
Corporate Governance Panel

Reports of the meetings held on 3rd June and 15th July 2015

Matters for Decision

1. IMPLEMENTATION OF AUDIT ACTIONS

By way of a report from the Internal Audit and Risk Manager (a copy of which is reproduced as Appendix A hereto), the Panel has been provided with performance information regarding the implementation of agreed internal audit actions for the year ending 30 April 2015.

Thirteen actions have not been introduced of which two are more than six months late and two are more than one year late. At the request of the Panel the Head of Resources, Corporate Team Manager and Head of Leisure and Health attended the meeting to provide explanations as to why the internal audit actions relating to their individual service areas remain outstanding.

The Panel has expressed a view that it is the responsibility of the Corporate Management Team to ensure that internal audit actions are implemented and, if not, to identify the reasons why. If audit actions are deemed significant enough to have target deadlines then the actions should be delivered on time.

The Corporate Team Manager has explained to the Panel that staff training and development delivered by LGSS is not currently meeting the needs of the staff or of the Authority. Once the 2014/15 appraisal process has been completed, training needs will be identified and referred to LGSS in order that they can update their training programme and offer to better reflect the Council's requirements. The Panel have been informed that the action will be complete in July.

In response to questions from the Panel it has been explained that most LGSS clients are not District Councils and training provision is only one element of the service delivered by LGSS. The Council has an allocation of 500 training places that are currently under-used. If LGSS are able to deliver the Council's training requirements it is expected that it will reduce off-contract spend.

Regarding the National and Local Indicators audit action the Panel has been informed that 50% of these are complete and the action will be entirely complete in July.

LGSS have been tasked with reviewing the Council's Pay Policy and Flexible Working Policy to resolve the differing rates of overtime and additional hours payments. The Panel has been informed that the action will be complete during 2015/16.

The Head of Resources has explained that once a review of the Council's property and equipment has been finalised the action will be complete as the assets can then be apportioned to the appropriate Head of Service, although the majority will be assigned to one service area.

The Commercial Rents and Estates Management action has been separated into two elements. The Panel has been informed that the Uniform software system has been assessed and deemed suitable for recording data on commercial rents and estates. However, additional resource may be required in order to transfer the data from the current system into Uniform.

Regarding the prioritisation of maintenance and repair work to ensure that commercial properties are maintained, the Panel has been informed that work at Phoenix Court, Huntingdon, will be complete by the end of this financial year and the work required at Clifton Road, Huntingdon and Levellers Lane, St Neots will be included in the assessment for the 2016/17 Capital Works Programme.

Regarding the One Leisure Impressions outstanding audit actions, the Head of Leisure and Health has explained that there has not been a dedicated Impressions Manager and that interviews are imminent to recruit to the post. Once recruited a review of the Impressions structure and operational matters will be conducted.

The Panel has been assured by the Corporate Director (Services) that the Senior Management Team has modified the monitoring of internal audit actions to ensure that the responsible officers are held accountable and that the Panel will begin to realise a different approach over the next few months.

In noting the report, the Panel has expressed concern with the outstanding audit actions and these issues should be highlighted to the Cabinet. Following discussions the Panel

RECOMMEND

that the Council note the concerns of the Corporate Governance Panel regarding the number of internal audit actions that are significantly overdue and that the Council recommend to the Cabinet that appropriate action is taken to address these concerns.

2. DISPOSAL AND ACQUISITION POLICY: CHANGE TO THE CONSTITUTION

Further to the meeting of the Cabinet (Item No. 4 of their report refers) the Panel has recommended to Council that the Constitution be amended to reflect the new Disposal and Acquisitions Policy as approved by the Cabinet (a copy of the report is reproduced as Appendix B hereto).

As the former thresholds and procedures within the Constitution were considered too restrictive, and to enable a more commercial approach to the management of the Council's property portfolio, a new Disposal and Acquisitions Policy and governance arrangements has been agreed by the Cabinet through which the Council is able to manage its estate of land and buildings within a commercial environment.

Having initially been considered by the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 6 of their report refers), the Cabinet has agreed to the incorporation of the following amendments to the Policy recommended by the Overview and Scrutiny Panel:

- where disposal and acquisition decisions are made, that these be retrospectively reported to the Panel; and
- the new financial thresholds are reviewed 12 months following approval.

