

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Wednesday, 8 June 2016.

PRESENT: Councillor M Francis – Chairman.

Councillors K M Baker, E R Butler,
Mrs L A Duffy, R Fuller, T Hayward,
P Kadewere, Mrs R E Mathews, R J West
and J E White.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors Mrs S Conboy and T D Sanderson.

5. (a) MINUTES - 9TH MARCH 2016

The Minutes of the Corporate Governance Panel meeting held on 9th March 2016 were approved as a correct record and signed by the Chairman.

(b) MINUTES - 18TH MAY 2016

The Minutes of the Corporate Governance Committee meeting held on 18th May 2016 were approved as a correct record and signed by the Chairman.

6. MEMBERS' INTERESTS

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

7. REVIEW OF FRAUD INVESTIGATION ACTIVITY

Consideration was given to a report by the Benefits Manager (a copy of which is appended in the Minute Book) which provided an overview of the activity of the Corporate Fraud Team during 2015/2016, in line with the requirement as established in the Council's Anti-Fraud and Corruption Strategy.

During the year the Fraud Team had received 594 allegations of fraud; investigated 332 cases and identified fraud valued at £679,258; recovered 11 social housing properties and conducted 27 prosecutions.

Historically the main emphasis for the Team had been Housing Benefit fraud. However, in May 2015 this area of work had transferred to the Department for Work and Pensions (DWP) and at the same time three Investigators also transferred to the DWP.

In the future the Fraud Team would continue to be proactive in identifying and investigating allegations of fraud and corruption

against the Council. A key aim for 2016/17 was to work in partnership with local housing associations to identify housing tenancy fraud to ensure that social housing was allocated to those with a genuine need.

In response to a question, it was noted that in late 2014 the Council had been awarded funding of £335,000 from the Department of Communities and Local Government (DCLG) to establish the Cambridgeshire Anti-Fraud Network (CAFN) made up of local authorities and four housing associations. Huntingdonshire District Council had retained approximately £70,000 of the funding towards staffing and software costs for data matching purposes.

Regarding the value of social housing recovered in 2015/2016 it was explained that the industry standard was used as the value for recovering a social housing property which was £18k per property per year, as suggested in the Audit Commission publication 'Protecting the Public Purse'.

The report included the value of Housing Benefit fraud identified by the Fraud Team during 2015/16. In response to a question it was explained that although the Council did not directly financially benefit from Housing Benefit fraud, it was included within the report as the fraud was unlikely to have been identified without the Council's involvement. During the investigation of Council Tax Support and Council Tax Discount cases, the Fraud Team regularly found discrepancies in Housing Benefit and DWP benefits, details of which were circulated to the DWP to consider. The Committee agreed that this figure should be included within the report as it demonstrated the successfulness of the Council's Fraud Team.

During 2015/16 fraud was identified in 41% of the investigated cases. £1.5k of fraud tended to be the financial trigger point to proceed to prosecution. However, the decision of whether to prosecute also depended upon other factors such as the length of time the fraud had been committed. In cases where there had been an investigation but no fraud identified, claimants would be made aware that they had been investigated. All allegations of fraud were assessed by the Fraud Team and those that were malicious, or did not relate to Council business or were of a value that did not warrant a full investigation or a potential prosecution were not investigated.

Aside from the Fraud Team identifying fraud, allegations of fraud were received in a variety of forms. Allegations could be reported on-line, by telephone or by visiting the Council Offices. Allegations were also received from colleagues in other departments.

Regarding the value of fraud identified, it was explained that it was not always able to be recovered immediately. However, the Committee were assured that over time it was eventually reimbursed. When fraud was identified the claimant was invited to an interview under caution, to allow the individual an opportunity to explain the reasons for the fraud and for the Fraud Team to establish whether there was intent to commit fraud. The Fraud Team regularly issued press releases in respect of successful prosecutions to highlight the consequences of committing fraud against the Council. Literature issued by the Fraud Team also emphasised the seriousness of

committing fraud.

