

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, Cambs, PE29 3TN on Tuesday, 25 September 2012.

PRESENT: Councillor E R Butler – Chairman.
Councillors M G Baker, K J Churchill,
G J Harlock and R J West.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor P G Mitchell.

16. MINUTES

The Minutes of the meeting of the Panel held on 26th June 2012 were approved as a correct record and signed by the Chairman.

17. MEMBERS' INTERESTS

No declarations were received.

18. ANNUAL REPORT ON THE FREEDOM OF INFORMATION ACT, ENVIRONMENTAL INFORMATION REGULATIONS AND DATA PROTECTION ACT

With the aid of a joint report by the Heads of Information Management and Legal and Democratic Services (a copy of which is appended in the Minute Book) the Panel received a report on the number of requests received by the Council under the Freedom of Information Act, Environmental Information Regulations and Data Protection Act.

Following a request made by Councillor K J Churchill it was agreed that future reports would include the previous year's statistics for comparative purposes.

Referring to the publication deadline set by the Coalition Government's Data Transparency Report in relation to the publication of any items of expenditure over the sum of £500, Councillor G J Harlock queried whether the date of the end of July 2012 had been met by the Council. In so doing, the Corporate Systems and Information Manager confirmed that the deadline had been achieved.

Following a question raised by Councillor M G Baker querying the cost to the Council for complying with these legislative requirements, it was reported that reference was made within the report to the number of hours spent by Officers in dealing with such requests.

RESOLVED

that the contents of the report now submitted be noted.

19. AUDITORS REPORT - FINAL ACCOUNTS 2010/11

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

With the aid of a report by the Head of Financial Services (a copy of which is appended in the Minute Book) the Panel received and noted a report by the external auditors outlining the findings of their audit of the Council's 2010/11 final accounts. Whereupon, it was

RESOLVED

that the content of the ISA 260 report for 2010/11 now submitted be noted.

20. INTERNAL AUDIT SERVICE: ANNUAL REPORT FOR THE YEAR ENDING 31ST AUGUST 2012

(At 6:50pm, during discussion on this item, Councillor M G Baker left the meeting.)

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was advised of the requirement under the 2006 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

The Audit and Risk Manager outlined his view that the Council had put in place adequate controls to manage identified risks to its objectives and the risks inherent in undertaking its work.

Having had their attention drawn to the implementation of agreed audit actions, Members have expressed their disappointment that only 48% of actions had been introduced on time. Furthermore, the view was expressed that the target of 60% was very modest and that consideration should be given to introducing a more challenging target. Having queried the reasons why actions were not being introduced on time, the Audit and Risk Manager explained that responsibility for these actions were outside of his direct control and lied overall with service managers. Owing to their concerns, the Panel agreed that their comments should be relayed to the Executive Councillor for Resources.

The Panel expressed some surprise over the wording used by the external auditors in their comment on internal audit, namely "no negative view expressed". Having queried this with the Council's external auditors, Mr C Everest confirmed that it was not their role to express a view on the Council's internal audit service and whilst they had regard to the work of the Internal Audit Service generally, this was to gain an understanding of the key controls in place for the Council's financial accounts and to undertake detailed testing of its controls and systems. Whereupon, it was

RESOLVED

- (a) that the content of the report be noted and the opinion of the Audit and Risk Manager taken into account in the consideration of the Governance Statement under Minute No. 25 post; and
- (b) that the Panel's concerns in respect of the implementation of agreed audit actions and the respective target be relayed to the Executive Councillor for Resources for review.

21. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT SERVICE

Consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) detailing the outcome of a review of the effectiveness of the Internal Audit Service as required by the Accounts and Audit Regulations 2011.

A request was made by Councillor G J Harlock for the Panel to have sight of the 100 point checklist which had been utilised as the basis for the self assessment review.

The Audit and Risk Manager reported that a Peer Review of the Internal Audit Service would be undertaken in October 2012, the outcome of which would be reported to the Panel at its December 2012 meeting. Having received clarification that the external audit opinion referred to within the report related to the audit of the 2011/12 financial accounts, it was

RESOLVED

- (a) that it be noted that the Internal Audit Service is generally effective; and
- (b) that the content of the action plan prepared to address the areas for improvement identified in the self assessment be noted.

22. REVIEW OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE PANEL

A report by the Audit and Risk Manager was submitted (a copy of which is appended in the Minute Book) detailing the outcome of a review undertaken by the Chairman on the effectiveness of the Panel.

The Chairman drew the Members attention to his conclusions relating to the Panel's understanding of the annual accounts process and the need to be more proactively aware of relevant legal and regulatory issues and best practice developments. Examples which were referred to included the implications of the International Financial Reporting Standards upon the Council and undertaking effectiveness reviews on significant decisions made by the Council, such as Local Government Shared Services outsourcing.