As the Council is required to generate £8million of savings by 2019/2020 a way of generating additional income is via selling assets or purchasing capital assets within the commercial environment.

As the Panel has responsibility for considering changes to the Constitution, which includes the Code of Financial Management and Code of Procurement, the Panel has recommended to Council that the Constitution be amended to reflect the requirements of the Disposal and Acquisitions Policy.

In addition to amendments to the thresholds for the disposal and acquisition of land and property, the Cabinet has approved the formation of a Treasury and Capital Management Group which must be reflected in the Constitution.

As a further safeguard for good governance the Panel has recommended to the Council that the Treasury and Capital Management Group be constituted to include a third member of the Cabinet in the event of the Leader or Deputy Leader holding the Resources Portfolio, to ensure that three Cabinet Members always have a seat on the Treasury and Capital Management Group.

In response to questions regarding transparency of the Council's estate, the Panel has been informed that whilst the purchase or sale of property or land is under negotiation the information will be considered as commercially sensitive and therefore be confidential. However, once contracts are complete information could be released.

The Panel has enquired whether the Council has a sufficient level of expertise to realise the value of its assets and for negotiation purposes. It has been explained to the Panel that a Commercial Investment Strategy is being developed that will identify such matters as well as establish proposed investment levels, risk appetite and other factors that are essential in such a strategy.

During the Panels discussions it has been emphasised that the report has been presented to the Panel as it has responsibility for considering proposals to review the Council's Constitutional arrangements and to make appropriate recommendations to the Council. The Policy itself is the responsibility of the Cabinet. Purchasing and selling land and property is not a new concept to the Council and external agents are used to obtain a view on the current market values.

In response to a question it has been confirmed to the Panel that the Authority could purchase residential property. However, commercial assets currently have a better value.

Having considered the Officer's report and the amendment, the Panel

RECOMMEND

- a. **that the Constitution be amended to reflect the Disposal and Acquisitions Policy attached in Annex A of the report now submitted; and**
- b. **that the Treasury and Capital Management Group be constituted to include the Leader, Deputy Leader and the Executive Councillor for Resources (or in the event of the Leader or Deputy Leader holding the Resources Portfolio a third member of the Cabinet) together with relevant members of the Corporate Management Team and the Responsible Financial Officer.**

Matters for Information

3. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Details of actions taken in response to recent discussions and decisions have been noted by the Panel. As not all Members of the former Panel were able to convene regarding a review of the effectiveness of the Panel, which is required before the Annual Governance Statement is prepared, and as the majority of the Members are new to the Panel, it has been agreed that the Internal Audit and Risk Manager will conduct a review and provide a report to a future meeting of the Panel.

The Panel at its meeting in July has received a verbal update regarding the Implementation of Audit Actions following the recommendation to the Council that the concerns of the Corporate Governance Panel

regarding the number of internal audit actions that are significantly overdue be referred to the Cabinet so that appropriate action is taken to address these concerns.

At the Panel's meeting in June there were thirteen audit actions outstanding. The Panel has been informed that to date three of those audit actions have been implemented; five have been partially implemented and five have not been implemented. However, by the end of the year twelve of the audit actions will be implemented with the exception of the audit action relating to the main accounting system as a cash receipting system is required and this will not be in place before March 2016.

The Panel will receive a report regarding an update and progress of audit actions at its next meeting.

4. AUDIT ACTIONS DATABASE

The Panel has been presented with the reasons for the loss of some data stored within the Audit Actions Database. Following work to migrate SharePoint based software systems; loss of data became apparent which was non-recoverable. The reasons for the loss of data have been explained and the Panel has been assured that improvements have been made to processes to avoid a future repeat occurrence.

Some elements of the missing data relate to findings arising from the follow-up on the implementation of internal audit actions. Whilst the information could be identified from copies of email correspondence it is not an efficient use of officer time to manually search and review this information and subsequently this information will not be included in the Internal Audit Annual Report to the Panel.

The Panel has agreed that the loss of data is highly regrettable, but have accepted that improvements have been implemented.

