCS	N/A	N/A	✓	N/A	N/A	N/A	
SFVS (21/22 Prep)	DoCS							Q4
CS Thematic - Agency Staff	DoCS							Q4
CS Thematic - Petty Cash	DoCS	✓	✓	✓				
Music Service	DoCS	✓						
No recourse to public funds	DoCS	✓	✓	✓				
Continuing Care Recharging	DoCS	✓	✓	✓				
Subject Access Requests	DoCS							Q4
Connect for Communities	DoCS	✓	✓	✓	✓			
Independent Non-Maintained Special (INMS) Schools	DoCS							Q4
Social Care Records Management Centre	DoAHC & DoCS							Q4

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
AHC thematic review: Use of Agency Staff	DoAHC	✓	✓	✓				
AHC thematic review: Overtime claims	DoAHC	✓	✓	✓				
Continuing Health Care	DoAHC							Q4
Recharging of Younger Adults Care	DoAHC	✓	✓	✓				
Shared Lives	DoAHC							Q4
Sickness Recording (AHC)	DoAHC	✓	✓	✓				
Hampshire and IOW Partnership for Public Health	DoAHC							Q4
Contingency Planning	DoAHC	✓	✓	✓				
LGA Healthcheck	DoAHC							Q4
Section 42 Safeguarding	DoAHC	✓						
Meals on Wheels Contract Management	DoAHC	✓	✓	✓	✓	23.09.21	Reasonable	
COVID-19 Vaccine preparedness	DoAHC	✓	✓	✓	✓	09.11.21	N/A	Briefing Note
Flood management	DoETE	✓	✓	✓	✓	10.11.21	Reasonable	
Waste disposal contract	DoETE	✓	✓					
Highways Incident Management	DoETE	✓						Q4
Countryside Access Management System	DoCCBS							Q4
Travel Plans for Developers	DoETE	✓	✓	✓				

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Transport Trading & Business Group	DoETE	✓	✓	✓				
Records Management Centre	DoCCBS	✓						Q4
Use of volunteers	DoCCBS	✓						
Registration Service EPOS replacement	DoCCBS							Q4
Transforming City Projects	DoETE							Q4
Asbestos	DoCCBS	✓						
Highway Development Agreements	DoETE	✓	✓	✓				
On Street Enforcement	DoETE	✓	✓	✓	✓	01.10.21	Reasonable	
Asset Investment Strategy	DoETE							Q4
Blue Badges	DoETE							Q4
Coroners Service	DoCCBS	✓						
Strategic Land Programme	DoCCBS							Q4
Landlord / tenant arrangements	DoCCBS	✓	✓					
HC3S finance reporting and monitoring	DoCCBS	✓	✓	✓	✓	16.09.21	Substantial	
HC3S financial recovery plan	DoCCBS							Q4
Contract management – training	DoTG							Q4
Highways service contract	DofETE							Q4

