

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, 29 May 2024

PRESENT: Councillor M J Burke – Chair.

Councillors J A Gray, P J Hodgson-Jones, A R Jennings and D J Shaw.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors I P Taylor and C H Tevlin.

IN ATTENDANCE: P Webb (Independent Member)

M Hodgson and C Mellons (Ernst & Young LLP)

4 MINUTES

a) Minutes 20th March 2024

The Minutes of the meeting of the Committee held on 20th March 2024 were approved as a correct record and signed by the Chair.

b) Minutes - 18th April 2024

The Minutes of the meeting of the Committee held on 18th April 2024 were approved as a correct record and signed by the Chair.

c) Minutes - 22nd May 2024

The Minutes of the meeting of the Committee held on 22nd May 2024 were approved as a correct record and signed by the Chair.

5 MEMBERS' INTERESTS

No declarations were received.

6 INTERNAL AUDIT PEER REVIEW CHALLENGE ACTIONS - UPDATE

The Committee gave consideration to a report by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) to which was attached the Internal Audit Peer Challenge Actions Tracker Sheet updated to 14th May 2024. Members were reminded that the Peer Challenge Review in March 2023 identified seventeen actions to improve internal governance within the Council. The follow up to this review noted a further five actions. The Tracker Sheet provided an update on progress against the actions.

Following comments from Councillors Gray, Hodgson-Jones and Jennings regarding the recent departure of the Internal Audit Manager the Committee expressed its concern that they had not received any advice in relation to this matter, and asked for assurance that the Council was able to maintain an adequate and effective system of internal audit for accounting records and control systems. In response the Director of Finance and Corporate Resources acknowledged that the situation was challenging and reported that the Council had engaged the services of Jonathan Tully, Head of the Shared Internal Audit for Cambridge City and South Cambridgeshire District Councils, to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place comprising risk management, corporate governance and financial control. His opinion had informed the Annual Governance Statement.

The Chair, Councillor Burke, commented that whilst recognising it was important when considering information relating to the affairs of any particular person that confidentiality was maintained, he would consult with the relevant officers on this matter and circulate an update to the Committee.

In response to a question from Councillor Jennings on when the Committee could expect the report from Binder Dijker Otte (BDO) to be received, it was reported that it would be available in June 2024.

As a result of a question from Councillor Gray about whistleblowing, the Chair indicated that he was fully committed to the highest possible standards of openness, transparency and accountability. In that context, the Director of Finance and Corporate Resources stated that any such reports were directed to the Internal Audit Team for independent review.

Following a question from Councillor Hodgson-Jones, Members were informed that the current establishment for the Internal Audit Team comprised one full-time member of staff and three part time staff. One of the part-time staff was fully qualified, one was a trainee and one was an apprentice with significant experience. Councillor Hodgson-Jones expressed concern that there was insufficient resilience within the Internal Audit Team and that the Council should review the structure of the Internal Audit Function and consider entering into a shared service with another authority. In response, the Director of Finance and Corporate Resources confirmed the Council had commenced the recruitment of an Internal Audit Manager but that other options would be reviewed if the process was not successful including entering into a shared service. Whereupon, it was

RESOLVED

that the progress achieved in regard to the LGA Peer Challenge Review actions be noted.

7 ANNUAL GOVERNANCE STATEMENT AND DRAFT STATEMENT OF ACCOUNTS 2023/24

With the aid of a report by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) the Committee were presented

with the Council's Draft Statement of Accounts 2023/24. In introducing the report, the Director of Finance and Corporate Resources stated that the Corporate Governance Committee was designated as 'those charged with governance' and consequently it was required to approve the Statement of Accounts.

Members were informed that during 2023/24 the Council had continued to deliver against its corporate objectives and budget, that the Statement of Accounts included information on revenue fund balances and earmarked reserves, which at 31st March 2024 amounted to £2,175k and £34,450k respectively, and that the year-end financial position was largely driven by current economic conditions, which had impacted on the Council's running costs, particularly utility and fuel costs. In addition, the Council had benefitted from higher interest rates set by the Bank of England during the year, resulting in significantly higher interest income on cash balances.

The Director of Finance and Corporate Resources advised the Committee that this would be the earliest the draft Statement of Accounts had been published. She placed on record her thanks to the Finance Team for the work that they had undertaken to ensure the statements were ready for scrutiny by the Committee. Furthermore, the Annual Governance Statement had been produced two months earlier than the Council normally published this document.

Councillor Gray asked why the actual revenue expenditure showed a variance against the budget. In response it was noted that the budgets were prepared in advance and could only ever estimate income and expenditure, for example, income on investments was higher than expected as interest rates were significantly higher than anticipated. The Committee requested that the reference to the assumptions that had informed the budget plans for 2023/24 in February 2023 be reviewed.