5. REVIEW OF FRAUD INVESTIGATION ACTIVITY

The Panel has received and noted an overview of the activity of the Corporate Fraud Team during 2014/15.

During the 2014/15 year the Fraud Team received 1028 allegations of fraud, investigated 345 cases and identified fraud valued at £464k, recovered 7 social housing properties and conducted 29 prosecutions.

The performance is comparable to that of the previous year despite one member of the Fraud Team being absent due to long-term sickness, the resignation of the Fraud Manager, the transfer of benefit fraud work to the Department for Work and Pensions (DWP) and the Council being involved in two county-wide fraud initiatives. The Cambridgeshire Tenancy Fraud Forum (CTFF), established in 2013, is funded by the Department for Communities and Local Government (DCLG) and has continued to operate throughout 2014/15. The Council is also the lead authority in a successful bid for funding from

DCLG to implement the Cambridgeshire Anti-Fraud Network (CAFN) as a successor to the CTFE.

It is anticipated that the CAFN will work to address Council Tax Discount fraud and Tenancy fraud. Once the remit of the CAFN has been established an exercise to determine other types of fraud that the CAFN can address will be conducted including looking at the Corporate Risk Register and issues identified during internal audits, as well as working with services across the Council.

In response to questions by the Panel it has been explained that on 1st May 2015 three Investigating Officers transferred to the DWP resulting in the Fraud Team comprising of a Team Leader, Investigator and an Intelligence Officer. All allegations of fraud are assessed by the Fraud Team and those that are malicious, or do not relate to Council business or are of a value that does not warrant a full investigation or a potential prosecution are not investigated. The Fraud Team conduct on-going data matching exercises across a range of Council databases as part of their Work Programme.

The Corporate Governance Panel has expressed appreciation to the Benefits Manager and the Fraud Team on its success, particularly under the difficult circumstances.

6. ANTI-FRAUD AND CORRUPTION STRATEGY REPORT

The Council's Anti-Fraud and Corruption Strategy has been revised to incorporate the recently published Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on managing the risk of fraud and corruption; the accompanying guidance notes published in December 2014; and the changes within the Corporate Fraud Team to focus on issues other than welfare fraud.

The Corporate Fraud Team is currently reviewing their workload post the introduction of the Single Fraud Investigation Service (SFIS) and the reduction in welfare related investigations. It is expected that the draft work programme will be finalised during the Autumn. At the previous meeting the Panel decided to disband the Fraud Working Group and that a new Fraud Working Group should feature as an item on the Corporate Governance Panel Progress Report. It has been recommended and agreed by the Panel that a Fraud Working Group should not be re-established until the Corporate Fraud Team's Work Programme had been agreed.

It has been noted that the Fraud Working Group has raised the profile of fraud within the District which the Council should not lose. The Fraud Team were informed that the Corporate Governance Panel were approachable should officers believe it necessary to meet.

7. RISK REGISTER UPDATE

The Panel has been updated with changes that have been made to the Risk Register between 2nd September 2014 and 19th May 2015.

Update reports on the Risk Register are presented to the Panel twice a year and Appendix 2 of the report detailed a summary of the amendments that have been made to the Register.

Future reports will differ in format as detailed information on risk management matters will be presented to the Cabinet, to allow them to fulfil their responsibilities as contained within the Risk Management Strategy.

The Panel asked whether Councillor Harrison would remain as Risk Management Champion following his appointment to the Cabinet. The Panel were informed that the Cabinet would review the appointment when they considered the Risk Management Strategy.

The Risk Register Update report and each of the very high residual risks are to be reported to the Cabinet for consideration, as per the Risk Management Strategy.

8. WHISTLEBLOWING POLICY, GUIDANCE AND CONCERNS RECEIVED

The Panel has approved the revised Whistleblowing Policy and Guidance and noted the whistleblowing concerns received during the 2014/15 financial year.

The Whistleblowing Policy and Guidance is reviewed annually and during the 2014 review the Panel recommended that the Council became a signatory to the Public Concern at Work (PCaW) 'The First 100 Campaign', which had been established to allow organisations to make a public commitment to support the PCaW Whistleblower Code of Practice.

Subsequently a number of changes were made to both the Policy and Guidance to reflect the PCaW Whistleblower Code of Practice and a recent Employment Appeal Tribunal decision where the first 'in the public interest' definition had been applied.