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Highways Maintenance (New Operating Model)	DoETE							Q4
Procurement - ETE	DoETE	✓	✓	✓	✓	18.10.21	Reasonable	
Minor works framework (Property)	DoCCBS	✓						
Major construction framework – contract management	DoCCBS	✓	✓	✓				
County Supplies contract & supplier management	DoCCBS	✓	✓	✓	✓	02.11.21	Reasonable	
Southern Construction Framework Contractor Payments	DoCCBS	✓	✓	✓				
Reading & Hampshire Property Partnership – Review of Accounts	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Transport Plan – integrated transport plan	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Transport Plan – block maintenance	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Transport plan – incentive	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Transport Plan – Pothole and Challenge Fund	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Bus Subsidy Support Grant	Grant	✓	N/A	✓	N/A	✓	N/A	
COVID-19 Bus Services Support Grant Restart	Grant	✓	N/A	✓				
Disabled Facilities Grant	Grant	✓	N/A	✓	N/A	✓	N/A	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Additional Dedicated Home to School Transport	Grant							
Project integra	Grant	✓	N/A	✓	N/A	✓	N/A	
Growth hub funding (LEPS)	Grant	✓	N/A	✓	N/A	✓	N/A	
EU Transition business readiness engagement project	Grant	✓	N/A	✓	N/A	✓	N/A	
Additional growth hub funding (LEPS)	Grant	✓	N/A	✓	N/A	✓	N/A	
BEIS Peer Network Funding	Grant	✓	N/A	✓	N/A	✓	N/A	
Local Government Compensation scheme	Grant	✓	✓	✓	N/A	✓	N/A	
COVID 19 Test and Trace Service Support	Grant							
Decarbonisation Scheme Grant – Oil to Gas conversion	Grant	✓	N/A	✓				
Decarbonisation Scheme Grant – Solar PV	Grant	✓	N/A	✓				
Decarbonisation Scheme Grant – Boiler Control Upgrades	Grant	✓	N/A	✓				
Travel Demand Management Grant	Grant							
Supporting Families	Grant	✓	N/A	✓				Q1-4
HIV PrEP	Grant	✓	N/A	✓	N/A	✓	N/A	
Cultural Recovery Fund – Hampshire Music Service	Grant	✓	N/A	✓	N/A	✓	N/A	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
COVID-19 Community Testing Funding	Grant	✓	N/A	✓	N/A	✓	N/A	
Superfast Broadband Grant	Grant							Q4
Shared Services								
PCI DSS	DoCO	✓	✓	✓	N/A	01.10.21	N/A	
Recruitment (Success Factors)	DoCO	✓	✓	✓	✓			
Pre-employment checks	DoCO							Q4
Pay review and award process	DoCO							Q4
Procurement (General)	DoCO	✓	✓	✓	✓	06.09.21	Substantial	
Cleaning contract management	DoCO	✓	✓	✓				
P Cards	DoCO	✓	✓	✓	✓			
Redundancy and Early Retirement calculations	DoCO	✓	N/A	✓				

8. Adjustments to the Internal Audit Plan

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Below are the variations made to the original 2021-22 audit plan approved by the Audit Committee in July 2021.

Plan Variations	
Removed from the plan	Reason
Building risk management (property)	Deferred to 2022/23 - work ongoing to transfer legacy databases to the new Concerto AMS system.
Countryside and Outdoors membership and booking income collection systems	CCBS DMT requested removed from plan as system not going ahead and contract has been cancelled.
Trading Standards	Deferred to Q3/4 2022/23 when new restructure is complete and the new IT system has gone live.
Buildings Health and Safety	Deferred to 2022/23 as data is being transferred to new AMS system.
Foster care payments	Deferred to 2022/23 as expected updates to the process have been delayed.
Additions to the plan	Reason
HIV PrEP grant claim	Advised of funding which required Internal Audit certification.
Cultural Recovery Fund – Hampshire Music Service Grant	Advised of funding which required Internal Audit certification.
COVID-19 Community Testing Funding	Advised of funding which required Internal Audit certification.
Superfast Broadband grant	New requirement for internal audit certification of grant
Public Sector Decarbonisation Scheme Grant – Solar PV	Grant determination requires sign off by Chief Internal auditor and Chief Executive
Public Sector Decarbonisation Scheme Grant – Boiler Control Upgrades	Grant determination requires sign off by Chief Internal auditor and Chief Executive
BEIS Peer Network Funding	Advised of funding which required Internal Audit certification.
COVID-19 Vaccine Preparedness	Preparedness for mandatory double vaccinations in residential care homes
SS Redundancy and Early Retirement calculations	Review requested after error identified with a redundancy calculation.

Annex 1 – Southern Internal Audit Partnership Assurance Opinions (Pre 2020-21)

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
- Limited** Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
- No** Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	16 December 2021
Title:	Minutes of the Hampshire Pension Fund Panel and Board – 27 July 2021 (less exempt)
Report From:	Chief Executive

Contact name: Caroline Roser

Tel: 0370 779 5280

Email: caroline.rosier@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the non-exempt minutes from the meetings of the Hampshire Pension Fund Panel and Board which took place on 27 July 2021.

