

A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON PE29 3TN** on **WEDNESDAY, 25 JANUARY 2017** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact  
(01480)**

## **APOLOGIES**

**1. MINUTES** (Pages 5 - 14)

To approve as a correct record the Minutes of the meeting held on 7 December 2016.

**M Sage  
388169**

**2. MEMBERS' INTERESTS**

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.

**3. APPOINTMENT OF VICE-CHAIRMAN**

Following changes to the membership of the Committee, to appoint a Vice-Chairman for the ensuing Municipal Year.

Dated this 17 day of January 2017



Head of Paid Service

## **Notes**

**1. Disclosable Pecuniary Interests**

(1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*

(2) *A Member has a disclosable pecuniary interest if it -*

*(a) relates to you, or*

*(b) is an interest of -*

*(i) your spouse or civil partner; or*

*(ii) a person with whom you are living as husband and wife; or*

*(iii) a person with whom you are living as if you were civil partners*

*and you are aware that the other person has the interest.*

(3) *Disclosable pecuniary interests includes -*

- (a) *any employment or profession carried out for profit or gain;*
- (b) *any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*
- (c) *any current contracts with the Council;*
- (d) *any beneficial interest in land/property within the Council's area;*
- (e) *any licence for a month or longer to occupy land in the Council's area;*
- (f) *any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*
- (g) *a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.*

### **Non-Statutory Disclosable Interests**

(4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*

(5) *A Member has a non-statutory disclosable interest where -*

- (a) *a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*
- (b) *it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or*
- (c) *it relates to or is likely to affect any body –*
  - (i) *exercising functions of a public nature; or*
  - (ii) *directed to charitable purposes; or*
  - (iii) *one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.*

*and that interest is not a disclosable pecuniary interest.*

## **2. Filming, Photography and Recording at Council Meetings**

*The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.*

Please contact Mrs Melanie Sage, Democratic Services, Tel: 01480 388169/email [Melanie.Sage@huntingdonshire.gov.uk](mailto:Melanie.Sage@huntingdonshire.gov.uk) if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – [www.huntingdonshire.gov.uk](http://www.huntingdonshire.gov.uk) (*under Councils and Democracy*).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

***Emergency Procedure***

*In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.*

This page is intentionally left blank

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Wednesday, 7 December 2016.

PRESENT: Councillor M Francis – Chairman.

Councillors J E White, K M Baker,  
Mrs S Conboy, D B Dew, Mrs L A Duffy,  
R Fuller, T Hayward, P Kadewere,  
Mrs R E Mathews and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillor E R Butler.

IN ATTENDANCE: Councillors R Howe and J A Gray

### **34. MINUTES**

The Minutes of the Corporate Governance Committee meeting held on 27 September 2016 were approved as a correct record and signed by the Chairman.

### **35. MEMBERS' INTERESTS**

Prior to the consideration of the item of business regarding the Members' Allowances Scheme – Corporate Governance Committee, Minute No. 37 refers, the Chairman and Vice-Chairman declared a non-statutory disclosable interest by virtue of the subject matter for determination being directly related to their roles on the Committee.

### **36. CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

The Committee 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 Committee agreed to the deletion of those items indicated as being removed from future reports.

### **37. MEMBERS' ALLOWANCES SCHEME - CORPORATE GOVERNANCE COMMITTEE**

Prior to the consideration of the item of business the Chairman and Vice-Chairman declared a non-statutory disclosable interest by virtue of the subject matter for determination being directly related to their roles on the Committee. Both declared their intention to abstain from any vote.

The Committee considered a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book) regarding the Members' Allowances Scheme, specifically amendments to the Special Responsibility Allowances for the Chairman and Vice-Chairman of the Corporate Governance

Committee.

The Council had undertaken a review of the Council's Constitution and approved changes at the meeting on 23 March 2016. The former Standards Committee was deleted and the Terms of Reference of the Corporate Governance Committee amended to include responsibility for those functions, which included functions relating to the conduct of Members would be considered by a Sub-Committee of the Corporate Governance Committee.

