AUDIT AND GOVERNANCE COMMITTEE
25 January 2023

Present: Councillor West
                  Councillors Jennings, A Holmes, Care, Carr, Hezelgrave and
                  Dhindsa
                  Co-opted Member Philip Sunderland

In attendance: Richard Boneham – Head of Internal Audit
                  Alison Parkin – Director of Financial Services
                  Hannah McDonald – Group Auditor
                  Martin Shipley – Group Auditor
                  Sarah Walker – Head of Strategy and Performance
                  Sarah Dosunmu – Neighbourhood Partnership Manager
                  Linda Spiby – Head of Procurement & Contracting
                  Paul McMahon - Principal Lawyer

52/22   Apologies for Absence

Apologies for absence were received for Simon Riley and Hassan Rohimun.

53/22   Late Items

There were none.

54/22   Declarations of Interest

There were none.

55/22   Minutes of the meeting held on 30 November 2022

The minutes of the meeting held on 30 November 2022 were agreed as a correct record.

56/22   Audit and Governance Committee – Outstanding Resolutions

The Committee received a report which stated which stated that at its meeting on 5 February 2020, the Audit and Governance Committee resolved: to agree that a Resolution Tracking report be included in future agendas of the Audit and

Governance Committee.

Outstanding resolutions and actions were attached at Appendices 1 and 2 of the report. Any completed resolutions and actions would be removed after the meeting.

It was noted that an advert would be placed on the Council's website for the two Independent Persons vacancies.

It was noted that not all of the recommendations on Fixed Assets had been met. It was reported that a follow up audit would be conducted in the next municipal year and that a report would be brought to the Audit and Governance Committee.

Resolved:

1. **to note the outstanding resolutions and actions at Appendices 1 and 2 of the report.**
2. **to request that the Chief Executive brought an update to the Committee's next meeting on the progress being made by management in respect of the implementation of internal audit recommendations.**

57/22   Contract Waivers for the period 1 July 2022 to 31 December 2022

The Committee received a report of the Director of Legal, Procurement and Democratic Services which provided details of Contract Waivers for the period 1 July 2022 to 31 December 2022. This was presented by the Head of Procurement & Contracting.

It was reported that there had been 56 waivers during this period and that of the 56 waivers, 48 were considered to be unavoidable. The Committee noted that in comparison, 86 waivers had been considered by Audit and Governance Committee on 27 July 2022 for the period 1 January 2022 to 30 June 2022. It was noted that of that 86, 78 were considered to be unavoidable.

It was noted that all avoidable waivers over £10,000 were reported at appendix 1 of the report. The Committee noted that each waiver was signed off by the relevant Director stating that they agreed with the recommendation. It was reported that a waiver was required if the relevant process outlined in the Council's Contract Procedure Rules for awarding a contract could not be followed. The Committee noted that of the unavoidable waivers, none were unavoidable due to Covid-19.

It was noted that a new financial management system would be going live in April

2023. It was reported that this would further strengthen the Council's waiver process.

It was noted that recruitment of procurement officers was an issue across the East Midlands and that the Council's Procurement Team was currently had 50% of roles filled. It was noted that new roles would be created, and that the category manager role would be deleted. It was hoped that this would improve recruitment and retention levels.

Resolved to note the contents of the report and the quarterly comparison of the total number of waivers being reported.

58/22   Whistleblowing Policy

The Committee received a report of the Director of Legal, Procurement and Democratic Services which provided details of the updated Whistleblowing Policy. This was presented by the Principal Lawyer.

The Committee noted that there had been a Whistleblowing Policy in place at Derby City Council since July 1999 to:

- encourage colleagues to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected.
- provide colleagues with guidance as to how to raise those concerns.
- reassure colleagues that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

It was reported that having a policy helped colleagues understand what was and what wasn't a disclosure in the public interest and encouraged colleagues to report wrongdoing without fear of reprisal. It was noted that this review brought the policy up to date with developments in the law and made the reporting process, ultimately to the Monitoring Officer, clearer.

A councillor commented that the Policy did not make clear who 'we' referred to. The Principal Lawyer agreed to amend the Policy to clarify this.

A councillor commented that some of the phone numbers in the Policy were not complete and needed to be amended. It was noted that a generic contact for the Monitoring Officer, External Auditor and the Chair of the Audit and Governance Committee should be given at the end of the Policy. The Principal Lawyer agreed to make the suggested amendments.

Resolved to approve the updated policy with the suggested amendments.