Recommendation

2. That the Audit Committee receives and notes the minutes as attached to this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the minutes of the Hampshire Pension Fund Panel and therefore the recommended action will not impact on groups with protected characteristics in any way.

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AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held at Ashburton Hall, Elizabeth II Court,
Winchester on Tuesday, 27th July, 2021

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

* Councillor Tom Thacker

* Councillor Alan Dowden

Councillor Jonathan Glen

* Councillor Dominic Hiscock

Councillor Andrew Joy

* Councillor Peter Latham

Councillor Derek Mellor

* Councillor Rob Mocatta

*Present

Co-opted members

Cllr Cal Corkery, Employer Representative - Portsmouth City Council

Councillor John Hannides, Employer Representative - Southampton City Council

Cllr Paul Taylor, Employer Representative - HLOWLGA

* Liz Bartle, Employer Representative - Other Employer

* Dr Clifford Allen, Scheme Member Representative - Pensioner Member

Sarah Manchester, Scheme Member Representative Substitute

* Neil Wood, Scheme Member Representative - Active Member

* Lindsay Gowland, Scheme Member Representative - Deferred Member

Independent Adviser:

C Dobson

BROADCASTING ANNOUNCEMENT

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

1. APOLOGIES FOR ABSENCE

Councillors Mellor, Joy, Glen, Hannides and Corkery and Mrs Manchester and Ms Dobson sent their apologies.

2. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3 Paragraph 1.5 of the County Council's

Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Personal interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 4 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

3. **CONFIRMATION OF MINUTES (NON-EXEMPT)**

The minutes of the previous meeting on 26 March 2021 were confirmed.

4. **DEPUTATIONS**

In accordance with Standing Order 12, the Panel and Board received a deputation from Ms Jenny Stables, a County Council pensioner, representing the Dirty Money campaign, focusing on whether investments will contribute to a better future.

Ms Stables stated that temperature increases need to be held to 1.5C, but markets reflect a 4C degree increase. Therefore being better than benchmark isn't enough.

Ms Stables highlighted the examples of Larry Fink from Blackrock calling for public and private collaboration to avert climate chaos and John Kerry who has said we need a war-time-like mobilisation of all our capacity and resources to decarbonise, to get off fossil fuels, and to enable developing economies to leapfrog to the new renewables-powered economy.

Ms Stables asserted that the Hampshire Pension Fund's investment strategy was not backing true climate solutions. It was still funding fossil fuel companies and other polluters on the basis that society needs fossil fuels. However, the International Energy Agency has just said to guard a 1.5C temperature increase, or as close as we can get to that now, 'beyond projects already committed as of 2021 there is no room for any new oil and gas fields; no new coal mines or mine extensions are required'.

Ms Stables quoted Sir David King that the 'window of opportunity for action' to hold near a 1.5C temperate increase is 'still open but only just'. And she sighted the positive examples of investors that had joined the Net Zero Asset Owner Alliance and the Institutional Investor Group on Climate Change (IIGCC), such as Cornwall, Devon and Oxfordshire Pension Funds and the Northern LGPS Pool.

Ms Stables finished by stating that Private investors can't do this alone and governments still aren't doing enough and that the Dirty Money campaign calls on the Hampshire Pension Fund to:

1. Produce a position statement on managing its portfolios to align with the Paris agreement of limiting our temperature increase to 1.5C.

2. Create a strategy and timetable for achieving this alignment
3. Report, consult and be advised by its members on its investment principles and how they are achieved
4. Call on members of the ACCESS Pool to become members of a 1.5 degrees Celsius-focused asset owner alliance or initiative such as the Net-Zero Asset Owner Alliance or the IIGCC's Net-Zero Investment Framework. This is the action taken in recent weeks by the Wiltshire Pension Fund committee and other funds in its pool.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed new Members of Committee.

