

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 9 March 2016.

PRESENT: Councillor M Francis – Chairman.
Councillors T D Alban, E R Butler and R J West.

APOLOGY(IES): Apologies for absence from the meeting were submitted on behalf of Councillors Mrs P A Jordan and Mrs R E Mathews.

IN ATTENDANCE: Mr Mark Hodgson and Mr Tony Poynton of Ernst and Young (part)

42. MINUTES

The Panel noted that the minutes referred to a Special Meeting of the Corporate Governance Panel on Monday 25th January 2016 which had been scheduled to consider the revised Constitution. It was noted that this meeting had been cancelled as the revised Constitution had been deferred and was an item of business for the Panel to consider at this meeting.

The Minutes of the meeting held on 2nd December 2015 were approved as a correct record and signed by the Chairman.

43. APPOINTMENT OF VICE-CHAIRMAN

Following changes to the membership of the Corporate Governance Panel, the Panel,

RESOLVED

that Councillor T Alban be appointed as the Vice-Chairman of the Corporate Governance Panel for the remainder of the Municipal Year.

44. MEMBERS' INTERESTS

There were no declarations of interest received from those Members that were present.

45. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

The Panel received and noted a report (a copy of which is appended in the Minute Book) of actions taken in response to previous decisions.

Having considered the report the Panel agreed to the deletion of those items indicated as being removed from future reports.

Referring to the item regarding training, the Panel were informed that external legal advice the Council had received indicated that it was not possible to impose mandatory training for Members. However, training requirements could be included in Members' job descriptions. Once the Constitution had been considered and approved by the Council the Panel would receive job description and role profiles and would be able to consider the training that should be incorporated into those.

A member of the Panel expressed disappointment that the skills audit of individual Panel Members had not been progressed.

At 7.11pm Councillor E Butler entered the meeting.

46. EXTERNAL AUDIT PLAN 2015/16

(Mr Mark Hodgson and Mr Tony Poynton of Ernst and Young, the Council's External Auditors, were in attendance for consideration of this item).

The Panel received and noted a report by the Council's External Auditors, Ernst and Young, (a copy of which is appended in the Minute Book) detailing the External Audit Plan for 2015/2016. This was the first year that Ernst and Young had presented the Plan, having succeeded PricewaterhouseCoopers who were the Council's Auditors from 2010/11 to 2014/15.

Subsequent to the publication of the agenda the Audit Plan had been revised, which the Panel had received prior to the meeting.

In preparation for the 2015/16 audit, Ernst and Young were required to inform those charged with governance how they planned to undertake the audit. Referring to the Plan, the External Auditors outlined their current assessment of the financial statement risks that the Council was subject to which were, Valuation and Impairment of Property, Plant and Equipment; Pension Liability; Risk of Fraud in Revenue Recognition; and Risk of Management Override.

The External Auditors were required to consider value for money risks by assessing whether the Council had in place 'proper arrangements' to secure economy, efficiency and effectiveness in the use of its resources. The External Auditors notified the Panel that no risks had been identified.

It was noted by the External Auditors that the level of materiality was defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts. Due to the level of Council reserves, the materiality level for 2015/16 had been established at £1.75m based on 2% of gross revenue expenditure.

The External Auditors advised the Panel that the indicative scale fee for the audit, as contained within the Plan, was £52,236. This fee was subsidised due to the Audit Commission using its reserves prior to its formal abolition.

In response to a question regarding management override it was explained that this was often detected by reviewing any unusual timings of when journal entries were recorded and any adjustments made.

Although management had the primary responsibility to prevent and detect fraud, Ernst and Young were responsible to plan and perform audits to obtain assurance about whether the Council's financial statements were free of material misstatements whether caused by error or fraud. The Panel were informed that the External Auditors had unfettered access to establish this, as deemed as required.

Having been informed of the sudden passing of Mr Rob Murray, Executive Director at Ernst and Young, the Panel expressed its sincere condolences and subsequently,

RESOLVED

that the Panel notes the content of the revised External Audit Plan for 2015/16 and agrees with the level of updates the Panel will receive during the audit process.

47. GRANT CERTIFICATION 2014/15

The Benefits Manager presented a report to the Panel (a copy of which is appended in the Minute Book) from the Council's former External Auditor, PricewaterhouseCoopers, following its audit of Housing Benefit grant.

