

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, 15 July 2015.

PRESENT: Councillor M Francis – Chairman.
Councillors T D Alban, E R Butler,
Mrs P A Jordan and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors B S Chapman and Mrs D C Reynolds.

14. MINUTES

The Minutes of the meeting held on 3rd June 2015 were approved as a correct record and signed by the Chairman.

15. MEMBERS' INTERESTS

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

16. 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 previous decisions.

In response to a question regarding progress on the evaluation of Member performance it was explained that Officers would explore the history of this and update the Panel accordingly.

The Panel received a verbal update regarding the Implementation of Audit Actions following its recommendation to the Council at its meeting in June, that the concerns of the 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 was informed that to date three of those audit actions had been implemented; five were partially implemented and five had not been implemented. However, by the end of the year twelve of the audit actions would have been implemented with the exception of the audit action relating to the main accounting system as a cash receipting system was required which would not be in place before March 2016.

If the Council approved the recommendation a report would be presented to the Cabinet meeting in September. The outcome of the Cabinet meeting would be incorporated into the Implementation of Audit Actions report which would be a standing item on the Panel's

Agendas.

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

The Panel received a report by the LGSS HR Business Partner (a copy of which is appended in the Minute Book) presented in her absence by the Head of Resources, which proposed that the Panel recommend 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 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 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 was 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.

The report was initially considered by the Employment Panel and it was noted that in considering the report the Employment Panel were satisfied to recommend the report to the Panel for further progression. Whereupon the Panel

RECOMMEND

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 as attached to the Officer's report.

18. PREPARING THE 2014/2015 ANNUAL GOVERNANCE STATEMENT

The Panel received a report (a copy of which is appended in the Minute Book) from the Internal Audit and Risk Manager to agree the process to be followed in preparing the 2014/15 Annual Governance Statement (AGS).

It was explained to the Panel that the Corporate Management Team

(CMT) wished to streamline the review process by increasing the involvement of the Senior Management Team (SMT) in the evidence and documentation review process.

Following the review by SMT a report will be prepared for the Panel that summarised the outcome of the review and detailed those areas of the Code of Corporate Governance that SMT considered had not been met or required improvement.

Any issues identified during review by SMT would be considered by the Panel to determine which were 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 formal Panel meeting in September 2015.

In response to a question it was explained that the Informal Panel meeting was not open to the public as it was not an official Panel meeting and the level of discussion was not necessarily appropriate to be open to the public.

Reference was made to paragraph 3.6 of the Officer's report that provided a guide for SMT when deciding whether or not particular issues or events should be considered for inclusion in the AGS. The Panel questioned whether there was a risk that something could be omitted from the AGS. The Panel was informed that the risk was minimal as the Panel had an opportunity to challenge the contents of the AGS.

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

RESOLVED

- i. to agree the process to be followed in the preparation of the 2014/15 Annual Governance Statement; and
- ii. to approve the range of significant governance issues definitions as detailed at paragraph 3.6 in the Officer's report.

19. DISPOSAL AND ACQUISITION POLICY: CHANGE TO THE CONSTITUTION

Further to the meeting of the Cabinet in June, the Panel received and noted a report (a copy of which is appended in the Minute Book) by the Head of Resources to recommend to the Council that the Constitution be amended to reflect the new Disposal and Acquisitions Policy.

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 had been

agreed by the Cabinet to enable the Authority 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), the Cabinet agreed to the incorporation of the following amendments to the Policy as recommended by the Overview and Scrutiny Panel:

- where disposal and acquisition decisions are made, that these be retrospectively reported to the Overview and Scrutiny Panel (Economic Well-Being); and
- the new financial thresholds are reviewed 12 months following approval.

It was explained to the Panel that as the Council was required to generate £8million of savings by 2019/2020 a way of generating additional income was via selling assets or purchasing capital assets within the commercial environment.

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

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

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

The Panel had responsibility for considering changes to the Constitution, which included the Code of Financial Management and Code of Procurement. During the Panels discussions it was emphasised that the Policy itself was the responsibility of the Cabinet and that the report had been presented to the Panel as it was responsible for considering proposals to review the Council's Constitutional arrangements and to make appropriate recommendations to the Council. Purchasing and selling land and property was not a new concept to the Council and external agents were used to obtain a view on the current market values.

In response to a question it was confirmed that the Authority could purchase residential property. However, commercial assets currently had a better value.