Following a question raised by a Member querying what aspect of the Local Plan the Chairmen felt that the Panel should be reviewing, the Head of Legal and Democratic Services explained that the process

was largely prescribed by legislation, which was subject to Judicial Review if not followed correctly and so there was limited scope for review. Consequently, it was noted by Members, that any review would be limited to the governance and procedural issues of the Local Plan process. Whereupon, it was

RESOLVED

- (a) that the outcome of the Chairman's review of the effectiveness of the Panel be noted;
- (b) that reports on the governance of the pay review, business continuity plan and the Local Plan be submitted to future Panel meetings; and
- (c) that the introduction of actions identified within paragraph 3.3 of the report now submitted be supported by the Panel.

23. RISK REGISTER

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel were acquainted with changes made to the Risk Register between the period 14th March to 31st August 2012.

RESOLVED

that the content of the report now submitted be noted.

24. COMPLAINTS

Pursuant to Minute No.12/14, the Panel received a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) on the lessons learnt by the Council on the cases referred to the Local Government Ombudsman.

In introducing the report, the Head of Legal and Democratic Services reported that only two complaints had been referred to the Ombudsman in 2011/12, both relating to the same matter. As a result, two departments within the Council were now actively liaising with one another to prevent similar instances from arising in the future. Having been advised that the report would be submitted to the Panel on an annual basis, it was

RESOLVED

that the content of the report now submitted be noted by the Panel.

25. GOVERNANCE STATEMENT

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

By way of a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) the Panel undertook

its annual review of the governance statement which sets out arrangements for the Council's corporate governance activities.

The Corporate Policy and Performance Manager tabled an updated version of the Governance Statement (a copy of which is also appended in the Minute Book) to take into account comments which had been received by the external auditor since the publication of the Panel's Agenda.

In response to a question raised by a Member, it was confirmed that the Annual Audit and Inspection Letter for the 2010/11 accounts would be submitted to the December 2012 meeting of the Panel.

Having made minor suggestions to vary the text of the governance statement; namely in relation to the deletion of reference to the Local Area Agreement and an amendment to the date for the review of the effectiveness of the Overview and Scrutiny Panels, the Panel

RESOLVED

that subject to the incorporation of the amendments highlighted above, the Governance Statement for 2011/12 be approved and the Chairman of the Panel be authorised to sign the Statement on behalf of the Council.

26. APPROVAL FOR PUBLICATION OF THE 2011/12 ACCOUNTS

(Mr C Everest and Ms H Clark, PricewaterhouseCoopers LLP were in attendance for consideration of this item).

Consideration was given to a report by the Head of Financial Services (a copy of which is appended in the Minute Book) outlining the process required to be undertaken prior to the publication of the 2011/12 final accounts.

As part of which, Mr C Everest delivered the external auditors' ISA 260 report which outlined their findings arising from the audit of the 2011/12 accounts. Members were encouraged to note that there were no significant issues to bring to the attention of the Panel. Ms H Clark then proceeded to deliver an explanation of the audit approach undertaken and updated the Panel on matters which had progressed since the publication of the report.

The external auditors then proceeded to respond to a number of questions raised by the Panel relating to the qualification of the accounts, the effective use of financial journal entries by the Council, the difference between the trial balance and the amount disclosed within the financial statements and the implications of International Financial Reporting Standards upon building valuations for each of the Leisure Centre buildings.

Having expressed their satisfaction with the content of the external auditors' Letter of Representation and in receiving the draft Statement of Accounts for the year ended 31st March 2012, the Panel

RESOLVED

- (a) that the content of the external auditors ISA 260 report, together with the proposed management action to deal with the concerns raised, be noted;
- (b) that the Letter of Representation appended as an Annex to the auditors' report now submitted be approved and the Managing Director (Resources) be authorised to sign it on behalf of the Council;
- (c) that delegated authority be approved to the Managing Director (Resources), after consultation with the Chairman of the Panel, to make any final non-material changes to the 2011/12 accounts as required by the external auditors; and
- (d) that, subject to recommendation (c) above, the draft Statement of Accounts 2011/12 as appended to the report now submitted be approved and the Chairman of the Panel be authorised to sign the accounts on behalf of the Council.

27. TRAINING OF PANEL MEMBERS

The Panel considered a report by the Head of Financial Services (a copy of which is appended in the Minute Book) regarding suggestions for training for Panel Members based on the anticipated work programme for the Panel over the ensuing year. In light of previous comments which had been made over the Panel's lack of understanding on the annual accounts process, the Head of Financial Services indicated that training in this respect could be offered prior to the Panel's March 2013 meeting if desired.

28. EXCLUSION OF PRESS AND PUBLIC

RESOLVED

that the public be excluded from the meeting because the business to be transacted contains exempt information relating to any action to be taken in connection with the prevention, investigation or prosecution of crime, relates to the financial or business affairs of any particular person (including the authority holding that information) and is likely to reveal the identity of any individual.