The Chairman stressed to the committee the importance of training for Members, particularly given Hampshire's approach of a Joint Panel and Board. The Chairman reminded Members that Training Needs Analysis forms (TNAs) will shortly be sent to Members for their completion to identify the training requirements for the committee for the coming years. Cllr Kemp-Gee invited Members to volunteer to attend the Local Government Chronicle Investment and Pensions Summit on 9 and 10 September 2021 for which the Pension Fund has three places.

6. **APPOINTMENTS TO THE RESPONSIBLE INVESTMENT SUB-COMMITTEE**

The Panel and Board considered a report of the Director of Corporate Operations (item 6 in the Minute Book) for appointments to be made to the Pension Fund's Responsible Investment Sub-Committee.

RESOLVED:

- (a) That Cllrs Kemp-Gee, Thacker, Mellor, and Dowden, Ms Gowland and Dr Bartle were appointed to the Responsible Investment Sub-Committee.
- (b) That Cllrs Latham, Hiscock, and Taylor and Mr Wood were appointed as deputies to the Responsible Investment Sub-Committee.

7. **INTERNAL AUDIT ANNUAL OPINION**

The Panel and Board received and noted a report of the Director of Corporate Operations (item 7 in the Minute Book) providing the Pension Fund Panel and Board with the Chief Internal Auditor's opinion on the adequacy and effectiveness of internal control of the Pension Fund. 'Substantial Assurance' can be placed on Pension Services' framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice.

8. PENSION FUND ADMINISTRATION UPDATE

The Panel and Board received a report from the Director of Corporate Operations (Item 8 in the Minute Book) on the administration of the Pension Fund in 2020/21. Pension Services have performed well against the four key measures for good administration in 2020/21 with 100% achievement against service standards for all key processes. The team has been able to maintain its service despite the continuing Covid-19 situation. Pension Services retained the Customer Service Excellence award following an interim assessment in April 2021, with compliance plus passes in five areas.

The Pension Fund's contract for Actuarial Services with Aon was let via the LGPS National Framework in 2014 and the intention was that in advance of the expiry of the current contract in December 2020 a new contract would be let through the next iteration of the LGPS National Framework. Unfortunately due to the pandemic, the new framework was delayed by a year and the existing contract was extended for a further year to 31 December 2021. The new LGPS National Framework for Actuarial, Benefits and Governance Consultancy Services is now live and the Panel and Board are asked to delegate authority to the Director of Corporate Operations to use this framework to procure actuarial services for the Fund by way of a mini competition between the four providers for Lot 1 on the framework.

The Pension Fund's Communication Policy Statement has been updated to more accurately reflect the ways in which Pension Services communicate with stakeholders including giving a year's notice that pensioners will no longer be automatically sent a paper payslip and P60 in March/April each year. This change is part of the overall move towards increasing online communications; there has been really good take up for those parts of the membership where an opt out rather than opt in approach is already in place.

Although it was clear in the newsletter that pensioners can continue to receive paper copies of their annual payslip and P60s by opting out of electronic communication, the announcement understandably has generated some concern. These concerns have been responded to on an individual basis, either through supporting the pensioner to access the Member Portal or accepting a request to opt out of electronic communications. A quarter of pensioners already have access to the Member Portal with 11,099 pensioners registered by 30 June 2021. Since announcing the move to electronic payslips 459 pensioners have requested that they retain their paper payslips. An exercise to write to any pensioner who have not either registered or opted out is planned to start in January 2022, to ensure that all pensioners will be able to access their end of year payslips and P60s in 2022 either electronically or by receiving a paper copy.

Dr Allen raised concerns on behalf of pensioners and their Trade Union representatives, that for a number of pensioners receiving electronic payslips and requesting in writing to retain a paper payslip was not appropriate. The Head of Pensions, Investments and Borrowing undertook to review the level of take-up of pensioners registering for the Member Portal or requesting to retain paper payslips and will review the move to electronic payslips after the first year of

operation. The Head of Pensions, Investments and Borrowing also reiterated that any pensioner who wishes to continue to receive a paper payslip and P60 can request to do so.

