

HUNTINGDONSHIRE DISTRICT COUNCIL

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| Title/Subject Matter: | Review of the Effectiveness of the Corporate Governance Panel |
| Meeting/Date: | Corporate Governance Panel – 16 September 2015 |
| Executive Portfolio: | Resources: Councillor J A Gray |
| Report by: | Internal Audit & Risk Manager |
| Ward(s) affected: | All Wards |

Executive Summary

The annual review of the effectiveness of the Panel has been completed. The Panel Chairman is of the opinion that the Panel is acting effectively and fulfilling its Terms of Reference.

A number of opportunities to further improve the effectiveness of the Panel were identified and are listed below.

1. Five new Members were appointed to the Panel in May 2015. In order to get a clear idea of all Panel Members current knowledge of governance matters, a skills assessment should be completed so that training needs can be identified and addressed.
2. Whilst Cabinet are responsible for approving the Risk Management Strategy and ensuring that risk management procedures are in place across the Council, the Panel require assurance that these arrangements are working effectively.
3. The Panel are aware that a review of the Council's Constitution is underway. They would like early sight of any proposed changes so that they are able to adequately deliberate and consider the changes before making any recommendation to Council.
4. A wide breadth of governance related knowledge is required by Members of the Panel. To ensure that the Panel remains effective, the number of new Members appointed to the Panel each year by the Council should be restricted.
5. As recommended by the Panel in September 2013 and last year's report, the Council should -
 - a. introduce a Procurement Strategy; and
 - b. become a signatory to the Prompt Payment Code (PPC)

Seven of the ten actions agreed as a result of the 2014 review (see Appendix 1) have been introduced. The remaining three actions are listed under paragraph 1 and 5 above.

Recommendation(s):

It is recommended that the Panel:

1. Consider the results of the outcome of the review of the effectiveness of the Panel;
2. Endorse the opportunities that have been identified to further improve Panel effectiveness as contained in the Executive Summary (points 1-5a inclusive); and
3. Determines what action, if any, they wish take in respect of point 5b within the Executive Summary.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This report summarises the outcome of the annual effectiveness review of the annual Corporate Governance Panel. The review was undertaken in July 2015.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 Whilst it is not a statutory requirement, it is considered best practice (both in the public and private sectors) that the 'audit committee' review their own effectiveness.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 Panel considered options for undertaking the review at their June 2015 meeting. Due to five of the eight Panel members being newly appointed in May 2015, it was agreed that the Internal Audit & Risk Manager would conduct the review and share their findings with the Chairman and Vice-Chairman.
- 3.2 The questions used in the review have been compiled over a number of years and are based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) and the National Audit Office good practice documentation supplemented by best practice within the private sector. The review considered 72 questions together with a range of supplementary information.

OUTCOME OF THE REVIEW

- 3.3 The Chairman of the Panel is of the opinion that the Panel are acting effectively and fulfilling its Terms of Reference. A number of opportunities to further improve the effectiveness of the Panel have been identified and are summarised below.

| Issue | Action to be taken. |
|---|--|
| a. Five new Members were appointed to the Panel in May 2015. In order to get a clear idea of all Panel Members current knowledge of governance matters, a skills assessment should be completed so that training needs can be identified and addressed. | The Head of Resources to circulate to Panel members (by 31 October 2015) a skills assessment questionnaire based upon the CIPFA Audit Committee knowledge & skills framework. |
| b. Whilst Cabinet are responsible for approving the Risk Management Strategy and ensuring that risk management procedures are in place across the Council, the Panel require assurance that these arrangements are working effectively. | The Head of Resources will provide Panel with an Annual Report (June 2016) that provides them with assurance on the risk governance arrangements (including leadership, integration of risk management into wider governance arrangements, ownership and accountability for risks including project management). |

| Issue | Action to be taken. |
|--|---|
| c. The Panel are aware that a review of the Council's Constitution is underway. They would like early sight of any proposed changes so that they are able to adequately deliberate and consider the changes before making any recommendation to Council. | The Corporate Director (Services) will bring forward details of the changes proposed as soon as they are known and have been considered by Corporate Management Team. |
| d. A wide breadth of governance related knowledge is required by Members of the Panel. To ensure that the Panel remains effective, the number of new Members appointed to the Panel each year by the Council should be restricted. | The Constitution review currently being undertaken should consider options for restricting the number of changes to Panel membership each year or the appointment of Members for longer than one year. |
| e. As recommended by the Panel in September 2013 and last year's report, the Council should <ul style="list-style-type: none"> • introduce a Procurement Strategy and • become a signatory to the Prompt Payment Code (PPC) | <p>A Procurement Strategy is to be introduced for 2016/17.</p> <p>The voluntary PCC has been superseded by two pieces of legislation. Together they deliver the same outcome as the PCC – payment of invoices in 30 days and contractors to pay sub-contractors in the same 30 day period. For this reason the Procurement Manager has proposed that the Council do not sign up to the PCC.</p> |

OTHER MATTERS OF NOTE

- 3.4 Arising from the review, a number of other matters were noted which the Panel Chairman has asked to be formally recorded.
- The Panel membership reflects the political membership balance of the Council. Opinions are formed freely and without political bias.
 - No changes are required to the Panel's Terms of Reference.
 - The Panel are concerned that the Internal Audit Plan was not delivered in 2014/15. They wish to be informed at the earliest possible time if the 2015/16 plan is unlikely to be delivered and what action is to be taken to resolve the matter.
 - The Panel are formally monitoring the implementation of agreed internal audit actions and have already raised this matter with the Council. They will do so again if it is warranted.
 - Panel agreed in September 2014 that the draft Annual Financial Report (AFR) should be considered and discussed at an informal Panel meeting. This has not occurred as the Panel subsequently agreed that the Head of Resources would lead a discussion on the AFR with Panel members, prior to the AFR being considered at the September 2015 Panel.

