
Corporate Governance Panel

Report of the meeting held on 9th March 2016

Matters for Decision

29. CODE OF FINANCIAL MANAGEMENT AND CODE OF PROCUREMENT UPDATE FOR 2016/17

By way of a report from the Head of Resources (this item appears separately on the Council Agenda as an item for decision and is incorporated within Item No.5 refers), the Panel has been presented with the Code of Financial Management and the Code of Procurement which are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. The policies underpin financial governance in the Council and are incorporated in the Council's Constitution.

Paragraph 3.1 of the submitted report refers to the main amendments required to the Code of Financial Management. Paragraph 3.3 of the submitted report refers to the main amendments required to the Code of Procurement.

Having supported the proposed changes, the Panel

RECOMMENDS

that the Council adopt:

- (a) the Code of Financial Management, as attached as Annex A to the report now submitted, and**
- (b) the Code of Procurement, as attached as Annex B to the report now submitted.**

30. REVIEW OF THE CONSTITUTION

By way of a report from the Corporate Director Services (this item appears separately on the Council Agenda as an item for decision, Item No.5 refers), the Panel has received the revised Constitution.

It is good practice to regularly review the Council's Constitution to ensure that it reflects any changes in legislation and continues to meet the Council's needs in supporting effective governance. The purpose of the review is to ensure the Constitution remains up to date and fit for purpose.

A Constitution Review Advisory Group was established to support the Monitoring Officer in undertaking the Constitutional review, with external legal advice and guidance from Bevan Brittan.

During the review the Council has been advised to reconsider the names of its Committees and Panels on the basis that the Local Government Act 1972 provides that delegations cannot be made to a Panel, only to a Committee or Sub-Committee of the Council or the Cabinet. Therefore the names of those Panels such as Corporate Governance, Development Management and Licensing and Protection will be amended and in future be referred to as Committees. As the Overview and Scrutiny Panels do not have delegated decision making powers the names remain unchanged.

Regarding Part 3 – Responsibility for Functions, there has been significant changes to the way this information is presented in the Constitution. However, the Scheme of Delegations has not been amended.

The revised Constitution includes a new Committee Procedure Rules Section and all Annexes have been deleted from the Constitution. These will feature on the Council's website and Code of Practice guidance materials will be made available in the Members Handbook and used as training materials as appropriate.

As part of the review is it proposed to disband the Standards Committee and these functions to be incorporated into the Terms of Reference of the Corporate Governance Panel. Functions relating to the conduct of Members will be considered by a Standards Sub-Committee, which will be a Sub-Committee of Corporate Governance. Currently the Standards Committee considers customer complaints about the Council, which is a function that will be incorporated in the work of the Overview and Scrutiny Panel (Finance and Performance).

Should a Standards Sub-Committee be required it will be served by a small number of Members from the Corporate Governance Committee.

Subject to approval by Council on 23rd March 2016, the Constitution will include a method for version control where the dates of all future amendments will be included for ease of reference. A minimal number of paper copies will also be circulated to appropriate Officers, which will ensure any updates are circulated and the versions updated. The Panel has requested that the Chairman and Vice-Chairman of Council are also provided with a copy. It has been noted that training on the new Constitution will be arranged after the elections in May 2016.

Having endorsed the draft Constitution, the Corporate Governance Panel

RECOMMENDS

that the Council adopt the revised Constitution.

Matters for Information

31. APPOINTMENT OF VICE-CHAIRMAN

Following changes to the membership of the Corporate Governance Panel, the Panel has appointed Councillor T Alban as the Vice-Chairman for the remainder of the Municipal Year.

32. CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Details of actions taken in response to recent discussions and decisions have been noted by the Panel.

33. EXTERNAL AUDIT PLAN 2015/2016

The External Audit Plan for 2015/2016 has been presented to the Panel by the Council's External Auditor, Ernst and Young. This is the first year that Ernst and Young have presented the Plan, having succeeded PricewaterhouseCoopers, who were the Council's auditors from 2010/11 to 2014/15.