RESOLVED:

- (a) That approval was delegated to the Director of Corporate Operations to use the National LGPS Frameworks framework for Actuarial, Benefits and Governance Consultancy Services to procure actuarial services for the Pension Fund.
- (b) The updated Communication Policy statement was approved for publication.
- (c) That the strong performance of Pension Services in 2020/21 was noted.

9. **PENSION FUND COMMUNICATION REVIEW**

The Panel and Board received and noted a report from the Director of Corporate Operations (Item 9 in the Minute Book) on changes that have been made to the Pension Fund's website for scheme members and improvements to communications on the Fund's Responsible Investment (RI) activities. The changes have been made following the Pension Fund Panel and Board and RI Sub-Committee identifying the potential for the Pension Fund to improve its communication on RI.

10. **RISK REGISTER**

The Panel and Board received a report from the Director of Corporate Operations (Item 10 in the Minute Book) introducing the Pension Fund's Risk Register. The risks for employer insolvency, member communications, regulatory change and investment pooling have been amended in the Risk Register. The Risk Register will be published in the Pension Fund's Annual Report.

RESOLVED:

- (a) That the amendments to the Risk Register were approved.

11. **FIDUCIARY DUTY - ACCESS PAPER**

The Panel and Board received and noted a report from the Director of Corporate Operations (Item 11 in the Minute Book) introducing legal advice commissioned by the ACCESS pool on the fiduciary duties within the Local Government Pension Scheme (LGPS) and pension committees of LGPS Administering Authorities. The advice was produced following the Ministry for Housing Community & Local Government's (MHCLG) informal pooling consultation and the Scheme Advisory Board's (SAB) consultation on draft Responsible Investment Guidance, responses for both of which were made based on the

opinion of Paul Newman QC. Squire Patton Boggs have produced the advice for pensions committees based on the opinion of Mr Newman.

12. **CASH OUTTURN REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 12 in the Minute Book) on the management of the Pension Fund's cash balances in 2020/21. The Pension Fund receives cash each month from contributions made by employees and employers, and from investment income. The Pension Fund requires a cash balance to be able to pay pensions and other costs. There are rigorous procedures in place to ensure the security of all cash deposits which are managed by the County Council in separate investment accounts for the Pension Fund. These include criteria for the quality of counterparties and limits on the amount that can be placed with any one counterparty as set out in the Pension Fund's Annual Investment Strategy for 2020/21 for cash, which was approved by the Pension Fund Panel and Board on 4 December 2020 and has been complied with.

RESOLVED:

- (a) That the outturn report on the Pension Fund's cash management in 2020/21 was approved.

13. **PENSION FUND ANNUAL REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 13 in the Minute Book) introducing the 2020/21 draft Pension Fund Annual Report. The Pension Fund's accounts are included in the Annual Report. The accounts are subject to audit and it may therefore be necessary to make minor changes to the Annual Report at the conclusion of the audit. The Annual Report includes details of the Fund's governance, administration, and investments, as well as the Fund's accounts. The annual report now also includes additional information on pooling, including:

- details of the ACCESS pool's annual report
- an update on progress with investment pooling, and
- updates to sections of the report including investment.

The Director reported the total cost of managing the Pension Fund in 2020/21 which was presented based on CIPFA's guidance, which includes additional requirements for the Fund's Annual Report to report on investment management costs for pooled and non-pooled investments. The investment management costs of pooled investments are disproportionately lower than the non-pooled investments because of the different assets in each category. During 2020/21, Hampshire's net cumulative saving from pooling with ACCESS increased to £1.4m.

RESOLVED:

- a) That the contents of the draft Annual Report for 2020/21 was noted and approved for publication.