A Review of Members' Allowances was also undertaken by the Independent Remuneration Panel in May 2015 and since the review the Corporate Governance Committee had also acquired the Audit function. The Independent Remuneration Panel recommended that the Chairmen and Vice-Chairmen of the Employment Committee and Corporate Governance Committee be paid the same Special Responsibility Allowance. However, the Council resolution to not make changes to the existing Members' Allowances Scheme in May 2015 resulted in a differential of £811 and £278 between the Chairmen and Vice-Chairmen of both Committees respectively.

It was noted amongst the Committee that even with an increase in Special Responsibility Allowance to both the Chairman and Vice-Chairman of the Corporate Governance Committee there continued to be a budget saving as the abolition of the Standards Committee had resulted in a Special Responsibility Allowance was not required for the Chairman and Vice-Chairman of the Standards Committee. The increase in Special Responsibility Allowance also reflected the extra responsibility now within the remit of Corporate Governance.

A further comment was made that both the Employment Committee and Corporate Governance Committee should be treated equitably. Whereupon, the Committee (Councillors M Francis and J White both having abstained),

#### **RESOLVED TO RECOMMEND TO COUNCIL**

**that Part 6 of the Council's Constitution be updated to increase the Special Responsibility Allowances for the Chairman and Vice-Chairman of the Corporate Governance Committee to reflect the same level as the Chairman and Vice-Chairman of the Employment Committee and that the appropriate adjustments be backdated to 18 May 2016.**

#### **38. PROGRESS REPORT ON BUSINESS CONTINUITY PLANNING**

Further to Minute No. 8 of the meeting held on 16 June 2016 and by way of a report by the Corporate Team Manager (a copy of which is appended in the Minute Book) the Committee received an update on progress made regarding revisions to Business Continuity Planning processes at Huntingdonshire District Council.

It was explained that a new template was currently in draft form and followed a recently issued template from the Government. Currently there were a number of Business Continuity Plans and it was

intended to reduce this to one organisational Plan to include a set of generic actions to mitigate hazards/risks that applied in most cases to all Services. In addition there was to be an additional Plan for Customer Services as there were some specific actions best supported by their own unique Plan, which would also assist with maintaining the organisational Plan to a manageable size.

There had been a revision to the roles and responsibilities contained within the Plan and in most cases the approach was to now specify job roles rather than Officer names, as included in the previous Plan. This prevented the Plan from becoming outdated as quickly and encouraged a more flexible approach to managing business continuity, where the role signposted where to seek support in the event that the post holder was not available, as other Officers could assist.

It was further explained that Internal Audit had been due to conduct an audit on business continuity which was postponed to allow for the review of business continuity arrangements to be completed. The audit would be conducted by the end of the financial year and would take the form of a series of tests to check many of the assumptions within the Plan.

The Committee concurred that the planned approach of one organisational Plan with an additional Plan for Customer Services was preferable as was the approach to simplify the document.

In response to a question it was explained that Internal Audit would undertake a test of the Plan in Quarter 4 with desktop and scenario planning in 2017/18, the outcomes of which would determine further testing if required. At the scenario planning stage it was requested that the Committee be informed, as it would be a useful to enable the Committee to understand what was required of the Council.

The current Business Continuity Plans contained an excessive number of priorities, which had been reduced in the forthcoming Plan for greater clarity and would enable Members to identify areas for challenge more easily. In response to a question it was explained that Senior Management Team had assessed those priorities which were to be removed, as well as suggestions of others for inclusion. The Committee were assured that the priorities contained within the current Plan would be retained separately and available to view in the future if requested.

There had been little control over any returns or removal of the Plans from those Offices who had left the organisation or changed roles over the past two years. Having noted that the Council would attempt to retrieve the current Plans no longer required, it was explained that this also included those currently retained by Members.

Having been informed that there were some areas within the Plan that still required input from Officers, it was noted that the Plan would need to incorporate 3C Shared Services and devolution. It was suggested that if Officers were not responding to requests for input into the Business Continuity Planning process then assumptions should be included as it was important for the Plan to be established.

*At 7.35pm, Cllr Gray, Executive Councillor for Strategic Resources entered the meeting.*

In response to a question it was explained that once Internal Audit had tested the Plan and desktop and scenario planning undertaken, the Plan would be revised during April/May 2017/18.

In concluding the discussion, the Committee requested that an update report be presented to the Corporate Governance Committee meeting in March 2017. Whereupon, the Committee

RESOLVED

- i. to note the report that indicated the progress made in revising the Business Continuity Plans; and
- ii. that an update report be presented to the Corporate Governance Committee meeting in March 2017.