As a further safeguard for good governance an additional recommendation was proposed by a Member of the Panel, 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, which was accepted by the Panel.

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 Officer's report; 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.**

20. INTERNAL AUDIT SERVICE: ANNUAL REPORT

As required by the Public Sector Internal Audit Standards (PSIAS) the Panel was provided with an Annual report and opinion (a copy of which is appended in the Minute Book) by the Internal Audit and Risk Manager on 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 was informed that 21 audits had 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 included 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 was highlighted to the Panel that an Audit which had raised particular concern related to the E-Recruitment software system which was managed by LGSS. The Auditors had 'read only' access to the software and therefore could only undertake a limited amount of testing and had to rely on gathering evidence from discussions with Recruiting Managers and successful Applicants. As no assurance had been received from LGSS that the system was working as intended, and without sufficient testing evidence, it was not possible to issue an opinion on the effectiveness of the E-Recruitment system.

The Annual Report also referred 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 was not currently operational to enable Officers from all services to input data directly into the system and it was unlikely to be in the near future. Therefore Internal Audit had been advised to source commercial software externally.

The Panel discussed at length issues surrounding the E-Recruitment software system. The Panel were informed that the Employment

Panel were equally unhappy with the performance of the system and had been for some time. The Corporate Team Manager was currently liaising with LGSS in order to address the various issues. However, the Council was tied into a two year contract. It was 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 had contemplated abandoning the application due to the software. The Panel expressed strong concerns regarding the inadequacies of the LGSS E-Recruitment system.

Having to purchase commercial software externally to record Audit Actions would have cost implications and the Panel enquired of the likely costs. The Panel was informed that following cursory investigations the cost was likely to be in the region of £6500.

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

In response to a question the Head of Resources assured the Panel that those audits listed within the Officer's report as having not been undertaken were not a cause of concern and that the audits had been prioritised correctly.

The Panel referred to the table listed within the Officer's report that provided information on the audits reports and the assurance opinion issued. It was explained that there were four different levels of assurance and the definitions were included within the report.

The Panel considered and noted the report having taken account of the Internal Audit and Risk Manager's opinion when considering the Annual Governance Statement for 2014/2015 and

RESOLVED

to note the report.

21. INTERNAL AUDIT SERVICE: ANNUAL EFFECTIVENESS AND CHARTER REVIEW

The Panel has considered a report (a copy of which is appended in the Minute Book) from the Internal Audit and Risk Manager 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) requires that the Internal Audit Service had in place a Quality Assurance and Improvement Programme (QAIP) and an Audit Charter.

The QAIP consisted 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 was 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 was 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, which was reported to the Panel in May 2014.

The Internal Audit Charter was reviewed periodically by the Internal Audit and Risk Manager and there were 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 were 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 revised Internal Audit Charter had been included within the Officer's report as Appendix C.

The Panel were referred to Appendix A of the Officer's report which provided an update on the Improvement Plan agreed following the 2014 external assessment of the Internal Audit Service and Appendix B of the Officer's report which provided an Improvement Plan following the 2015 review, which incorporated deadline dates for when the action should be completed.

It was noted that there were no issues that required inclusion in the Annual Governance Statement following the 2015 review.

Regarding Shared Services the Panel were informed that the Internal Audit Charter incorporated that where the Council provided 'shared services' to, or received 'shared services' from other organisations, the Internal Audit and Risk Manager will liaise with the Internal Audit Service in other organisations and agree the scope of the assurance that was to be provided or received and take account of that requirement when preparing the Annual Audit Plan.

Whereupon the Panel,

RESOLVED:

- i. to note the outcome of the Internal Audit and Risk Manager's self-assessment which demonstrates that the Internal Audit Service conforms with the PSIAS;
- ii. to note the results of the Action Plans prepared to address the areas of non-conformance identified;
- iii. to confirm that the non-conformance issues are not significant enough to be considered for inclusion in the Annual Governance Statement; and
- iv. to agree the changes to the Internal Audit Charter.

22. 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.

The Panel had agreed a training programme at its previous meeting and were informed that a joint training session with Members of the Corporate Governance Panel and the Overview and Scrutiny Panel (Economic Well-Being) was 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 was 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 was agreed that Councillor Butler will also be in attendance at this meeting.

It was agreed that a short information session on Procurement would be delivered to the Panel prior to the December meeting. Whereupon it was

RESOLVED

that the Corporate Governance Panel note the programme of work and proposed training.

Chairman