

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, PE29 3TN on Wednesday, 25 March 2015.

PRESENT: Councillor G J Harlock – Chairman.
Councillors M G Baker (part), P Kadewere, P G Mitchell and R J West.

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

IN ATTENDANCE: Councillor J A Gray (part)

115. MINUTES

The Minutes of the meeting held on 26th November 2014 were approved as a correct record and signed by the Chairman.

116. MEMBERS INTERESTS

There were no declarations of interest received from those Members that were present.

117. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

The Panel received and noted a report (a copy of which is appended in the Minute Book) of actions taken in response to recent decisions.

The Panel were informed that the format of the Progress Report had been amended and now indicated those items that were to be deleted from the report.

Regarding the review of the effectiveness of the Advisory Group, the Progress Report suggested that the review would be postponed until December 2015 to allow for an internal audit review of the S106 process, prior to reviewing the effectiveness of the Advisory Group. The Panel agreed with this proposal.

In response to the Panel's previous request for clarification on the respective roles of the Overview and Scrutiny Panel (Economic Well-Being), the Cabinet, Corporate Governance Panel and the Risk Management Champion in managing risk within the Council, it was explained that the matter had been referred to the Risk Governance Board and the definition of roles was near to completion.

It was noted that the Panel had referred the evaluation of Member performance to the Member Development Group. However, as the Member Development Group had been abolished it had been agreed to allow the Managing Director and Corporate Management Team to consider how this should be implemented.

In response to a query it was confirmed that at this present time it was not proposed to delete the 'Value for Money' item from the Progress Report and that the item would be considered at the next Panel meeting.

Regarding the Panel's concerns regarding the 'Implementation of Audit Actions' the Panel noted that a response was still awaited from the Managing Director and therefore was not to be removed from the progress report.

118. EXTERNAL AUDIT PLAN 2014/15

The Panel received and noted a report by the External Auditors (a copy of which is appended in the Minute Book) detailing the External Audit Plan for 2014/15.

Mr Everest of PricewaterhouseCoopers LLP drew the Panel's attention to the key audit risk areas identified for the year and highlighted the approach that would be undertaken to complete these audits. The plan also took account of the zero based budgeting exercise for expenditure that the Authority had undertaken.

The Panel's views on fraud and the triviality threshold of £90,000 were sought by the External Auditors. One of the External Auditor's responsibilities was to report any concerns identified during the audit regarding fraud. In response to a question it was explained that if fraud was suspected the External Auditors would notify the Council.

Councillor Michael Baker stated that as he would be leaving the meeting early he wished that it be noted that he was of the opinion that the Fraud Working Group should continue.

It was noted that overall materiality had been established at 2% of 2013/14 expenditure and in response to a question, it was explained that if a number of items were identified below the 2% level the External Auditors would highlight this to the Council's Finance Team.

Having received an explanation regarding the triviality threshold, the Panel were content with the triviality threshold of £90k.

In response to a question regarding the Council's new zero based budgeting approach and the external audit of this process, Mr Everest explained that External Audit considered the financial resilience of the Council, reviewed the new processes, evaluated the underlying assumptions in the Medium Term Financial Strategy, reviewed supporting savings plans and verified the calculations involved in setting the budget.

The Panel noted that the external audit function would transfer to Ernst and Young from 2015/16. The Chairman was disappointed that the Panel had not been informed of this via a more substantial item.

Councillor Gray entered the room at this point of the meeting, at 7.10pm.

It was explained that the transfer of the external audit function to Ernst and Young from 2015/16 onwards would initially be for two

years. In response to a question, it was explained that should the Council wish to change to another External Auditor after this time the Council would need to go out to tender. Whereupon, it was

RESOLVED

That the Panel note the content of the External Audit Plan for 2014/15 and the comments offered regarding the triviality threshold of £90k and fraud be noted.

119. EXTERNAL AUDIT GRANT CERTIFICATION 2013/14

The Panel has received and noted a report (a copy of which is appended in the Minute Book) from the External Auditor detailing the certification of specific grants received by the Council in 2013/14.