In preparation for the 2015/16 audit, Ernst and Young are required to inform those charged with governance how they plan to undertake the audit. Within the Plan the External Auditors outline their current assessment of the financial statement risks that the Council is subject to which are, Valuation and Impairment of Property, Plant and Equipment; Pension Liability; Risk of Fraud in Revenue Recognition; and Risk of Management Override.

The External Auditors are required to consider value for money risks by assessing whether the Council has in place 'proper arrangements' to secure economy, efficiency and effectiveness in the use of its resources. It has been noted that no risks have been identified.

The level of materiality is defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts. Due to the level of Council reserves, the materiality level for 2015/16 has been set at £1.75m based on 2% of gross revenue expenditure.

The External Auditors have advised the Panel that the indicative scale fee for the audit, as contained within the Plan, is £52,236. This fee is subsidised due to the Audit Commission using its reserves prior to its formal abolition.

34. GRANT CERTIFICATION 2014/15

The Panel has received and noted a report from the Council's former External Auditor, PricewaterhouseCoopers, following its audit of Housing Benefit grant.

In 2014/15 the Council received £35.3m of Housing Benefit grant. Some minor errors were identified during the audit and as there is no materiality on external audit grant certification work for the Department of Works and Pensions, if an error is identified, the audit instructions require that additional testing must be undertaken which will result in an additional charge.

The Panel considers the total value of the 2014/15 error, £216, to be an accomplishment in comparison to the level of Housing Benefit grant the Council receives and the 7,500 housing benefit claims the Council processes.

35. INTERNAL AUDIT SERVICE: INTERNAL ANNUAL PLAN 2016/2017

Under the requirements of the Public Sector Internal Audit Standards, the Panel has approved the Internal Audit plan for 2016/17.

The Audit Plan does not include any technical computer audit reviews and at the meeting of the Panel in December 2015, the reasons for the delays were explained. The Panel has been informed that the IT audit will be submitted for tender early in the 2016/17 financial year and the Shared Services Interim ICT Head of Service has agreed that an officer from ICT will sit on the evaluation panel when appointing the IT auditors.

Past reports have included information about the overall resources required to deliver the strategic audit plan over its four year term. Due to the likelihood that the Internal Audit Service will become part of a shared internal audit service during 2016/17 with the 3C partners, the information has not been prepared this year. The longer term audit planning process will be reviewed as the shared internal audit service develops. It is anticipated that a Business Case for the shared internal audit service will be presented to the Corporate Governance Panel at its meeting in June or July 2016.

The internal audit plan for 2016/17 is based on delivering 462 audit days which the Internal Audit and Risk Manager is confident can be delivered if the service retains its 2.86 full time equivalent auditors.

36. ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL REPORT 2015/16

The Panel has approved amendments to the accounting policies. Best practice requires the Council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

There are three minor changes required to existing accounting policies and two significant changes. Four of these changes will have no direct impact on the Council's general fund balance. However, one of the amendments is required to reduce the impact of the cost of borrowing for investment in commercial assets.

37. PROGRESS ON ISSUES ARISING FROM THE 2014/15 ANNUAL GOVERNANCE STATEMENT

Progress made to date in respect of the two key improvement areas identified in the 2014/15 Annual Governance Statement has been noted by the Panel.

The two areas identified for improvement were to develop robust and effective reporting arrangements for shared services; and improve project management practices including officer compliance with the project management toolkit.

Due to the good progress that has been made across both improvement areas it is considered that they will be 'achieved' prior to the preparation of the 2015/16 Annual Governance Statement.

38. IMPLEMENTATION OF AUDIT ACTIONS

Performance information regarding the implementation of agreed internal audit actions for the year ending 31st January 2016 has been presented to the Panel.

The Panel has discussed at length whether it wishes to remove the item from future agendas given the significant improvement with audit actions. With the regular monitoring by Corporate Management Team, the Panel has agreed to remove the item from future agendas on a trial basis, and instead receive this information by email from the Internal Audit and Risk Manager. The Panel has agreed to review progress at its meeting in September 2016.

M Francis
Chairman