29. HOUSING BENEFIT - INTRODUCTION OF RISK BASED VERIFICATION

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

With the aid of a report by the Head of Customer Services (a copy of which is appended in the annex to the Minute Book) the Panel considered a proposal to introduce risk based verification on new Housing and Council Tax Benefit claims submitted through the Council's online claim facility.

By way of background, the Managing Director (Resources) outlined

that the proposals had arisen as a result of a pilot undertaken by a number of local authorities across the country. The scheme would enable the Council to categorise applications into one of the three risk groups of high, medium or low and would generate efficiencies of up to 50% in the caseload for low risk claims and improved error detection rates for high risk cases.

In response to questions raised by the Panel it was confirmed that the scheme would relate to both Housing and Council Tax Benefit claims which were submitted through the Council's website. It was therefore agreed that paragraph 6.1 of the report should be amended to clarify this point in advance of its submission to the Cabinet. Whereupon, it was

RESOLVED

that the Benefits Risk Based Verification Policy attached as an Appendix to the report now submitted be approved by the Panel.

30. CODE OF PROCUREMENT : TENDER AND QUOTATION REVIEW

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

Pursuant to Minute No. 12/08, the Panel received a report by the Internal Audit and Risk Manager (a copy of which is appended in the annex to the Minute Book) responding to concerns which had previously been raised in respect of the Council's compliance with the Code of Procurement.

Having had their attention drawn to the review process adopted and the outcomes of the review, the Panel were advised that since May 2012, the Internal Audit Service had been notified and had witnessed the opening of four quotations, three of which had not been undertaken in accordance with the Code. In receiving a brief explanation of each of these cases, the Audit and Risk Manager then reported upon the need to make amendments to the existing Code to enable provision for emergency procedures relating to the receipt of contracts in excess of £50,000 and the need for this to be extended to include quotations.

The Panel expressed their disappointment over the lack of compliance with the Code and made comment that efforts should be made to ensure that the Code was being adhered to across the authority.

Following a question prompted by Councillor J A Gray, Executive Councillor for Resources, the Panel then discussed the process by which sub-contractors were appointed by the successful contractors and whether or not the Council had any influence over those which were awarded. In so doing, it was reported that the Council could nominate sub-contractors and stipulate this within the terms of the contract, however this was very rare and would result in the Council being exposed to increased levels of risk.

The Audit and Risk Manager reported that he would be undertaking a

further piece of work on the effective utilisation of the procurement register. This was welcomed by the Panel given that Members were not satisfied that the Internal Audit Service was being informed of all tenders received.

Other matters that were discussed included the publicity undertaken by the Council to attract potential contractors, the importance of communication, particularly to those that were unsuccessful in their bids and the process adopted by the Audit and Risk Manager to undertake the review.

The Head of Legal and Democratic Services delivered assurances that the Code was being adhered to in the case of large contracts and made comment that the problems experienced with the lower range contracts appeared to be a lack of knowledge and understanding of the Code, particularly in relation to the quotation procedures. In acknowledging the need for an education and training programme to be developed, the Panel

RESOLVED

- (a) that the content of the report now submitted be noted; and
- (b) that an education and training programme be developed for Officers on compliance with the Code of Procurement.

31. LESSONS LEARNT - 2010/11 ACCOUNTS

(Councillor J A Gray, Executive Councillor for Resources was in attendance for consideration of this item).

Pursuant to Minute No. 12/09 and by way of a report by the Managing Director (Resources) (a copy of which is appended in the annex to the Minute Book) the Panel received a summary of the lessons learnt, together with the additional costs attributable to the delay in the publication of the 2010/11 accounts.

Having been advised that the review had been undertaken by the Audit and Risk Manager, Members attention was then drawn to the five recommendations made, which the Managing Director (Resources) indicated he had accepted.

The Panel then proceeded to review each of the recommendations proposed within the report and also expressed their support for the actions proposed.

Nevertheless, some disquiet continued to be expressed by Members over the extent of the problems experienced. Comment was made at the lack of detail provided within the report on the additional costs incurred by the Council as a result of the delay with the publication of the 2010/11 accounts. Other matters that were discussed included the scheduling of the planned voluntary retirement of the Capital Accountant and the flexible working practices adopted by the Accountancy Team.

Having placed on record their thanks to the Head of Financial Services and his Team for their efforts in finalising the 2010/11 accounts, the Panel

RESOLVED

- (a) that external audit recommendations be included within the internal audit actions database with a view to monitoring these actions and reporting progress against them at future Panel meetings;
- (b) that information reports be circulated to Panel Members outside of the meeting on key issues and/or initiatives being undertaken by the Council;
- (c) that the corporate guide to managing projects be reviewed and approved by Chief Officers Management Team and subsequently forwarded on to Managers for their perusal;
- (d) that agreed audit actions from the Asset Register be introduced for implementation by the Head of Financial Services; and
- (e) that the Head of Financial Services be requested to take steps to ensure that International Financial Reporting Standards knowledge and skills are captured with a view to enabling good financial reporting in future years.

Chairman