During 2013/14, the Council received a significant amount of central government grant for Housing Benefits and part of the control framework for such grants was that they be subject to external audit.

Mr Everest of PricewaterhouseCoopers LLP explained that whilst there were no significant issues arising from the report, in respect of Housing Benefits some minor errors had been identified which meant that additional testing was required. Mr Everest noted that these errors were similar to other Councils and that the External Auditors would prefer not to have to do the additional testing.

The Panel expressed their concerns again that the rules issued for auditing benefit claims were too rigid as minor errors following sampling had significant cost implications for an authority. In response to concerns expressed that previous correspondence from the Head of Resources to the Local Government Association had no effect, the Head of Resources reported that the Department for Work and Pensions now seemed to recognise that there was an issue. The Panel therefore

RESOLVED

That the content of the External Auditor's 2013/14 Grant Certification Report be noted.

120. EXTERNAL AUDITORS: ISA 260 REPORT - 2013/14: IMPLEMENTATION OF RECOMMENDATIONS

By way of a report (a copy of which is appended in the Minute Book) it was explained that following the external audit of the 2013/14 Annual Financial Report, the External Auditors were required to issue their ISA 260 Report. The report made four recommendations in respect of the 2013/14 Annual Financial Report and informed the Panel of progress with implementing the recommendations.

The External Auditors would undertake a review of all recommendations and report back to the Panel in September 2015. The Panel

RESOLVED

That the status of implementation of the recommendations included within external audit's ISA 260 report in respect of the 2012/13 and 2013/14 Annual Financial Report be noted.

121. FRAUD TEAM UPDATE

Prior to consideration of the report, the Chairman reminded the Panel that the Appendix to the report contained confidential information and therefore any discussions specifically relating to information contained within the Appendix would need to be in closed session.

With the assistance of a report by the Head of Customer Services, (a copy of which is appended in the Minute Book) the Panel were informed that the Fraud Working Group had fulfilled its objectives and Terms of Reference. The Panel were therefore requested to disband the Fraud Working Group. Following the Cabinet's endorsement of the findings of the Panel, to retain an in-house Fraud Team, good progress was being made and it was expected that the Council would have an operational Fraud Team ready for the transfer of responsibility of welfare fraud investigation to the Department for Work and Pensions in May 2015.

The Chairman noted that Councillor Butler, who was absent from the meeting, was keen for the Fraud Working Group to be retained and suggested the Panel might wish to defer the item to allow for a discussion on the matter when Councillor Butler was present.

Following the Panel's deliberations on the retention of the Fraud Working Group, it was decided that the Fraud Working Group should be disbanded and that the matter should feature as an item on the Corporate Governance Panel Progress Report, to enable the Panel to consider whether they wished to establish a new Fraud Working Group, and if so, to determine the Terms of Reference, once the in-house Fraud Team was operational.

In response to a question regarding progress with the tenancy fraud service, the Benefits Manager who was in attendance in the absence of the Head of Customer Services, explained that the Council was the lead partner of the Cambridgeshire Anti-Fraud Network and over the next year will be working towards procuring software and working with housing associations to investigate tenancy fraud.

It was enquired whether the Council, as the lead authority for the tenancy fraud service would be charging other partners for this service. It was explained that no decision had been made on whether the service would incur a charge. However, other partners were unlikely to be willing to pay and the Council had to be mindful that they were its partners. Whereupon, it was

RESOLVED

That the Corporate Governance Panel approve that the Fraud Working Group be disbanded having completed the tasks set out in its Terms of Reference

That the Corporate Governance Panel notes the ongoing work to deliver a Huntingdonshire District Council Fraud Service once the

transfer of welfare fraud investigation to the Department for Work and Pensions had been completed.

That the topic of a new Fraud Working Group be included as an item on the Corporate Governance Panel Progress Report to enable the Panel to consider whether they wished to establish a new Fraud Working Group and, if so, to determine the Terms of Reference.