- b) That authority was delegated to the Director of Corporate Operations to make any necessary minor amendments to the Annual Report prior to publication.
- c) That the remainder of the report, including the total cost of managing the Fund, was noted.

14. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

15. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 26 March 2021 were confirmed.

16. GOVERNANCE: PENSION FUND INVESTMENT MANAGEMENT COSTS 2020-21

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Operations (Item 16 in the Minute Book) containing details of the Pension Fund's investment management costs.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

17. FIDUCIARY DUTY EXEMPT APPENDIX (LEGAL ADVICE)

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Operations (Item 17 in the Minute Book) containing legal advice on the Pension Fund and committee's fiduciary duty.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

18. INVESTMENT - INVESTMENT UPDATE

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 18 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

HAMPSHIRE COUNTY COUNCIL

Committee	Audit Committee
Date:	16 December 2021
Title:	Corporate Risk Management Update
Report From:	Carolyn Williamson, Chief Executive Felicity Roe, Director - Culture, Communities and Business Services

Contact name: Patrick Blogg

Tel: 0370 779 1968

Email: patrick.blogg@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to update the Audit Committee on Corporate Risk Management and inform the Committee of the key strategic and departmental risks that form the County Council's Corporate Risk Register.

Recommendation

2. That the Committee notes the contents of this report and the risk management arrangements in place across the County Council.

Executive Summary

3. This report seeks to highlight the progress that has been made by the organisation over the last 18 months, to further strengthen the processes and approaches that enable effective risk management. The report identifies the key areas of focus, including active management of significant strategic and operational risks, along with engaging and informing staff around good practice approaches to risk management.
4. The Corporate Risk Management Board (RMB) with direct reporting into the Corporate Management Team (CMT), provides a robust organisation-wide lead for risk by driving initiatives forward and improving the risk culture within departments.

Contextual information

5. A previous report was presented on the County Council's risk management arrangements to the Audit Committee on 23 July 2020.
6. As a major public sector organisation the County Council manages numerous risks, of varying significance and severity, on a daily basis. Some are transient and others are structural – they will always be there because of the nature of the services that the County Council operates. It is the responsibility of the Corporate Management Team and Chief Officers to ensure that there is robust identification, assessment and management of all types of risk, and that staff are trained in all aspects of risk awareness and management and have the necessary resources and toolkits to respond appropriately. Indeed, the majority of the day to day activities of the County Council can be said to be identifying and managing risk in all its different guises. It is therefore important that our approach to risk, both strategically and operationally, is kept under constant review and is an intrinsic part of our day to day activities.
7. This report concerns the overall Risk Framework and strategic management of risk for the County Council.
8. In May 2021, following the disbandment of the Transformation and Governance department as part of wider departmental changes, the responsibility for corporate oversight of risk management moved under the Director of Culture, Communities and Business Services (CCBS). The responsibilities for corporate Emergency Planning and Resilience, and corporate Health and Safety also moved across to CCBS at the same time.
9. The County Council's Risk Management Strategy 2021-22 defines the approach the council has adopted to embed risk management into the culture, policies and practices of the organisation. This is underpinned by a detailed framework and guidance to provide a clear and consistent approach to the management of risk across all departments. A copy of this strategy is contained in Appendix A.
10. Reporting into the CMT, the management of risk is overseen by the RMB, which has senior representation from all departments, and which is chaired by the Deputy Director of CCBS. The RMB Terms of Reference can be found in Appendix B. CMT is provided with a report from the RMB on a quarterly basis with an update on the corporate strategic risks and key departmental risks raised by the Director in each department.
11. The Risk Management Board is supported by two sub-groups to look specifically at Resilience Management and Information Governance, both of which have departmental representation. These Boards are chaired by the

Interim Head of Emergency Planning and the Head of Information Governance respectively, both of whom also sit on the RMB. The arrangement allows swift escalation of issues but also dedicated expertise to pick up items in these subject matters. A third sub-group is being created under the RMB to pick up cross-cutting departmental health and safety items. This will complement the direct health and safety reporting into CMT. Subsequent Audit Committee reports will include health and safety risk management to ensure visibility to Members of key issues and developments.