The Policy now applies to all Council employees and contractors working for the Council on its premises as well as suppliers and those providing services under a contract with the Council in their own premises.

9. STATUTORY DISMISSAL PROCEDURES FOR HEADS OF PAID SERVICE, MONITORING OFFICERS AND THE RESPONSIBLE FINANCIAL OFFICER

Further to the meeting of the Employment Panel (Item No. 6 of their report refers) the Panel has recommended to the Council that the Constitution be amended to reflect the new regulations, and to incorporate the requirements of the new Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015. (The report is reproduced as Item No. 7 on the Council Agenda.)

The Regulations amend the statutory disciplinary and dismissal procedures of English Local Authorities' Heads of Paid Service, Monitoring Officers and Chief Financial Officers, and replace the current statutory Designated Independent Person (DIP) process, outlined in the current Local Authorities (Standing Orders) (England) Regulations 2001.

The new Regulations require Authorities to have in place the new process '*no later than the first ordinary meeting of the authority falling after 11th May 2015*'.

The Regulations state that before an Authority considers whether to dismiss an officer, it must convene a Panel made up of Councillors and at least two Independent Persons. In response to questions it has been explained to the Panel that the Independent Persons are appointed via a recruitment process and if the Council cannot recruit two Independent Persons it may invite Independent Persons appointed by another Council and that irrespective of whether the dismissal is as a result of a majority or a unanimous decision the Employee has a right of appeal against any disciplinary action or dismissal by the Council.

It has been noted that the Employment Panel considered the report and were satisfied to recommend the report to the Panel for further progression.

10. PREPARING THE 2014/2015 ANNUAL GOVERNANCE STATEMENT

The Panel has been informed and has agreed the process to be followed in preparing the 2014/15 Annual Governance Statement (AGS).

It has been explained to the Panel that the Corporate Management Team (CMT) wish to streamline the review process by increasing the involvement of the Senior Management Team (SMT) in the evidence and documentation review process.

Following the SMT review and challenge, a report will be prepared for the Panel that summarises the outcome of the review and details those areas of the Code that SMT consider have not been met or require improvement.

If issues are identified during the SMT review, the Panel will determine which of these are significant enough to include in the AGS. Following which the Internal Audit and Risk Manager will prepare a draft AGS, and after obtaining CMT, SMT and the External Auditors comments, invite the Panel to make comments on its contents at an informal meeting of the Panel. This will allow a final version of the AGS to be prepared prior to its submission to the Panel in September 2015.

Reference has been made to paragraph 3.6 of the Officer's report that provides a guide for SMT when deciding whether or not particular issues or events should be considered for inclusion in the AGS. The Panel has questioned whether there is a risk that something could be

omitted from the AGS and has been informed that the risk is minimal as the Panel has an opportunity to challenge the contents of the AGS.

In response to a question it has been explained to the Panel that CMT wishes to involve SMT in the AGS process to encourage peer challenge and to raise awareness of Officer's responsibilities.

11. INTERNAL AUDIT SERVICE: ANNUAL AUDIT REPORT

As required by the Public Sector Internal Audit Standards (PSIAS) the Panel has been provided with an Annual report and opinion.

The report details the work undertaken by Internal Audit during the period 1st April 2014 to 31st March 2015 to support the opinion statement that the Council's internal control environment and systems of internal control as at 31st March 2015 provide adequate assurance over key business processes and financial systems.

The Panel has been informed that 21 audits have not been delivered due to the loss of 147 auditor days during the year. The reasons for this were listed in the Officer's report which includes an Auditor post being vacant from mid October 2014 and being unable to recruit a suitable person or source cover arrangements with another authority or the Internal Audit Contractor.

It has been highlighted to the Panel that one Audit that raised particular concern relates to the E-Recruitment software system which is managed by LGSS. The Auditors have 'read only' access to the software and therefore can only undertake a limited amount of testing and have to rely on gathering evidence from discussions with Recruiting Managers and successful Applicants. As no assurance has been received from LGSS that the system is working as intended, and without sufficient testing evidence, it is not possible to issue an opinion on the effectiveness of the E-Recruitment system.