As a result of questions from Councillor Jennings it was noted that since at least 2022 no local resident or interested person had exercised their legal right to inspect, ask questions about or challenge items in the Council's accounts or to ask the External Auditors any questions on the accounts. It was noted that External Auditors had until the audit had been completed to respond to questions about the accounts. The Committee then

RESOLVED

- a) that the Annual Governance Statement in Appendix 1 to the report now submitted be approved;
- b) that, subject to an amendment to the reference to assumptions in the budget plans for 2023/24, the unaudited Statement of Accounts for 2023/24 in Appendix 2 to the report now submitted be approved;
- c) that the Notice of Publication in Appendix 3 to the report now submitted be approved.

8 INTERNAL AUDIT SERVICE: ANNUAL REPORT 2023/24

By means of a report by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) the Committee were presented with details of the work that had been undertaken by Internal Audit during the

year ending 31 March 2024. The report referred to the evidence that provided reasonable assurance over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2023/2024.

In introducing the report, the Director of Finance and Corporate Resources informed Members that the Annual Governance Statement required an annual opinion from the Head of Internal Audit on the Control Environment. The opinion should be provided by a suitably qualified and independent person. This opinion had been provided by Jonathan Tully, Head of Shared Internal Audit for Cambridge City and South Cambridgeshire District Councils. The opinion had been based on the outcome of eight audit reviews and six reviews of key financial systems.

Members' attention was drawn to a number of areas covered in the report. The audit had found that the Social Value in Procurement Policy and Framework adopted in 2019 had not been implemented, key aspects were not complied with and the approach had not been amended to reflect a number of economic changes. Furthermore, a formal contract management process was not in place and staff were not trained in social value. Therefore, additional resources had been recruited to review and implement the Social Value in Procurement Policy, to adopt the new Procurement Regulations in October 2024 and to assist budget managers with contract management.

Regarding the implementation of audit actions, there remained a significant number of actions that had become overdue. It was understood that capacity had inhibited progress. It was important that services proposed realistic implementation dates. Internal Audit would therefore discuss this at each audit closure.

Assurance work in relation to the Development Management Service and General Data Protection Regulation had not been undertaken because service provision was not fully in place. The services had therefore agreed to prepare and follow improvement plans and the intention was for Internal Audit to review progress against these under the 2024/25 Audit Plan.

The Internal Audit Manager would continue to report functionally to the Committee and maintained organisational independence. There were no constraints placed upon the Manager to determine overall audit coverage, audit methodology, the delivery of the Audit Plan or proposing actions for improvement or forming opinions on individual audit reports.

In response to a question by Councillor Hodgson-Jones, it was stated that the report was ordered by the action reference number rather than by importance or date. Following discussion on the format of the report, it was suggested that it should include the date on which each action had been entered with the date on which the relevant report was finalised and issued, a summary table of the timeline for each action to provide the required auditing and assurance standards and a visual representation of the of the audit actions' direction, priorities and progress over time. In response it was pointed out that the Council faced significant challenges in securing an Internal Audit Team that was able to identify what improvements were required and in ensuring that these were actioned effectively and delivered value for money.

It was reported that to support preparation for the Procurement Act 2023, the Council would produce a staff training plan covering all aspects of the new regime, including contract management and procurement. This would mean the Council achieved better value for money and ensure the Council received the services it paid for. Accordingly, it was

RESOLVED

- a) that the report be received and noted, and
- b) the Audit Assurance Opinion be taken into account when considering the Annual Governance Statement for 2023/24.

9 INTERNAL AUDIT PLAN AND CHARTER 2024/25

With the aid of a report by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) the Committee were presented with the Internal Audit Plan for 2024/25 and the Internal Audit Charter. The Director of Finance and Corporate Resources informed Members that the Committee had responsibility under its terms of reference for ensuring the Council undertook effective internal audits to evaluate the effectiveness of its risk management, control and governance processes in accordance with the Public Sector Internal Audit Standards.

It was reported that the Plan was based on a list of assurance activities and showed areas where audit activity was planned. It included services where internal audit activities were either deferred from last year's Plan or were unable to be completed, areas of risk highlighted in the organisation's risk registers and the mitigating actions put in place to control these, and areas of statutory review. In addition, the Plan linked to the Corporate Plan and the Risk Register. Should new areas of risk emerge, they would be assessed against the Plan and the Plan would be adjusted to allow for higher-priority reviews to be included. In addition, a capacity review of the Internal Audit team had been undertaken and the Plan was linked to the current team establishment and the use of BDO for internal audits.