12. During the course of 2021, the County Council has strengthened its framework and guidance for the identification, assessment and management of risk. This includes moving from the previous risk management database to a newly developed in-house, dynamic risk management tool which provides the mechanism by which the corporate risk register is maintained.
13. Key risks across all departments are captured in the new tool, providing oversight and visibility to the RMB. It also enables the identification and management of key, cross-cutting risks faced by the County Council – these are identified as corporate strategic risks. Key risks are identified by Directors, with the assistance of the RMB, with CMT agreeing which risks fall into the corporate strategic risks category. Each corporate strategic risk is owned by a Chief Officer, with a corresponding risk controller being a member of the RMB. All risks have an allocated risk owner, who actively manages the risk. The risks are evaluated against the risk management framework and guidance.
14. A built-in reporting function in the tool allows for consistent and up to date risk analysis by departments and the RMB and prompts regular review. The tool, framework and supporting guidance for staff has contributed to an improved culture and engagement around risk management in the organisation.
15. The forward look in the short-term for the RMB is to continue with reviews of corporate strategic risks, horizon scan for future potential risks that may cut across the organisation and develop the current Risk Management Strategy 2021-22 into a longer-term strategy.

Overview of Risk Dashboard

16. As of November 2021, the dashboard contained 12 corporate strategic risks and 291 departmental risks. Details of the corporate strategic risks are contained in a confidential appendix to this report (Appendix C).
17. The 291 departmental risks cover all County Council departments. Currently, no departmental risks are categorised as 'very high risk'. 26 risks are categorised as 'high risk'. In addition, 162 departmental risks are categorised

as 'medium risk', and 103 as 'low risk'. All of these risks are actively managed.

Conclusions

18. In summary, the County Council's key organisational and departmental strategic and operational risks are being actively identified and managed through robust mitigation control measures. Close monitoring of risk management progress, issues and developments is led by the RMB with oversight and approval by the CMT, demonstrating strong governance structures in place to effectively manage the organisation's key risks and risk management progress.
19. Significant developments to the technology that is now being utilised to capture, monitor, and discuss risks at a departmental and corporate level, has improved the visibility and consistency of the organisation's approach to risk management. Alongside this, the refresh of risk management guidance and the strategy has improved awareness, consistency and support to staff who are actively involved in risk management.

Consultation and Equalities

20. As this is a briefing paper with no changes recommended, consultation is not required.
21. As this is a briefing paper with no changes recommended, no impact has been identified to groups with protected characteristics.

Climate Change Impact Assessment

22. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation and Mitigation

23. The carbon mitigation tool and climate change adaptation tools were not applicable on this occasion because this paper relates to a programme that is strategic in nature, and no decisions are required.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:	

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> None	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u> None	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

No specific EIA has been prepared for this briefing report as it is not a decision paper.

Appendix A

Hampshire County Council's Risk Management Strategy 2021-22

Introduction & Context

This strategy defines the approach Hampshire County Council ('the Council') has adopted to embedding risk management into the culture, policies, and practices of the Council. The strategy, together with its underpinning guidance, aims to provide a clear and consistent approach to the management of risk across the organisation.

Given the ongoing transition of the risk management framework, the short-term pressure of the current financial settlements and the immediacies of both Covid-19 and Brexit, this short-term strategy has been developed to cover the immediate future (2021-2022), with the aim to develop a longer term and more detailed review in due course.

Overall Aim

To ensure a robust, proactive, and effective culture of risk management accountability exists across the Council, as an integral part of the contribution frontline services make to the safety and wellbeing of Hampshire residents.