In 2014/15 the Council received £35.3m of Housing Benefit grant. As some minor errors were identified during the audit, and there being no materiality on external audit grant certification work for the Department of Works and Pensions, if an error was identified the audit instructions required that additional testing had to be undertaken which resulted in an additional charge.

The Panel acknowledged from the errors identified regarding the classification of overpayments, the additional subsidy of £3,090 received by the Council. This had assisted with the charge of £4,983 to undertake the additional testing.

The Panel considered the total value of the error, £216, was an accomplishment in comparison to the level of Housing Benefit grant the Council received and the 7,500 housing benefit claims the Council had processed. Whereupon it was,

RESOLVED

that the Panel note the content of the External Auditor's Annual Certification Report 2014/15.

48. CODE OF FINANCIAL MANAGEMENT AND CODE OF PROCUREMENT FOR 2016/17

By way of a report from the Head of Resources and the Procurement Manager (a copy of which is appended in the Minute Book) the Panel was presented with the Code of Financial Management and the Code of Procurement which were reviewed on an annual basis to ensure they reflected current legislation and the changing needs of the Council. The policies underpinned financial governance in the Council and were incorporated in the Council's Constitution.

The Panel were referred to paragraphs 3.1 and 3.3 of the Officer's report which indicated the main amendments required to the Code of Financial Management and those amendments required to the Code of Procurement.

Having supported the proposed changes, the Panel

RECOMMENDED

that the Council adopt:

- (a) the Code of Financial Management, as attached as Appendix 1 of the Officer's report; and**
- (b) the Code of Procurement, as attached as Appendix 2 of the Officer's report.**

49. REVIEW OF THE CONSTITUTION

By way of a report from the Corporate Director (Services) (a copy of which is appended in the Minute Book) the Panel received the revised Constitution.

It was explained to the Panel that it was good practice to regularly review the Council's Constitution to ensure that it reflected any changes in legislation and continued to meet the Council's needs in supporting effective governance. The purpose of the review was to ensure the Constitution remained up to date and fit for purpose.

A Constitution Review Advisory Group was established to support the Monitoring Officer in undertaking the Constitutional review, with external legal advice and guidance from Bevan Brittan.

The Panel was informed that during the review the Council was advised to reconsider the names of its Committees and Panels on the basis that the Local Government Act 1972 provided that delegations were not able to be made to a Panel, only to a Committee or Sub-Committee of the Council or the Cabinet. Therefore the names of those Panels such as Corporate Governance, Development Management and Licensing and Protection would be amended and in future referred to as Committees. As the Overview and Scrutiny Panels did not have delegated decision making powers the names remained unchanged.

Regarding Part 3 – Responsibility for Functions it was explained that there had been significant changes to the way this information was presented in the Constitution. However, the Scheme of Delegations had not been amended.

The revised Constitution included a new Committee Procedure Rules section and all Annexes had been deleted from the Constitution. These would feature on the Council's website and Code of Practice guidance materials would be made available in the Members Handbook and used as training materials as appropriate.

In response to a question it was explained that as part of the review it was proposed to disband the Standards Committee and these functions would be incorporated into the Terms of Reference of the Corporate Governance Panel. Functions relating to the conduct of Members would be considered by a Standards Sub-Committee, which would be a Sub-Committee of Corporate Governance. Currently the Standards Committee considered customer complaints about the Council, which was a function that would be incorporated within the work of the Overview and Scrutiny Panel (Finance and Performance).

Should a Standards Sub-Committee be required it would be served by a small number of Members from the Corporate Governance Committee.

Subject to approval by Council on 23rd March 2016, the Constitution would include a method of version control where the dates of all future amendments would be included for ease of reference. A minimal number of paper copies would also be distributed to appropriate Officers, which would ensure any updates were circulated and the versions updated. The Panel requested that the Chairman and Vice-Chairman of Council also be provided with a copy. It was noted that training on the new Constitution would be arranged subsequent to the elections in May 2016.

Having endorsed the draft Constitution, the Corporate Governance Panel,

RECOMMENDED

that the Council adopt the revised Constitution.

50. INTERNAL AUDIT SERVICE: INTERNAL AUDIT PLAN 2016-17

The Panel received a report (a copy of which is appended in the Minute Book) from the Internal Audit and Risk Manager regarding the Internal Audit plan for 2016/17, under the requirements of the Public Sector Internal Audit Standards.

