

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 Thursday, 26 July 2018.

PRESENT: Councillor L W McGuire – Chairman.
Councillors E R Butler, D A Giles,
H V Masson, D J Mead, D R Underwood,
D J Wells and J E White.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors Dr P L R Gaskin and J P Morris.

18. MINUTES

The Minutes of the meeting of the Committee held on 13 June 2018 were approved as a correct record and signed by the Chairman.

19. MEMBERS' INTERESTS

There were no declarations of disclosable pecuniary or other interests received at the meeting.

At 7.07pm Cllr D Giles entered the meeting.

20. ASSISTANT CABINET MEMBERS - AMENDMENT TO ARTICLE 7 OF THE CONSTITUTION

Following the approval by the Cabinet at their meeting on 21 June 2018 regarding the creation of Assistant Cabinet Members to be appointed as non-executive members (Minute No. 16 of the Cabinet meeting refers), the Corporate Governance Committee received a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book) to amend the Council's Constitution to reflect the new role and responsibilities.

In response to a question it was explained that although the Role Description appended to the submitted report did not include a maximum number of Assistant Cabinet Members that could be appointed, it was the understanding that initially not all Cabinet Members would be allocated an Assistant.

The Committee expressed concern that should an Assistant Cabinet Member be assigned to each Cabinet Member, this would reduce the Members available to be appointed to the Overview and Scrutiny Committee given that members of the Cabinet and Assistant Cabinet Members were precluded from sitting on the Overview and Scrutiny Committees, and that in accordance with the Constitution every Member must be appointed to serve on a minimum of one Committee

or the Cabinet. Whereupon the Committee,

RESOLVED

- i. to endorse a variation to Article 7 of the Council's Constitution as outlined in paragraph of the submitted report; and

RESOLVED TO RECOMMEND TO COUNCIL

- ii. **that the necessary variation be made to the Council's Constitution.**

21. CHANGE TO THE CONSTITUTION - HDC VENTURES LIMITED - SHAREHOLDER REPRESENTATIVE AND REFERENCE GROUP

The Council had established a Local Authority Trading Company, HDC Ventures, with its purpose to enable the Council to participate in commercial trading activities.

The day-to-day operation of the company was the responsibility of the Directors and the Council was the sole Shareholder. It was therefore necessary to establish a mechanism for decisions to be taken on behalf of the Council as the Shareholder, to allow decisions to be made in a timely and expedient manner, reflecting the needs of the trading company to be responsive to its commercial environment.

In response to a question it was explained that at the Council meeting (Minute No. 27 refers) on 25 July 2018 a Shareholder Representative had been appointed to act on behalf of the Council as Shareholder of the Council's Local Authority Trading Company and that a Shareholder Reference Group had been established that comprised four Councillors on a politically proportionate basis. The respective Group Leaders would be responsible for nominating Members to the Group.

It was confirmed that the Terms of Reference attached to the submitted report were to be inserted into Part 3 of the Constitution 'Responsibility for Functions of the Constitution'.

At 7.14pm Cllr E Butler entered the meeting.

The Committee agreed that the Terms of Reference required clarification as it was not explicit as to who the Shareholder Representative and the Shareholder Reference Group reported to and were accountable to.

Regarding the Secretary to the Shareholder Reference Group it was suggested that including a named individual was not appropriate for the purposes of future proofing. It was explained that the Secretary to HDC Ventures Ltd was an official appointment registered with Companies House as were the Director positions.

To avoid having a named individual listed within the Terms of Reference, the Committee agreed that bulletpoint 5 be revised to:

'The Secretary appointed to HDC Ventures Ltd will also act as Secretary to the Shareholder Reference Group'.

There was a concern that the Terms of Reference did not include any substitutes in the event that the named individual was incapacitated. However, it was noted that the Council's Constitution did not allow for Substitutes and it was not considered that Substitutes were necessary regarding HDC Ventures Ltd.

The Committee agreed that it was not necessary to report back on the Terms of Reference, once the amendments had been considered by the Cabinet before being presented to the Council meeting on 17 October 2018. Whereupon it was

RESOLVED TO RECOMMEND TO THE CABINET

That the following amendments be made to the Terms of Reference before being presented to the Council meeting on 17 October:

- **Request that accountability is made explicit within the Terms of Reference as to who the Shareholder Representative and the Shareholder Reference Group report to and are accountable to.**
- **Request that bulletpoint 5 'Anthony Roberts will act as Secretary to the Shareholder Reference Group' be revised to:**

'The Secretary appointed to HDC Ventures Ltd will also act as Secretary to the Shareholder Reference Group'.

22. APPROVAL FOR PUBLICATION OF THE 2017/18 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) to complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Financial Report (AFR) for 2017/18.

The Committee were referred to the report circulated subsequent to the agenda publication. It was explained that due to new statutory regulations that Local Authority accounts had to be approved by 31 July rather than the end of September, the Council's Auditors (EY) had to schedule all clients into a two month period. EY had commenced work with the Council at the beginning of July and had to complete the necessary work in 3½ weeks what previously would have taken 5+ weeks, which had resulted in a delay to the Committee receiving the report.

It was further explained that the audit was not complete as the auditors had some final queries to resolve to enable them to approve the accounts. The three issues raised as 'Control Observations' by the auditors within the Audit Results Report in respect of the AFR related to Accounting records; Timeliness of deliverables; and Reliance on key personnel.