**39. EXTERNAL AUDITOR - PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA)**

With the aid of a report by the Finance Manager (a copy of which is appended in the Minute Book) the Committee considered the options of appointing an External Auditor from 2018/19.

It was explained that following the abolition of the Audit Commission the Government granted external audit contracts to Public Sector Audit Appointments Ltd (PSAA) on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts. However, were able to be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government (DCLG).

In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. Resulting in authorities needing to either undertake their own procurement or to opt in to the appointed person regime for the audit of the 2018/19 accounts.

The Committee were advised that the Local Audit and Accountability Act 2014 provide each Local Authority with three options:

- i. To opt in to an approved Sector Led Body (SLB) and DCLG act as the Appointing Person on behalf of opted in Local Authorities;
- ii. To establish an independent Audit Panel. The Panel would comprise a majority of wholly independent members and must be chaired by an independent member; or to
- iii. Establish a joint Auditor Panel to carry out the function on behalf of two or more bodies.

The Committee were referred to paragraph 3.3 of the report which detailed the advantages of using PSAA.

It was suggested that the Committee recommend to Council to opt in to the appointing person arrangements made by PSAA for the



appointment of an External Auditor (also known as the SLB).

The establishment of an Auditor Panel and for the Authority to conduct its own procurement was not recommended as it would be a resource intensive process without the economies of scale of the SLB procurement and would likely result in a more costly service.

The establishment a joint Auditor Panel to carry out the function on behalf of two or more bodies was not recommended as following consultation with Cambridge City Council and South Cambridgeshire District Council there was little appetite for a joint procurement exercise.

In response to a question regarding who would monitor an independent Audit Panel made of wholly independent members it was explained that the Council would be responsible for the procurement and Government would be responsible for the auditing of the Panel.

It was noted that until either procurement exercise was complete it was not possible to identify what additional resource might be required for audit fees in 2018/19. However, in response to a question it was explained that any increase would be minimised through using PSAA as they operated on a not for profit basis and distributed any surplus funds to scheme members. Whereupon the Committee

#### **RESOLVED TO RECOMMEND**

**that the Council opt in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of External Auditors.**

#### **40. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT**

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee received details on the work completed by the Internal Audit Service during the period April to October 2016, together with associated performance issues.

The Committee were informed that the Internal Audit and Risk Manager's opinion on the Council's internal control environment and systems of internal control as at 31 March 2016 was that it provided adequate assurance over key business processes and financial systems. From work completed since, the opinion remained unchanged.

During the reporting period it was noted that one 'substantial', eight 'adequate' and eight 'little' assurance opinions were issued. Eight of the reports related to the 2015/16 Audit Plan.

It was explained that changes had been required to the Audit Plan, resulting in the removal of seven and addition of two audits. The net removal of five audits was due to a substantial amount of additional time being spent on preparing the Shared Service Business Case, completing audits from the 2015/16 Plan and additional work required on three audit areas being Overtime; Flexi-Time Management and

Work-Life Balance; and Management of Ill Health and Sickness.

The Committee were informed that the September quarterly review of the Accounts Receivable (Debtors) system had been completed which identified that key controls were generally effective and, whilst some improvements were required, there had been an improvement in control compliance. The findings corresponded with the statement by the Head of Resources at the September Corporate Governance Committee meeting when he presented a specific report on the management of debt (Minute No. 30 referred).

The 3C Partner Councils had jointly purchased a new Financial Management System (FMS) to replace each Council's current FMS. Whilst the systems would operate and be managed independently of one another, Internal Audit was working in partnership with Internal Audit colleagues at Cambridge City Council who were the lead Internal Auditors on the project. New key controls and working practices would be required when the FMS went live in April 2017.

No Information Technology (IT) audit contract was in place when the 2016/17 Internal Audit Plan was approved in March 2016. The Committee were informed at their September meeting that following a competitive tendering exercise BDO had been appointed as the IT auditors until March 2019. BDO had issued two IT audit reviews and a one in draft. It was anticipated that they would complete a further five reviews within the financial year.

In response to a question as to whether the amount of unplanned additional time spent by Internal Audit was an issue it was explained that audits considered the most important were completed first, in the event that unplanned time occurred resulting in insufficient time to complete all the audits listed within the Audit Plan by the end of the financial year.