Members noted that the Internal Audit Charter established a framework within which the Internal Audit Service operated best to serve the Council and to meet its professional obligations under applicable professional standards. It defined the purpose, authority and responsibility for internal audit activity, established the Internal Audit Service's position within the organisation; authorised access to records, personnel and physical properties relevant to the performance of engagements; and defined the scope of internal audit activities. Finally, following the recommendations from the LGA Peer Challenge Review, the Charter had been reviewed in line with the recommendations of Chartered Institute of Public Finance and Accountancy and Public Sector Internal Audit Standards.

Following a question from Councillor Hodgson-Jones, the Committee was advised that it would be provided with the capacity calculations in terms of available audit days and resources including any plans to bring in internal audit resource from other areas such as that the BDO contract allowed to deliver general audit work. Notwithstanding this the Internal Audit Team would undertake an increasing number of reviews and, more importantly, have a much

wider remit across the organisation rather than just focusing on the central key controls. This would have a positive impact on the information risk position and the Council's ability to use Internal Audit to achieve better value and governance.

Councillor Gray asked a question about work to implement the new Procurement Regulations in October 2024. It was reported that the Code of Procurement would be updated and presented to the Committee for its consideration and comment.

Comment was made that for the Internal Audit Team to be effective in providing assurance, it needed to be sufficiently resourced, both financially and in terms of qualified, experienced staff. In addition, it should have well developed work practices and be independent and objective. Councillors Hodgson-Jones, Gray and Jennings placed on record their view that the Plan required further work to be undertaken and should be revised. They then expressed the view that based on the report, the Internal Audit Team had insufficient knowledgeable and competent resources to provide assurance and ensure that advisory work was performed in alignment with the Council's expectations and in conformance with widely accepted principles and standards. Therefore, consideration needed to be given to how greater resilience could be achieved so that the Internal Audit function was able to deliver the necessary level of service.

The Committee stressed the need to have an internal audit function that could effectively provide independent assurances that the Council's risk management, governance and internal control processes were operating effectively. The Director of Finance and Corporate Resources stated that she recognised the importance of the Committee being informed of amendments that were made to the Internal Audit Plan under the delegated authority. In that context the Committee:

RESOLVED

- a) that the Internal Audit Plan be approved;
- b) that the Internal Audit Charter be approved, and
- c) that the S.151 Officer be authorised to make changes to the Internal Audit Plan following consultation with Internal Audit Manager and the Chairman of Corporate Governance Committee.

10 EXTERNAL AUDIT PLAN 2023/24

The Committee received a verbal briefing from Mark Hodgson, Partner, and Claire Mellons, Audit Partner (Government and Public Sector, Ernst & Young LLP. Mr Hodgson referred to the national context and the intention to re-set audit across councils. A backstop had been introduced to conclude audits for 2022/23 by 30th September 2024. However, Government guidance emphasised that audit should maximise assurance and move to the most recent financial information. With regard to the former, it was intended to complete all Value for Money work. Mr Hodgson outlined his intention for the audit Opinion to be signed by December 2024. The External Audit Plan would be submitted to a future meeting.

In response to a question by Councillor Gray, Ms Mellons stated that she was confident the Plan would be completed on time. Work would commence at the earliest opportunity and if possible prior to formal approval by the Council of the Plan.

11 CORPORATE RISK REGISTER

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 reviewed the Corporate Risk Register. The Register identified those areas where action should be taken to mitigate the Council's exposure to risk and informed the Annual Plan for Internal Audit. The Director of Finance and Corporate Resources informed Members that the requested Heat and Movement Maps would be submitted to a future meeting.

Following a question by Councillor Gray, the Director of Finance and Corporate Resources reported that risk events were dealt with by service managers but that significant events would be reported to the Senior Leadership Team (SLT). They would be investigated and acted on as appropriate, including reporting to the relevant Member forum. However, it was necessary to manage how such information was used. Generally, information on health and safety matters were reported to SLT. In addition, it was intended to move to a more comprehensive system to capture risk events. In the short term a Risk Manager would be appointed to embed the Strategy and arrange training. A report would be submitted to a future meeting of the Committee on this subject.

RESOLVED

- a) that the report be received and noted, and
- b) that it be confirmed that risks to the Council are being managed in line with the Risk Management Strategy.

12 CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report on progress of actions in response to discussions and decisions taken at previous meetings. A copy of the report is appended in the Minute Book. The Director of Finance and Corporate Resources reported that the actions relating to the Code of Procurement Waiver Procedure and Risk Management Strategy had been completed. In relation to the unaudited Statement of Accounts, discussion took place on monitoring the performance of the Pension Fund. While it was recognised the fund performed well, it was suggested it would be useful to compare it with other local authority funds over a longer period of say, five years.

Chair