

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in the CIVIC SUITE (LANCASTER/STIRLING ROOMS), PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, CAMBS, PE29 3TN on Wednesday, 26 April 2023

PRESENT: Councillor N Wells – Chair.

Councillors A M Blackwell, J Clarke, J A Gray, J E Harvey, S A Howell, P Kadewere, T D Sanderson, I P Taylor and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler and P J Hodgson-Jones.

IN ATTENDANCE: Councillors S J Conboy and M A Hassall.

40 MINUTES

The Minutes of the meeting of the Committee held on 25th January 2023 were approved as a correct record and signed by the Chair.

41 MEMBERS' INTERESTS

No declarations were received.

42 ASSISTANT DEPUTY EXECUTIVE LEADER- VARIATION TO ARTICLE 7 OF THE CONSTITUTION

At 7:01pm, Councillor J A Gray, took his seat at the meeting.

Councillor S J Conboy, Executive Leader of the Council, was in attendance for this item.

With the aid of a report prepared by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book) the Committee gave consideration to a request to amend the Council's Constitution to reflect the new role responsibilities of Assistant Deputy Executive Leader following the approval of a Special Responsibility Allowance for this role at Council on 29th March 2023.

The Elections and Democratic Services Manager drew the Committee's attention to Appendix A which outlined a proposed role description and Appendix B which outlined the changes required to be made to Article 7 of the Council's Constitution. Councillor R J West expressed views which he had previously raised at the Council meeting on 29th March 2023 that he did not support the inclusion of the role within the Constitution or the approval of the Special Responsibility Allowance for it. The Chair reminded the Committee that the allowance had already been approved and that the purpose of the report would be to include the role within the Constitution.

Councillor P Kadewere expressed his support for the proposals stating that it would enable the Joint Administration to work effectively across parties.

Councillor J A Gray echoed the views of Councillor R J West and made comment that the Independent Remuneration Panel, tasked with undertaking the review of Member Allowances, had not spoken to him as Leader of the Opposition about the creation of the Assistant Deputy Executive Leader role which was deemed to be poor. Furthermore, he commented that the proposals would come at a cost to the taxpayer and that this was not demonstrating the best use of taxpayer's money. Councillor T D Sanderson responded by informing the Committee that the Joint Administration had decided not to appoint to the maximum number of Cabinet Members and had also decided against the use of Cabinet Assistants. He also made reference to the decision which had been made by the previous administration to supplement the work of the Cambridgeshire and Peterborough Combined Authority and concluded by reiterating his support for the proposals.

On being put to the vote, the Committee

RESOLVED

- (a) to endorse the variation to Article 7 of the Council's Constitution as outlined in Appendix B of the report now submitted; and
- (b) to recommend to Council that the necessary variation be made to the Council's Constitution.

Prior to moving on to the next item, Councillor J A Gray raised previous requests to undertake a full review of the Council's Constitution, in particular the need to add reference to the Shadow Cabinet. The Elections and Democratic Services Manager reminded Members that it was within the Committee's gift to receive such a report at a future meeting and undertook to take this forward in conjunction with the Managing Director (Interim) outside of the meeting. In response to a question raised by Councillor T D Sanderson, Councillor J A Gray confirmed that clarity was needed around principles such as time and access to Officers, the role of Shadow Cabinet Members and other general rules of engagement.

43 EXTERNAL AUDIT UPDATE 2021/22

Messrs M Hodgson and A Paylor, Associate Partner and Audit Manager respectively of Ernst Young LLP, were in attendance for consideration of this item.

With the aid of a report prepared by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) the Committee were provided with the details to complete the process for finalising and publishing the Council's Annual Governance Statement and Annual Financial Report for 2021/22.

The Director of Finance and Corporate Resources reported that external audit work was ongoing and handed over to Mr M Hodgson, Associate Partner of Ernst Young LLP to provide an update to the Committee. In doing so, Mr M Hodgson

drew the Committee's attention to three issues, namely the addition of the significant risk pertaining to the new Payroll system, testing undertaken in respect of the fixed asset register and valuation movements and the national issues which existed around pension liability. Mr M Hodgson advised that he anticipated there wouldn't be any changes or material changes arising as a result of the audit. In terms of materiality, it was confirmed that the level of £1.93 million which had been set at planning stage remained appropriate with performance materiality also unchanged at £1.45 million. He then also made reference to the areas of outstanding audit work as presented within the audit report at the time of publication which were noted as follows:

- NDR Appeals Provisions;
- Payroll;
- Property, Plant and Equipment and Investment Property Valuations;
- Completion of our Journals testing; and
- Value for Money procedures.