There was a query as to whether the Internal Audit Service had the capacity and flexibility to respond to the rapidly changing environment that the Authority was experiencing. It was explained that the Service was managed within the resources it had and the Audit Plan would be amended to allow it to focus on new or emerging risks.

Having commended the executive summary contained within the report it was noted that further to the September meeting where the Committee resolved to recommend to the Cabinet not to proceed with the Business Case for the establishment of a Shared Audit Service, the Cabinet had approved the recommendation. Subsequently South Cambridgeshire District Council and Cambridge City Council had decided to proceed with a joint Internal Audit Shared Service and there had been no work to proceed with Huntingdonshire District Council joining this Partnership in the near future.

At the invitation of the Chairman the Leader of Council addressed the Committee and explained that the Cabinet had based the decision on savings having not yet materialised from the 3C Shared Service Partnership arrangement. With the forthcoming devolution arrangements it was considered appropriate to not proceed with a Shared Internal Audit Service at the present time.

The Committee further noted that they had been concerned that the Business Case did not propose Huntingdonshire District Council as the lead Authority and given the high standard of service provided by Internal Audit, that the service could be diluted with the requirement to support the other local authorities within the Shared Service Partnership. In addition the Committee had not been convinced by the financial savings. The decision to not proceed demonstrated the respect the Internal Audit Service held within the Authority.

Referring to the Service Delivery Targets, listed in paragraph 5.1 of the Appendix to the report, specifically those not achieved, it was explained that the Committee, then Panel, had previously expressed concern at the declining service delivery target for 'complete audit fieldwork by date stated on the audit brief'. It was explained that due to the variable hour contracts the Internal Audit Team worked, it was difficult to reschedule meetings cancelled at short notice which had impacted upon the target. Subsequently the Head of Resources had contacted Senior Management Team to remind them of the importance of keeping to pre-agreed meeting dates and the number of cancelled meetings had reduced markedly. Internal Audit now retained a record of those meetings that were cancelled and were content with the current position.

It was confirmed to the Committee that draft audit reports took longer to issue than final audit reports as the final report had already been agreed, queries having been resolved at the draft report stage.

In response to a question, it was explained that although the Internal Audit Plan was unlikely to be fully delivered by the end of the financial year the Internal Audit and Risk Manager's opinion on the Council's internal control environment and systems of internal control overall was that it provided adequate assurance over key business processes and financial systems.

As the new FMS would be hosted as a 'cloud' based system BDO were due to undertake a review of cloud security, to ensure that information was being hosted in a safe and secure environment. The audit reports would be shared across the 3C Internal Audit Teams so that they could be considered as part of the process for delivering the annual internal audit opinion. In conclusion the Committee,

#### RESOLVED

- i. to note that the Internal Audit and Risk Manager's unchanged opinion of 'adequate assurance' over the internal control environment and system of internal control; and
- ii. that the Internal Audit Plan as agreed by the Corporate Governance Committee in March 2016 was unlikely to be fully delivered this year.

#### **41. IMPLEMENTATION OF INTERNAL AUDIT ACTIONS**

Further to Minute No. 29 of the meeting held on the 27 September 2016 and by way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee was presented with an update of the current position with regard to the

implementation of agreed audit actions, for the year ending 30 November 2016, in light of Members concerns raised previously.

Contained within the published report were performance details for the year ending 31 October 2016. Due to the deadline for the publication of the agenda, it was not possible to include performance details in respect of the year ending November 2016, which was subsequently tabled at the meeting.

The Corporate Management Team had agreed that 100% of internal audit actions should be introduced on time. The Committee had previously expressed concerns on a number of occasions, including the meeting in September 2016, at the declining percentage of agreed internal audit actions implemented on time.

In response to a question it was explained that once the draft Internal Audit report had been issued the implementation dates for the audit actions were agreed with the relevant Officer. It was only with the agreement of Internal Audit that the implementation date could subsequently be amended, the reason needed to be appropriately justified by the Officer responsible for that audit action. Performance information was prepared from the 4action system and it was explained that it was the responsibility of Managers to access and update the system with details of the action taken, although reminders were issued by the Internal Audit Team.