59/22   Risk Management - Assurance Update

The Committee received a report of Director of Policy, Insight and Communications which provided the Committee with the Risk Management - Assurance Update. This report was presented by the Head of Strategy and Performance.

It was reported that Derby's current Risk Management Strategy and supporting Handbook were published in December 2020, following consideration by the Audit and Governance Committee in November 2020. The Committee noted that the Strategy and Handbook were refreshed to support the on-going development of the Council's risk management culture and supporting systems and processes.

It was reported that since publication, the Strategy and Performance service had been working in partnership with colleagues from across the Council, aided by the Corporate Risk Management Group, to implement the developments within both documents and set the foundations for the next refresh in early 2023.

The Committee noted that key developments over the last six months included:

- Guidance on risk escalation and de-escalation developed to aid risk identification and analysis.
- Sign-off arrangements included within registers to strengthen oversight and governance.
- Draft risk appetite statements are in place.
- Review and alignment of risk registers, including strengthening our risk register templates.
- Strengthening programme and project risk assurance activities through the implementation of the Project Management Platform, alongside the development of an Assurance and Development Group to underpin the Programme Management Office Board (PMO).
- We have introduced 6-monthly assurance reviews on strategic and directorate risks where the scores remain unchanged, despite mitigations, to ensure risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls.
- An initial self-assessment of risk maturity has been undertaken.

It was reported that the following outstanding Internal Audit recommendations would be addressed as part of the publication of the updated Strategy and Handbook:

- Risk tolerance was not clearly defined in the revised Risk Management Strategy or Revised Risk Management Handbook, both published in November 2020, and the difference between risk tolerance and risk target score was not explained.

- The revised Risk Management Handbook, published in November 2020, was unclear in its explanation of risks, indicating that only those relating to the delivery of objectives should be considered.
- The risk appetite was not clearly defined in the revised Risk Management Strategy. There was no distinction made between the risk appetite and risk tolerance.
- The risk maturity level of the Council was not clearly evidenced or being regularly assessed.

A councillor asked whether the Council had become more tolerant to risks. It was noted that the Council was having to accept and take more risks. It was also noted that in terms of risk tolerance, this was looked at on a case-by-case basis.

A councillor asked for the cost of living risk to reflect that the household support funding provided by government was not rising in line with inflation. The Head of Strategy and Performance agreed to include this.

The Head of Internal Audit informed the Committee that Internal Audit would be working on how ensuring data quality/clarity could be built into future audits.

The Committee thanked the Head of Strategy and Performance and their Team for their work on risk management.

Resolved:

1. **to note the assurance assessments for each stage of Derby's risk management processes, presented in Appendix 1, alongside the opportunities for improvements that will be progressed through the refresh of the Risk Management Strategy and Handbook in 2023.**
2. **to note the overview of our strategic risk register, including assurance activities planned or completed, presented in Appendix 2.**

60/22   Programme Management Office (PMO) Update

The Committee received a report of Director of Policy, Insight and Communications which provided the Committee with the Programme Management Office (PMO) Update. This report was presented by the Head of Strategy and Performance.

It was reported that Derby's PMO was established in September 2018, to develop a more consistent and robust corporate approach to managing projects.

It was noted that in September 2021, a report was considered by the Committee, which set out all the developments that had been made since the function transitioned to Strategy and Performance in December 2020, alongside setting out priorities for improvement during 2022/23.

The Committee noted that in order to further develop the Council's assurance oversight, an Assurance and Development (A&D) Group had been introduced in the last 6-months, which underpined the PMO Board and had representatives from key functions (including Internal Audit) with representation from all directorates.

It was reported that the Assurance and Development (A&D) Group aimed to:

- support the maintenance of an effective programme and project pipeline, ensuring that gateway decisions are presented to the PMO Board at the most suitable time in the programme / project timeline
- strengthen and improve the PMO assurance activities including reviews of gateway submissions prior to attendance at the PMO Board
- own and shape the PMO roadmap including recommendations for what services and support the PMO should offer, how it should interact with projects, programmes and service areas across the council, and general service improvement
- horizon scan project activity across the council and the city, ensuring projects meet Council objectives
- provide technical expertise and assurance in relation to programme and project related activity
- review end of project reports ensuring that lessons learnt are shared with the rest of the Council, shaping recommendations to leaders, as appropriate.

The Committee noted that all gateway discussions through both the A&D Group and the PMO Board were appropriately recorded on a decisions log, documenting the areas identified for further consideration alongside the outcome of these. This made sure that the Council closed the loop on assurance based recommendations, and captured learning for future programme and project activities.