The Corporate Governance Committee commended the Fraud Team on its success, and

RESOLVED

that the Corporate Governance Committee notes the contents of the report detailing the work undertaken by the Corporate Fraud Team during 2015/16.

8. SCOPING REPORT FOR BUSINESS CONTINUITY PLANNING

The Panel received a report by the Corporate Team Manager (a copy of which is appended in the Minute Book) to outline the current position regarding business continuity planning at the Council and the proposed way forward to develop the Plans to meet the needs of the organisation.

Following a reorganisation of the Council, the Plans were no longer aligned to the new structure and responsibilities for business continuity planning had not been updated. Also some Officers who had lead responsibilities were no longer an employee of the organisation.

It was explained to the Committee that although there was an option to do nothing regarding business continuity planning, it was recommended that the Corporate Team Manager be tasked to prepare a new template for the Business Continuity Plan and consider having one organisational Plan with appendices that provided additional information. The Plan would be annually tested and an audit would be scheduled once the Plan had been updated.

The Committee agreed that the Plan needed to be realistic, detailed, audited and practiced so that in an event that it was required people would know their respective roles.

During discussions on the matter, at 7.40pm, Councillor R Fuller left the Civic Suite and did not return to the meeting.

Aside from the reorganisation that the Council had experienced over recent years the Committee also noted that the Plan needed to consider that Pathfinder House shared its offices with external organisations.

In response to questions it was explained that the proposal to complete the first set of actions listed in paragraph 3.2 of the Officer's report by November 2016 was realistic and that dependant on the role an individual had within the business continuity planning process would determine its significance in the appraisal process. Once the Plans had been revised and a new Plan was operational an annual report on Business Continuity Planning would be presented to the Committee.

The Committee agreed with the suggested proposal and stated that it would be useful if the Plans were consolidated into one with a system that automatically updated when people ceased or commenced

employment with the authority to ensure that the Plan was always current. Whereupon it was,

RESOLVED

- i. that the Corporate Governance Committee agree Option B as detailed in paragraph 3.2 of the Officer's report, that the Corporate Team Manager be tasked to follow up on the recommendations from the review by the Business Analyst and look to:
 - prepare a new Template for the Business Continuity Plan;
 - consider having one organisational Plan with appendices that provide additional information per Service where relevant;
 - review roles and responsibilities and confirm these to all concerned;
 - review the management of the plans and the mechanism of storage and accessibility;
 - organise for an annual test of the new Plan;
 - schedule an audit for early 2017 by Internal Audit, after the Plans have been updated and the test carried out; and
 - undertake a review of the various scenario Plans (e.g. adverse weather, fuel shortages).
- ii. that the Corporate Governance Committee receive a Business Continuity Planning update report at its December meeting.

9. PROGRESS ON INTRODUCING EXTERNAL AUDIT RECOMMENDATIONS 2014/15

The Head of Resources provided a verbal update regarding progress on introducing the recommendations from the 2014/15 External Audit.

It was explained that in September 2015 the then titled Corporate Governance Panel had received the ISA 260 report from the Council's former External Auditors, PricewaterhouseCoopers, which contained four recommendations in respect of the Annual Financial Report. At the same time responses by the Management were provided and the Committee were informed that these responses still remained true.

The Committee were informed that the four recommendations made by the Council's former External Auditors were:

- No formal authorisation process for journals;
- Bank reconciliations contained historic balances and there were no evidence of review;
- No formal authorisation process for fixed asset disposals; and
- Depreciation Policy to be updated to reflect the Council's policy in respect of first year depreciation.

In response it was explained that regarding no formal authorisation process for journals there were procedures with clearly defined thresholds; historic balances in bank reconciliations had been reviewed and removed from the system and reconciliations were reviewed on a monthly basis; a formal authorisation process for fixed asset disposal was in existence as a Disposals and Acquisitions

Policy for Land and Property was approved by the Cabinet in June 2015; and accounting policies regarding depreciation had been updated and had been reported to the Corporate Governance Panel in March 2016.