ACTIONS AGREED FROM THE 2014 REVIEW

- 3.5 Seven of the ten actions agreed as a result of the 2014 review (see Appendix 1) have been introduced. The remaining three actions are listed under paragraph 3.3 (item a and e).

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 Not applicable. The report is for consideration of the Panel only.

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

- 5.1 The Panel needs to remain effective so that it can provide, on behalf of the Council, independent challenge to both the Executive and Officers. The annual review gives the Panel the opportunity to retrospectively review how it has worked and how it can improve.

- 5.2 It is proposed that annual reviews of the Panel continue. As with internal audit, it may be appropriate to consider commissioning an external review once every five years so that a fresh perspective on the Panel's effectiveness is obtained.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 6.1 A report will be presented to Panel in March 2016 outlining the progress that has been made in introducing the agreed actions.

7. LINK TO THE CORPORATE PLAN

- 7.1 An effective Panel plays a key role in the Council's governance framework. It provides the Council with an independent and objective source of assurance on matters relating to financial reporting, internal control, risk management and internal and external audit etc. Good governance underpins all aspects of delivery of the Corporate Plan.

8. CONSULTATION

- 8.1 No consultation has taken place.

9. LEGAL IMPLICATIONS

- 9.1 There are no legal implications contained in this report.

10. RESOURCE IMPLICATIONS

- 10.1 Depending upon the decision of the Panel, there may be a number of actions that will need to be introduced. These will be introduced within existing resources.

11. OTHER IMPLICATIONS

- 11.1 There are no other implications arising from this report.

12 REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 The effectiveness review identified many areas of good practice. Improvements to procedures and process can always be made and the review has highlighted a number of such areas. If introduced, these will both improve the effectiveness of the Panel and the governance of the Council.

13. LIST OF APPENDICES INCLUDED

Appendix 1 - Status of agreed actions arising from 2014 effectiveness review

BACKGROUND PAPERS

Effectiveness review of the Corporate Governance Panel.

CONTACT OFFICER

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Corporate Governance Panel
Status of agreed actions arising from 2014 effectiveness review

| Ref | Issue | Panel's Response | Action Taken | |
|-----|--|---|--------------|---|
| 5 | The Panel is still largely reactive, rather than proactive in seeking assurance upon key governance areas. The Panel should contribute more to the development of the internal audit plan. | In addition to requesting Panel Members input, (prior to preparing the audit plan) the Internal Audit & Risk Manager should meet with the Chairman of the Panel to discuss/identify any specific areas of governance concern. | ✓ | The (former) Chairman of the Panel and the Internal Audit & Risk Manager met on a number of occasions to discuss areas of governance concern. |
| 6 | Panel meetings be timetabled (after taking into account statutory reporting dates) so that they are held two weeks prior to Council meetings. | Request the Democratic Services Manager to consider changing the Panel's meeting dates for the 2015/16 municipal year and onwards. | ✓ | This was actioned as requested. |
| 7 | A formal induction training plan should be developed. The training plan to be delivered to Members within 3 months of their appointment to the Panel. | The Head of Resources to develop a training plan that covers the areas outlined in the terms of reference. | ✓ | A training plan was presented to the Panel in June 2015, the first meeting of the new municipal year. |
| 8 | Members of the Panel to complete a skills assessment to identify training needs. | The Head of Resources to circulate to Panel a skills assessment questionnaire based upon the CIPFA knowledge & skills framework. | ✗ | This item is outstanding and has been carried forwarded into the 2015 action plan. |

Corporate Governance Panel
Status of agreed actions arising from 2014 effectiveness review

| Ref | Issue | Panel's Response | Action Taken | |
|-----|---|---|--------------|---|
| 9 | <p>The two recommendations arising from the report on improving internal controls (September 2013) are introduced.</p> <p>a. Introduce a Procurement Strategy</p> | <p>The Head of Resources ensures that the two outstanding recommendations are introduced.</p> | x | <p>1. The draft Procurement Strategy was sent to the Procurement Governance Group in November 2014. Due to the absence of the Procurement Manager this action was not progressed as quickly as envisaged. A revised Strategy is to be considered further by the Group at its next meeting.</p> |
| 10 | <p>b. The Council becomes a signatory to the Prompt Payment Code (PPC).</p> | | x | <p>2. The Council has not become a signatory to the PPC. The voluntary PPC has been superseded by two pieces of legislation – “The Late Payment of Commercial Debts Regulations 2013” requires that all valid and correct invoices are paid within 30 days of receipt; and “The Public Contracts Regulations 2015” requires that the Council’s Terms and Conditions require our prime contractors to pay all subcontractors to the contract within 30 days for each valid invoice. The Procurement Manager has proposed that the Council do not sign up to the PCC.</p> |