The Committee discussed options on how best to progress the matter so the number of audit actions improved.

It was accepted that the audit actions were taken seriously by Managers. However, there needed to be consequences if audit actions were not introduced by the agreed date as well as consideration as to how the matter was incorporated into the daily working pattern of Managers.

The Committee had previously suggested, and considered again, whether Heads of Service with outstanding audit actions should attend meetings to provide an explanation. The Committee were reminded that if this was to happen questioning needed to focus on the reasons for the audit action being overdue rather than the audit action itself.

The Committee wanted a strong message conveyed to the Corporate Management Team to express the disappointment of the Committee at the continued decline in the percentage of agreed internal audit actions implemented on time. At the invitation of the Chairman, the Executive Councillor for Strategic Resources addressed the Committee to confirm that he would discuss the matter with the Managing Director to convey the sentiments of the Committee, which was supported by the Leader.

The Committee agreed that rather than Heads of Service attend a meeting to justify any outstanding audit actions, it was considered more appropriate for the Managing Director or either of the Corporate Directors to attend.

A request was made that an additional column be added to the report

to indicate how long an internal audit action had been overdue. One view being whether it was a matter that more actions were being implemented, but taking longer to implement.

In conclusion the Committee acknowledged that there might be good reasons for the non-implementation of internal audit actions, especially given the ever-changing priorities the Council was currently experiencing. However, the matter needed to be addressed and it was

#### RESOLVED

- i. that the Corporate Governance Committee notes the report, and
- ii. that the Managing Director or one of the Corporate Directors attends a future Corporate Governance Committee meeting to explain the declining percentage of agreed internal audit actions implemented on time.

*At the conclusion of the above agenda item, the Leader, Councillor R Howe and the Executive Councillor for Strategic Resources, Councillor J A Gray left the room and did not return to the meeting.*

#### **42. SKILLS, KNOWLEDGE AND EFFECTIVENESS REVIEW**

The Committee considered a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) that provided the results of the skills and knowledge self-assessment undertaken in October 2016, to determine the areas of further training or learning required.

Having increased its membership, Committee Members had received a self-assessment form to determine how well they understood the work of the Committee in order to fulfil its Terms of Reference.

The review had identified that Members had a good overall knowledge across the following four areas of its Terms of Reference: Values of Good Governance; Risk Management; Organisational Knowledge; and Countering Fraud. However, there was a shortfall of knowledge in the following five areas: the Committee's Role and Functions; Governance; Internal Audit; Financial Management and Accounting; and External Audit.

To improve Members' knowledge of the areas listed above, a series of training presentations was intended to be delivered by Officers immediately before a Corporate Governance Committee meeting.

On discussing training the Committee agreed that alternative methods to deliver training needed to be considered such as the provision of on-line training.

The varied level of attendance at training events was noted. Therefore to allow for the best attendance, when arranging training, adequate notice was required to enable Members to accommodate other commitments.

The Committee requested the retention of the same membership wherever possible each Municipal year to enable the level of expertise to be retained for the purposes of continuity.

A fixed training schedule specifically for the Corporate Governance Committee was preferred which did not need to solely be delivered internally. The Internal Audit and Risk Manager noted that a day event with a variety of external speakers had previously been delivered at nil cost to the Council. This could be considered again including relevant training offered by the Local Government Association.

The Committee tasked the Internal Audit and Risk Manager to devise a training programme, in consultation with the Chairman of the Corporate Governance Committee.

Whilst it was not a statutory requirement, it was considered best practice for the 'Audit Committee' to review their own effectiveness, to identify any areas for improvement, and such reviews had been conducted on a regular basis since 2008. The Committee had previously agreed that the effectiveness review would be conducted early 2017. Previous reviews had been conducted in a variety of ways - full Committee involvement, the establishment of a Working Group and by the Chairman and Vice-Chairman.

In considering how to conduct the 2017 review the Committee agreed that this would be via an Informal Corporate Governance Committee meeting in January or February, the date for which was to be established. Whereupon the Committee,

#### RESOLVED

- i. that a training programme be devised by the Internal Audit and Risk Manager in consultation with the Corporate Governance Committee Chairman, and that training be delivered ahead of Committee meetings; and
- ii. that an Informal Corporate Governance Committee meeting be arranged in January or February to undertake an effectiveness review.

Chairman