In respect of valuations, the Director of Finance and Corporate Resources reported that the Council had sought a second opinion from an alternative independent valuer. Mr M Hodgson then reported that no fraud risks had been identified as part of the external audit and that the Value for Money procedure check had also concluded identifying that there were no risks or significant weaknesses within the accounts. To date, the only areas of external audit work outstanding related to valuations in respect of the Council's car parks and the pension liability. The Committee's attention was then drawn to the updated Annual Governance Statement (a copy of which is also appended in the Minute Book) and the draft Letter of Representation.

Councillor R J West commented upon the difficulties in completing the external audit each year and questioned the timing of the latest pension Triennial Valuation released on 1st April 2022 and its impact on the pension liability at the Balance Sheet date of 31st March 2022. Mr M Hodgson responded by informing that the latter remained a national issue and one outside of his control but highlighted the importance of ensuring the Council had the right set of accounts which accorded with International Financial Reporting Standards.

In response to a question raised by Councillor J A Gray, Mr M Hodgson expressed the view that he wasn't anticipating anything significant to arise from the new payroll system, that the pensions issue might lead to a material change in liability and that valuation figures identified in the fixed asset register might result in some additional work being undertaken on the accounts.

In terms of next steps in the process for finalising the 2021/22 accounts, the Committee's attention was drawn to the four recommendations contained within the report which would provide delegated authority to the relevant individuals to sign off the accounts.

Councillor T D Sanderson then raised a question relating to the Statement of Accounts, specifically the return of £4,268,000 back to central government in respect of Local Restrictions Support Grant. The Director of Finance and Corporate Resources undertook to circulate details around to the Committee outside of the meeting.

Councillor J E Harvey then questioned what impact delays with the completion of the external audit of the 2021/22 accounts would have upon publishing the draft accounts for 2022/23 by 31st May 2023 deadline. The Director of Finance and Corporate Resources responded by informing the Committee that at this present moment in time, she was unaware of the impact on the opening balances for the 2022/23 accounts as a result of the external audit work and was mindful of the tight turnaround. As expected, her team had been focussing on completing the external audit and not the 2022/23 accounts and that it would be a challenge to meet the expected deadline. Whereupon, it was

RESOLVED

- (a) to receive the Auditor's Results report (as attached at Appendix 1 of the report now submitted);
- (b) to give delegated powers to the Executive Leader and Managing Director to sign the updated Annual Governance Statement on behalf of the District Council;
- (c) to approve the Letter of Representation (as attached at Appendix 2 of the report now submitted) and authorise the Director of Finance and Corporate Resources (as Section 151 Officer) to sign it on behalf of the Council; and
- (d) to give delegated powers to the Chair of the Committee and Director of Finance and Corporate Resources (as Section 151 Officer) to authorise and sign the Annual Financial Report for 2021/22 (as attached at Appendix 3 of the report now submitted) on behalf of the Council, subject to the auditors confirming an unqualified opinion and there being no material adjustments.

44 INTERNAL AUDIT CHARTER

Councillor M A Hassall, Executive Councillor for Corporate & Shared Services, was in attendance for this item.

With the aid of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Committee were presented with a new and updated version of the Internal Audit Charter following its annual review.

In doing so, the Internal Audit Manager reported that the Charter was a requirement under the Public Sector Internal Audit Standards and had been based on the Institute's model Charter. Key provisions of the Charter included an explanation of the Internal Audit Service, Independence & Objectivity, Authority, Confidentiality and Reporting. Reference was made to the recent completion of an Independent Peer Review undertaken by the LGA where it had been identified that certain functions undertaken currently by the Internal Audit Service could be better placed elsewhere within the organisation. Following a question raised by Councillor J A Gray, a brief explanation was delivered on the purpose and background of the Peer Review, where it was noted that the findings of the review had only recently been shared in draft with the Council.