The Audit Plan did not include any technical computer audit reviews and at the meeting of the Panel in December 2015, the reasons for the delays were explained. The Panel was informed that the IT audit would be submitted for tender early in the 2016/17 financial year and the Shared Services Interim ICT Head of Service had agreed that an Officer from ICT would sit on the evaluation panel when appointing the IT auditors.

Past reports presented to the Panel had included information regarding the overall resources required to deliver the strategic audit plan over its four year term. The Panel were informed that due to the likelihood that the Internal Audit Service would become part of a Shared Internal Audit Service during 2016/17 with the 3C partners,

the information had not been prepared within the 2016/17 Audit Plan. The longer term audit planning process would be reviewed as the Shared Internal Audit Service developed. It was anticipated that a Business Case for the Shared Internal Audit Service would be presented to the Corporate Governance Panel at its meeting in June or July 2016.

The Internal Audit Plan for 2016/17 was based on delivering 462 audit days which the Internal Audit and Risk Manager was confident could be delivered if the service retained its 2.86 full time equivalent auditors. Whereupon the Panel,

RESOLVED

to approve the Internal Audit Plan for 2016/17.

51. ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL REPORT 2015/16

The Panel received a report from the Head of Resources (a copy of which is appended in the Minute Book) regarding amendments to the accounting policies for the Annual Financial Report 2015/16.

Best practice required the Council to regularly review the adopted accounting policies to ensure that they remained appropriate and gave due weight to the impact of a change in accounting policy, to ensure comparability between accounting periods.

There were three minor changes required to existing accounting policies and two significant changes. Four of these changes had no direct impact on the Council's general fund balance. However, one of the amendments was required to reduce the impact of the cost of borrowing for investment in commercial assets.

It was explained to the Panel that the one of the significant changes referred to current value measurement IFRS 13. Previously all assets and liabilities were valued under the principle of 'fair value'. 'Fair value' remained the approach to valuation for a number of assets and liabilities. However, in respect of Operational Assets, IFRS 13 introduced the term 'current value', where assets had to be measured in a way that recognised their 'service potential'.

In response to a question it was explained that the Authority operated a 3 year cycle of revaluation and that the Council used expert valuers, Barker Storey Matthews, for this process.

The other significant change referred to the Minimum Revenue Policy (MRP) in respect of the Commercial Investment Strategy (CIS), where for each capital investment under the requirements of the Council's CIS, MRP would be made that was equal to the principal repayment for any loan finance supporting the investment.

Having considered the amendments to the accounting policies for the Annual Financial Report 2015/16, the Panel,

RESOLVED

to approve the amendments to the accounting policies for the Annual Financial Report 2015/16 as listed in Appendix 1 of the Officer's report.

52. PROGRESS ON ISSUES ARISING FROM THE 2014/15 ANNUAL GOVERNANCE STATEMENT

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel received progress made to date in respect of the two key improvement areas identified in the 2014/15 Annual Governance Statement.

The two areas identified for improvement were to develop robust and effective reporting arrangements for shared services; and to improve project management practices including officer compliance with the project management toolkit.

As good progress had been made across both improvement areas it was considered that they would be 'achieved' prior to the preparation of the 2015/16 Annual Governance Statement. Whereupon the Panel,

RESOLVED

to note and take into account the progress made in introducing the key improvement areas arising from the 2014/15 Annual Governance Statement when undertaking the 2015/16 governance review.

53. IMPLEMENTATION OF AUDIT ACTIONS

The Panel received and noted a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) which provided performance information regarding the implementation of agreed internal audit actions for the year ending 31st January 2016.

The Panel discussed at length whether it wished to remove the item from future agendas given the significant improvement with audit actions. With the regular monitoring now being undertaken by Corporate Management Team, the Panel agreed to remove the item from future agendas on a trial basis, and instead agreed to receive this information via email from the Internal Audit and Risk Manager. The Panel agreed to review progress at its meeting in September 2016. Whereupon it was

RESOLVED

- i. that the Panel notes the report; and
- ii. agrees to remove the item from future agendas on a trial basis, instead receiving the information via email from the Internal Audit and Risk Manager. Progress is to be reviewed at the Panel meeting in September 2016.

Chairman