The Panel discussed at length issues surrounding the E-Recruitment software system. The Panel has been informed that the Employment Panel were equally unhappy with the performance of the system and have been for some time. The Corporate Team Manager is currently liaising with LGSS in order to address the various issues. However, the Council is tied into a two year contract. It has been explained that whilst interviewing a number of successful candidates on their experiences of using the E-Recruitment software, Internal Audit were informed by a number of individuals that they contemplated abandoning the application due to the software. The Panel has expressed strong concerns regarding the inadequacies of the LGSS E-Recruitment system.

The Annual Report also refers to the previously advised problems encountered whilst migrating the SharePoint based systems and the loss of data stored within the Audit Actions Database. The system is not currently operational to enable Officers from all services to input data directly into the system and it is unlikely to be resolved in the near

future. Therefore Internal Audit has been advised to source commercial software externally.

Having to purchase commercial software externally to record Audit Actions will have cost implications and the Panel have enquired of the likely costs. The Panel has been informed that following cursory investigations the cost is likely to be approximately £6500.

The Panel has been informed that an Auditor has been recruited to the vacant post and is already commencing three of the audits listed within the report as not having been undertaken. It is expected that the 2015/16 Audit Plan will be delivered if there are no further resourcing issues.

12. INTERNAL AUDIT SERVICE: ANNUAL EFFECTIVENESS AND CHARTER REVIEW

The Panel has considered a report detailing the outcome of the review of the effectiveness of the Internal Audit Service and the Internal Audit Charter.

The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit Service has in place a Quality Assurance and Improvement Programme (QAIP) and an Audit Charter.

The QAIP consists of two types of assessment – internal assessment and external assessment and these were explained more fully within the Officer's report.

One of the internal assessments is the periodic assessment against the PSIAS, designed to assess conformance with the Internal Audit Charter and the efficiency and effectiveness of the service. The Panel has been presented with a report detailing the outcome of the Internal Audit and Risk Manager's assessment of this and with the results of the action plan arising from the external 'independent validation' of Internal Audit, that was reported to the Panel in May 2014.

The Internal Audit Charter is reviewed periodically by the Internal Audit and Risk Manager and there are a number of amendments required to reflect legislative changes and the introduction of operational shared services for ICT, Building Control and Legal Services. Significant amendments were proposed within the following sections of the Charter and are explained more fully within paragraph 3.8 of the Officer's report, including -

- relationship with Members and Senior Management;
- roles and responsibilities; and
- quality and assurance programme.

The Panel has been updated on the Improvement Plan as agreed following the 2014 external assessment of the Internal Audit Service and the Improvement Plan following the 2015 review, which incorporates a deadline date for when the actions should be complete.

There were no issues that require inclusion in the Annual Governance Statement following the 2015 review.

Regarding Shared Services the Panel has been informed that the Internal Audit Charter incorporates detail where the Council provides 'shared services' to, or receives 'shared services' from other organisations and the Internal Audit and Risk Manager shall liaise with the other organisations Internal Audit Service and agree the scope of the assurance that is to be provided or received to take account of that requirement when preparing the Annual Audit Plan.

13. WORK PROGRAMME AND TRAINING

Members of the Panel have received and approved details of their anticipated work programme over the ensuing year and a training programme based upon the Panel's Terms of Reference.

The Panel has been furnished with an advice note regarding the forthcoming review of the Council's Constitution and the Panel has been informed that a Working Group will be formed comprising a broad spectrum of Councillors.

The Panel has received an induction session prior to the Panel meeting in July providing a general oversight of governance structures and an introduction to their programme of work.

A joint training session with Members of the Corporate Governance Panel and the Overview and Scrutiny Panel (Economic Well-Being) is being arranged on the final accounts process to enable Members a better understanding prior to the consideration of the Annual Financial Report in September.

Prior to the Panel being presented with the Annual Audit Letter from the External Auditors it has been usual practice for the Chairman and Vice-Chairman to meet with the External Auditor immediately prior to the meeting. As a long serving Member of the Panel it has been agreed that Councillor Butler will also be present at this meeting.

A short information session on Procurement will be delivered to the Panel prior to the December meeting.

M Francis
Chairman

D Reynolds
Vice-Chairman