In response to a subsequent question raised by Councillor J A Gray querying the level of resources available within the Internal Audit Service at a time when new business plans and priorities had recently been adopted by the Council, the Internal Audit Manager reported that at present she did not have sufficient resources as she was currently the only permanent member of staff in her team. She then went on to report that the Internal Audit Plan 2023/24 would be submitted to the Committee at a future meeting to enable the final outcome of the Peer Review to be incorporated as well as realigning the Plan with new corporate priorities and risks. Councillor M A Hassall, Executive Councillor for Corporate and Shared Services advised that he would be taking up the matter of resources with the Managing Director (Interim) and Internal Audit Manager outside of the meeting. The Committee received assurances around the level of support and access provided to the Internal Audit Manager by Senior Management which was now better reflected within the Charter.

Finally, a question was then raised by Councillor R J West around the need to see more evidence of cultural change within the Council to better support and embrace the internal audit function. The Director of Finance and Corporate Resources responded that this was a challenge which remained across the Council's wider governance function, hence the request for the Peer Review. Whereupon, the Committee

RESOLVED

- (a) to review and approve the Internal Audit Charter;
- (b) to allow any amendment (following the Peer Review) to be approved by the Internal Audit Manager, following consultation with the Chair of the Committee.

45 IMPLEMENTATION OF INTERNAL AUDIT ACTIONS

Councillor M A Hassall, Executive Councillor for Corporate & Shared Services, was in attendance for this item.

A report by the Internal Audit Manager was submitted (a copy of which is appended in the Minute Book) providing an update on the implementation of internal audit actions.

The latest data now revealed 67% of actions being introduced on time (including those beyond target implementation). 18 actions were yet to be implemented and 18 overdue audit actions remained outstanding. Since the previous meeting, 20 actions had been implemented and closed since January 2023 and a total of 73 had been implemented and closed since April 2022. 42 remained open since April 2023. The Committee's attention was drawn to Appendix 1 which provided an update from services on the status of overdue audit actions, and Appendix 2 which outlined those which had been closed and implemented since April 2022.

The Director of Finance and Corporate Resources delivered an explanation of the work undertaken to review a number of outstanding audit actions relating to Payment Card Industry Data Security Standard (PCI DSS). It was confirmed that following advice received from the Council's PCI DSS consultant, the closure of actions would not result in the Council being fully compliant. A decision had

therefore been made to set up a project to focus on compliance by payment channel (web based, automated telephony, face to face and non-automated telephony) across the organisation's services ensuring that the Council would be compliant going forward.

The Internal Audit Manager drew attention to various actions, namely the closure of the action relating to Land Charges and the potential breach against the Code of Procurement relating to a Small Works Contract. In respect of the latter, Councillor J A Gray sought assurances that the matter had been dealt with promptly given this was a highly regulated area of the Council's work. The Managing Director (Interim) advised that extra resources had been given to the service as a means of preventing such issues from arising in the future again.

Following a suggestion made by the Internal Audit Manager that Senior Leadership Team include outstanding audit actions as part of regular 1:1s with Officers, the Director of Finance and Corporate Resources reported that an Assurance Board had now been established within the Council designed to improve the Council's governance practices. The purpose of the Assurance Board would be to challenge Managers on outstanding audit actions in a constructive and positive way and to look at the factors preventing them from being closed offering support where necessary.

In receiving a response from the Managing Director (Interim) to a question raised by Councillor A M Blackwell concerning the action relating to the Inventory of IT Assets, it was

RESOLVED

that the content of the report now submitted be noted.

46 CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of actions in response to any decisions taken at previous meetings. In doing so, the Democratic Services Officer reported that two uses of the Code of Procurement Waiver Procedure were underway and that further details would be circulated around to Committee Members in due course.

In respect of the Appointment of Independent Members to the Committee, Council had approved the appointment of up to 2 non-voting Independent Members at its meeting on 22nd February 2023 and an update on progress with the work yet to be undertaken to finalise the details discussed at the last meeting of the Committee was provided by the Internal Audit Manager. A model job description had been obtained and there were plans to advertise the posts locally and through the SOLACE website as well as sharing the opportunity with neighbouring authorities.

The meeting concluded at 8:15pm.

Chair