122. CODE OF FINANCIAL MANAGEMENT AND CODE OF PROCUREMENT UPDATE FOR 2015/16

Consideration was given to a joint report by the Accountancy Manager and Procurement Manager (a copy of which is appended in the Minute Book) which presented to the Panel the Code of Financial Management and the Code of Procurement.

The documents were reviewed on an annual basis to ensure that they reflected current legislation and the changing needs of the Council, as the policies underpin financial governance in the Council and are Annexes to the Council's Constitution.

Tabled at the meeting were amended pages 5 and 6 of the Code of Financial Management which the Panel considered.

The Panel were referred to paragraph 3 of the report which explained the proposed changes to the Code of Procurement and paragraph 4 of the report which detailed the main changes to the Code of Financial Management.

At 7.40pm Councillor Baker left the room and did not return to the meeting.

In discussing the documents it was suggested that risk management should be more prominent within the Code of Financial Management as it was unclear where the responsibility for risk management was within the authority. It was noted that the Code of Financial Management incorporated that the Corporate Governance Panel would ensure that the Council had a sound system of internal control including arrangements for the management of risk.

An amendment was made to paragraph 5.7 of the Code of Financial Management regarding insurance as it was considered by the Panel that any decision not to insure should be reported to the Executive Councillor for Resources and not be a decision taken solely by the Internal Audit and Risk Manager. The Internal Audit and Risk Manager noted that in some instances the law dictated what required insurance and that a full review of insurances was conducted and presented to the Cabinet.

Regarding paragraph 1.4 of the Code of Financial Management, the Internal Audit and Risk Manager requested that approval of the Risk Management Strategy be included as a separate bullet point, which was agreed by the Panel.

At 8pm Councillor Gray left the room and did not return to the meeting.

In conclusion the Panel agreed a further amendment to the eighth bullet point of paragraph 1.12 of the Code of Financial Management, to include the wording '*in accordance with the Risk Management Strategy*'. Whereupon, the Panel

RECOMMEND

(a) That the Code of Financial Management, as attached as Annex A to the report now submitted, with the inclusion of the amended pages as tabled at the meeting (page 5 and 6) be adopted, including the following amendments (as highlighted in italics):

- Paragraph 1.4 be varied to read – The Cabinet:

Will:

• Propose To The Council:

- The Medium Term Financial Strategy
- The Annual Budget And Council Tax Level
- A Combined Annual Report Including The Treasury Management Strategy, Treasury Management Policy And Prudential Indicators

after Considering The Views Of The Appropriate Overview And Scrutiny Panel And Representatives Of The Business Community.

- Set Financial Priorities, Allocate And Re-Allocate Resources In Accordance With The Limits In This Code, Monitor And Review Financial Performance.
- *Approve the Risk Management Strategy*

- Paragraph 1.12 be varied to read - Budget Managers (Service Managers, Heads of Service, Corporate Directors and Managing Director) – Eighth bullet point:

- Will, *in accordance with the Risk Management Strategy*, determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of risk management and internal control, in consultation with the Internal Audit Service and ensure that relevant employees or Members are familiar with such systems.

- Paragraph 5.7 be varied to read - Insurance

The Internal Audit and Risk Manager shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be

based on a detailed risk assessment *and reported to the Executive Councillor for Resources.*

(b) That the Code of Procurement, as attached as Annex B to the report now submitted, be adopted.

123. ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL REPORT 2014/15

Consideration was given to a report by the Accountancy Manager (a copy of which is appended in the Minute Book) on the outcome of the annual review of accounting policies applied by the authority when producing the Annual Financial Report.

The Panel were informed that three policies required amendment of which two were considered significant. However, none would have an impact on the Council's general fund balance. The amendments were for clarification, transparency and to ensure compliance with International Financial Reporting Standards (IFRS) accounting arrangements. Whereupon, the Panel

RESOLVED

That the amendments to the accounting policies for 2014/15, as set out in Annex A to the report, be approved.