It was reported that governance developments over the last year had been aided by the implementation of the Council's Project Management Platform (PMP). The platform was launched in September 2021, and at the end of November 2022 there were 216 members of the platform, with 110 programme and project sites, which represented all aspects of our Council Plan 2022 – 2025 priority themes.

The Committee noted that looking ahead to 2023, there were a number of areas that had been identified for further development, including:

- Routine review of guidance and templates, including links with decision making.

- Annual review of programme and project activities for 2022/23, with an evaluation of impact.
- Central sources of project management and support to be put in place.
- More risk-based reviews of programmes and projects between gateways.
- Project training plan to be agreed.
- Development of a wider assurance framework.

A councillor asked for the next PMO report to include a graphic on what the different project boards did and how they integrated with each other. The Head of Strategy and Performance agreed to include this.

A councillor asked whether project managers were now feeling more supported. It was noted that a broad survey would be conducted and that these questions were asked as part of project reviews.

Resolved:

1. **to note the significant developments that have been made in the PMO function over the last 12 months; as set out in paragraphs 4.4 to 4.11 of the report.**
2. **to note the future priorities for improvement, set out in paragraph 4.12 of the report.**

61/22   Internal Audit Progress Report

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Progress Report. This report was presented by the Head of Internal Audit.

The Committee noted that the progress report contained details of the recently completed audit review of the Council's system of declaration of interests. It was noted that management had opted to "risk accept" a recommendation on colleagues reporting potential conflicts of interest and that management believed that the Council's Whistleblowing process provided a suitable mechanism for such actions. It was reported that the Head of Internal Audit had no issues with this.

It was noted that the progress report also contained an update for the Committee on CMAP's progress with the actions identified in its Quality Assurance and Improvement Plan (QAIP).

It was noted that updates for the Bus Station and Bereavement Services audits would be provided at the March 2023 meeting.

A councillor asked whether colleagues were offered any training on conflicts of interest. The Head of Internal Audit informed the Committee that there wasn't currently any training and agreed to look into this.

It was reported that all Ward Committee minutes were now recorded and were being uploaded to the Democracy Portal. It was noted that the guidance and application form issued to applicants had been made clearer. It was noted that the guidance now made clear that Neighbourhood Boards only made recommendations and that Ward Committees had to sign off on any decisions.

It was noted that all applications now went to the Neighbourhood Boards Team inbox and were logged.

A councillor commented that some Ward Committees continued to meet and take decisions virtually and that this was no longer allowed. The Neighbourhood Partnership Manager agreed to look into this and informed the Committee that a constitutional review was taking place and that a more comprehensive update would be provided at the March 2023 meeting. The Head of Internal Audit agreed to look at which recommendations for this audit could now be closed.

Resolved:

1. **to note the progress being made by Internal Audit on its work in 2022/23 in the report at Appendix 1.**
2. **to review the control issues being raised by Internal Audit and management's response to the risks.**
3. **to review the "risk accepted" response to a recommendation in the Declaration of Interests audit review and decided that as a committee it was comfortable with the decision taken by management.**
4. **to review the progress being made by management in respect of the implementation of internal audit recommendations.**

62/22   Audit and Governance Committee – Self-Assessment of Effectiveness 2022/23

The Committee received a report of the Chair of Audit and Governance Committee on Audit and Governance Committee – Self-Assessment of Effectiveness 2022/23.

It was noted that a well-functioning Audit Committee was regarded as key to helping its organisation to achieve good corporate governance. It was reported that the Audit and Governance Committee should regularly assess its own performance – and the adequacy of its terms of reference, work plans, forums of discussion and communication – with a view to highlighting skills and/or knowledge gaps and identifying areas in which the committee and its processes might be more effective.

Resolved that Members would each complete the self-assessment questionnaire.

63/22   Exclusion of Press and Public

Resolved that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

64/22   Information Governance Update

The Committee considered a report which provided an update to the Committee regarding the Council's statutory compliance with Information Governance Laws for the reporting period of Quarters one-three of the financial year 2022-2023. The report highlighted key areas of information risk, provided the Committee with oversight as to what vulnerabilities existed and what priority measures were in place. The report also demonstrated the volume of demand on the Council's Information Governance (IG) Team, and the Council as a whole.

Resolved:

1. **to note the contents of the report and to request an update is given at the July Audit & Governance Committee.**
2. **To invite the Chief Executive to attend the July Audit and Governance Committee meeting.**

MINUTES END