Objectives

To ensure:

1. Robust and clearly defined governance arrangements are in place to support delivery of the Risk Management Strategy at all levels of the organisation.
2. Roles, responsibilities and accountabilities are clearly defined, understood, and administered.
3. Strategic risks are identified, documented, owned, managed, and regularly reviewed (including the identification of new and emerging risks), supported by an effective and intuitive risk management software solution.
4. An effective and regularly reviewed Corporate Risk Register is maintained, informed, and supported by a comprehensive set of Departmental Risk Registers.
5. A proactive and collaborative approach is taken to managing cross-cutting risks.
6. Common language and reporting systems are used across Departments at a strategic level, whilst enabling specific departmental approaches at a local level.
7. A strong culture of risk reporting is embedded in performance management.
8. Business continuity plans are in place and recorded for key strategic risks to maximise resilience across the Council.
9. Effective training and up-to-date guidance are in place to support and embed the Risk Management Strategy at all levels across the Council.

The Aim and Objectives will be Achieved By

1. Reviewing the Council's overall governance arrangements and reporting for risk management, including the role, membership, frequency and programme of the Risk Management Board.
2. Replacing JCAD with an improved, modern software solution.
3. Revising, updating and effectively communicating, risk management guidance documents for managers and staff in one clearly accessible location.
4. Transitioning all Department Risk Registers and the Corporate Risk Register to become 'living documents' that are reviewed and consistently reported against an agreed timetable.
5. Exploring ways to integrate the Corporate Risk Register into the revised corporate performance framework and its associated reporting timetable/process.
6. Developing an improved and fully accessible risk management training offer.

Risk Management Guidance

To support the achievement of the Aim and Objectives outlined in this Risk Management Strategy, a revised suite of underpinning guidance documents is being prepared (due early 2021) to assist managers and staff. The guidance will include, but not be limited to, roles and responsibilities; identifying risks; assessing controls and determining priorities (impact & likelihood); identifying mitigation measures; providing assurance that risks are being well managed; benchmarking; risk appetite and tolerance; and the Council's risk management tools (both risk registers and reporting).

Date agreed: February 2021 by CMT

Date of next review: July 2022

Appendix B

Corporate Risk Management Board Terms of Reference 2020

Core Purpose

To ensure the County Council has a robust and effective culture of risk management.

Scope

- Risk Management
- Health & Safety risk
- Information Handling risk
- Business Continuity

Roles & Responsibilities

- Provides the Corporate Management Team (CMT) with assurance that strategic risks are identified, documented, and well managed in a balanced and proportionate manner.
- Ensures a robust culture of risk management accountability across the Council through both thorough collective consideration and constructive challenge.
- Ensures each Department has an effective and regularly reviewed Departmental Risk Register, feeding through to the Corporate Register, and informed by a comprehensive local process of risk management.
- Demonstrates and promotes full ownership of key risks across the business including a proactive and collaborative approach to managing cross cutting risks.
- Promotes the use of common language and reporting systems across Departments at a strategic level, whilst respecting departmental differences at the local level.
- Ensures a strong culture of risk reporting embedded in performance management.
- Reports to and escalates issues to CMT, as required, and secures any necessary associated departmental action.
- Prepares an Annual Report to the Audit Committee on Risk Management and the key risks facing the County Council to sit alongside the annual audit statement, and other reports on risk as may be determined.
- Oversees the Corporate Risk Register and the process for escalating/de-escalating risks to the CRR, subject to overall approval of CMT.

Membership

- Deputy Director of CCBS as Chair
- DMT representative as Deputy Chair
- Nominated DMT rep for each Department* – AHC, CCBS, Children’s Services, Corporate Services, and ETE
- Head of Law and Governance
- Head of Health & Safety
- Head of Emergency Planning Resilience
- Head of Information and Deputy SIRO for the County Council
- County Council SIRO (Role carried out by Corporate Services RMB Rep)
- Chief Internal Auditor

**Deputies (DMT level) to attend if nominated representative unable to attend.*

Frequency & Duration

Every 2 months / 1.5 hours

Or such additional meetings as the Board may determine to progress specific start/finish projects.

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