124. INTERNAL AUDIT SERVICE: INTERNAL ANNUAL PLAN

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) under the requirements of the Public Sector Internal Audit Standards, the Panel was provided with the Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

The Panel were informed that internal audit resources were currently insufficient to deliver the annual audit plan owing to the vacant post held within the team since October 2014 and that efforts to recruit to the post had proved unsuccessful.

It was explained to the Panel that the internal audit plan for 2015/16 was based on delivering 352 days. However, current resources only allowed for 250 days to be delivered which was a shortfall of 102 days. It was anticipated that the vacant post would be filled during the year.

It was suggested by the Panel that Project Management should feature on the Internal Audit and Assurance Plan. However, it was explained that this was an item on the reserve list and until a sufficient amount of project work had taken place to satisfactorily audit, the internal audit services were better used elsewhere. Whereupon, it was

RESOLVED

That the Panel approved the Internal Audit Plan 2015/16.

125. PROGRESS ON ISSUES ARISING FROM THE 2013/14 ANNUAL GOVERNANCE STATEMENT

With the aid of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel were apprised of and noted the progress made to date in respect of the four areas for improvement identified in the 2013/14 Annual Governance Statement. Good progress had been made across all four improvement areas and it was considered that all would be achieved prior to the preparation of the 2014/15 Annual Governance Statement. The Panel

RESOLVED

To note the progress made in introducing the key improvement areas arising from the 2013/14 Annual Governance Statement when undertaking the 2014/15 governance review.

126. IMPLEMENTATION OF AUDIT ACTIONS

The Panel received and noted a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) which provided performance information regarding the implementation of agreed internal audit actions for the year ending 28 February 2015.

Eight actions had not been introduced of which two were red actions and six were amber actions. However, the Panel were informed that despite the targets not being achieved, performance continued to improve month on month.

The Panel expressed concern and disappointment that a number of agreed internal audit actions had not been implemented and were overdue, particularly as Heads of Service had been in post sufficiently to be aware of their service area and budgets. The Chief Finance Officer explained that a report would be presented to the next Panel meeting regarding the management of monitoring and implementing internal audit actions. The Panel welcomed this report. However, the Panel were aggrieved and therefore resolved to call to account the Heads of Service to meetings of the Panel in order that they provide an explanation as to why the audit actions remained outstanding.

The Chief Finance Officer agreed to circulate to the Panel a commentary on outstanding internal audit actions once the Panel's concerns had been considered by the Corporate Management Team.

The Panel also indicated its concern at the loss of data within the Audit Action e-database following a software transfer and the resulting officer time this has incurred. The Panel therefore requested that the Internal Audit and Risk Manager and IMD Operations Manager provide a report to the next meeting of the Panel on the current situation, remedies to resolve the issues and prevention of a future re-occurrence. Whereupon, it was

RESOLVED

That the Panel noted the report.

That a report be presented to the next meeting regarding the management of monitoring and implementing internal audit actions.

That the relevant Heads of Service attend the next Panel meeting to provide an explanation as to why internal audit actions remain outstanding and have not been implemented.

That the Internal Audit and Risk Manager and IMD Operations Manager provide a report to the next Panel meeting on the current situation regarding the loss of data, remedies to resolve the issues and prevention of a future re-occurrence regarding the Audit Actions e-database system.

127. WORK PROGRAMME AND TRAINING

By way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) Members were acquainted with a work programme for the Panel for the forthcoming twelve months.

Referring to the item on the work programme entitled 'Effectiveness of the Panel', the Internal Audit and Risk Manager stated that he would prefer if this could be conducted prior to the elections. The Panel in attendance at the meeting agreed on the proviso that there was commitment from the full membership of the Panel.

128. COUNCILLOR GREG HARLOCK

Prior to leaving the meeting Councillor Mike Baker expressed his appreciation to the Chairman as this was his last meeting prior to the elections.

At the conclusion of the meeting Councillor Richard West expressed his appreciation to the Chairman. Councillor West stated that he was grateful for what he had learnt from the Chairman since becoming a member of the Panel and he wished both the Chairman and the Vice-Chairman well for the future.

Councillor Patrick Kadewere further echoed these sentiments.

Chairman