The Committee welcomed Hayley Clark from EY to present the audit results report which summarised the preliminary audit conclusions. In identifying the salient points of the report to the Committee, it was explained that subject to satisfactory completion of the key outstanding items listed within the executive summary of Annexe A, it was expected that an unqualified opinion on the Council's financial statements would be issued by EY. Most of the items listed were expected to be imminently completed, but there was a risk to achieve the deadline of 31 July 2018.

One area highlighted as a significant risk within the audit report related to the valuation of investment property. In response to a question it was explained that the matter related to one of the Council's investment properties, the Oak Tree Centre, which had been identified as requiring extensive repair and renovation, estimated at £2 million. EY were working with the Council to gather sufficient evidence to support the calculations for the cost of the capital works and the implications, if any, on the valuation of the property.

For context the Head of Resources informed the Committee that the NHS was the tenant in the Oak Tree Centre. It was an asset used by the community and the NHS wanted to further develop the Centre. However, part of the building required remedial work before this could happen which was a potential risk to the valuation of the property. It was confirmed that the risk was not related to any other investment property.

Subsequently the Internal Audit and Risk Manager referred the Committee to Annex B, the Annual Governance Statement and the Head of Resources referred the Committee to Annex C, the Letter of Representation.

It was explained that Annex D, the draft AFR was required by law to be published on the Council's website, which had been accessible since May 2018. In particular the Committee were referred to the movement in Reserves Statement on page 27 of the report and the Balance Sheet on page 29 of the Report.

In response to questions it was explained that the Heritage Asset listed on the Balance Sheet referred to the Norman Cross Memorial and it was confirmed that the Net Pensions Liability related to the actual pension fund, which had changed from a final salary pension scheme to one related to average earnings throughout an individual's lifetime. Whereupon the Committee,

RESOLVED

- i. to receive the Auditors Results Report attached as Annex A of the submitted report;
- ii. to approve the Annual Governance Statement attached as Annex B of the submitted report and authorise the Executive Leader and Managing Director to sign the Statement on behalf of the Council;

- iii. to approve the Letter of Representation attached as Annex C of the submitted report and authorise the Head of Resources (as Section 151 Officer) to sign it on behalf of the Council; and
- iv. to give delegated powers to the Head of Resources (as Section 151 Officer) in consultation with the Chairman of the Committee to authorise and sign the Annual Financial Report attached as Annex D of the submitted report on behalf of the Council subject to the Auditors confirming an unqualified opinion on the AFR 2017/18.

23. INTERNAL AUDIT PLAN QUARTER 2 - 2018/19

Having previously agreed to receive on a trial basis the Internal Audit Plan quarterly, rather than on an annual basis, the Committee considered the quarter two Audit Plan 2018/19 (a copy of which is appended is the Minute Book).

It was explained that as two audit reviews by the in-house Internal Audit Team had not progressed as expected, three different audit reviews had been advanced. Regarding the audit of hired staff, which related to agency and not consultants, discussions had been held with a sample of managers who incurred hired staff expenditure in 2017/18 and the measures that had been introduced to manage hired staff costs. As a result the audit had been deferred until Quarter 3.

With regard to the Legal debt recovery procedures for the collection of the Council's general debts that had been referred by the Income Team, the audit was complete and a report was being prepared.

The audit of the management of the mobile phone project across the 3C partner authorities to consider the procurement process, project management and the establishment of procedures to support compliance with future mobile phone policies had commenced and would conclude during Quarter 2.

Having considered the report by the Internal Audit and Risk Manager the Committee,

RESOLVED

to approve the Internal Audit Plan 2018/19 for quarter two.

24. NON-IMPLEMENTATION OF INTERNAL AUDIT ACTIONS

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) in accordance with the Framework agreed by the Committee in May 2017, the Committee were presented with the outstanding internal audit actions as at 30 June 2018 that posed a threat to the internal control and financial framework.

The Committee were informed that there were six actions outstanding (one red and five amber) from the 116 that were due to be implemented.

Having reviewed the five outstanding amber actions, the Head of Resources did not consider that the non-implementation posed a significant risk and all should be implemented by the end of October 2018.

The red action related to Network Security and it was explained that it was a composite audit action that summarised the five network security reviews completed in 2017/18. The individual actions contained in each of the individual audit reports had either been completed or extended. Whilst a red action would not normally be granted an extension of time it was considered appropriate in this instance so that the composite action aligned to the individual actions. It was anticipated that the action would be completed by 30 September 2018.

Having requested that the Committee receive an email update specifically on the Network Security audit action, rather than it being included in the standard monthly email that detailed the implementation of internal audit actions, the Committee,

RESOLVED

to note the report and the action taken by the Head of Resources in response to the outstanding internal audit actions as at 30 June 2018 that posed a threat to the internal control and financial framework.

25. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

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

The Internal Audit and Risk Manager noted that he had only received three responses to the training survey and encouraged Members to complete and return the form to him.

All Members received a separate survey on their skills set and it was requested that in the future the survey circulated by the Internal Audit and Risk Manager be incorporated into this survey.

RESOLVED

That the contents and proposed amendments as detailed in the report be noted.

Chairman