Following questions regarding the Council's External Auditor it was explained that as a consequence of the abolition of the Audit Commission's public audit responsibility and the re-tendering of the Audit Commission 'private sector provider' external audit contracts, the Audit Commission had appointed Ernst & Young as the Council's External Auditor for the two financial years 2015/16 and 2016/17. From 2017 responsibility for the appointment of external auditors would be transferred to each local authority.

In response to a question it was explained that the Council's current External Auditor would ensure that the recommendations made by the Council's former External Auditor had been actioned.

The Committee expressed disappointment that given the change in membership of the Committee since the ISA 260 report had been received, that the item had been presented as a verbal update and not as a short formal report. It was explained that a report would not have provided any further information to that already provided to Members and it was agreed that the briefing note prepared by the Head of Resources would be circulated to the Committee.

10. WHISTLEBLOWING POLICY, GUIDANCE AND CONCERNS RECEIVED

Consideration was given to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) regarding the Council's Whistleblowing Policy and Guidance following the annual review.

The purpose of whistleblowing law was to protect individuals who made disclosures of wrongdoings in the public interest without fear of reprisal from their employer.

The review of the Policy and Guidance had been completed against the Whistleblowing Commissions Code of Practice. The Code of Practice was used as the basis for the 2015 review and a number of changes were made last year to reflect the Code. Consequently no changes were required to either the Policy or Guidance other than minor changes to update the contact details of the External Auditors.

The Policy changes introduced in June 2015 excluded a member of the public from being considered a whistleblower. Only Council employees, contractors and suppliers providing a service under a contract to the Council were now classified as whistleblowers. It was noted to the Committee that no allegations had been received during 2015/16 that fulfilled this criteria.

Members of the public had continued to use the whistleblowing channels available to raise matters of concern and three separate allegations had been received during 2015/16 relating to the following departments; Planning; Operations; and Building Control. Due to the nature of the allegations details were not included in the report.

However, the Committee were assured that each allegation had been investigated. The Building Control allegation was investigated by Cambridge City Council as the lead authority under the shared service arrangement.

In response to questions it was explained that the Committee was required to approve the minor changes to the Policy and to delegate authority to the Managing Director to amend the policy or guidance to reflect any other minor changes as required such as updating weblinks contained within the Policy and Guidance. The Committee would be informed of any amendments made via the annual report on Whistleblowing. Subsequently the Committee,

RESOLVED

to:

- i. approve the changes required to the Whistleblowing Policy and Guidance arising from the appointment of a new External Auditor;
- ii. agree that minor amendments to the Policy and Guidance that do not affect the overall approach taken to whistleblowing be delegated to the Managing Director; and
- iii. note the whistleblowing concerns received.

11. INTERNAL AUDIT SERVICE: ANNUAL REPORT AND INTERNAL AUDIT CHARTER REVIEW

As required by the Public Sector Internal Audit Standards (PSIAS) the Committee 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 2015 to 31st March 2016 to support the opinion statement that the Council's internal control environment and systems of internal control as at 31st March 2015 provide, with the exception of IT systems (as no work had been completed during 2015/16), adequate assurance over key business processes and financial systems.

It was explained to the Committee that whilst the lack of IT audit was a concern some of the risks associated with the lack of IT audit reviews had been mitigated by the Cabinet Office renewing the Council's Public Services Network (PSN) compliance certificate in November 2015 for twelve months. The certification indicated that the Council had demonstrated that its infrastructure was sufficiently secure that its connection to the PSN did not present an unacceptable risk to the security of the network.

No specialist IT audit work had been undertaken in 2015/16 and in December 2015 the Corporate Governance Panel had been informed of these reasons being the uncertainty over the employing authority for the IT shared service and the possible alternative service delivery model for internal audit.

It was noted that the financial system controls in place were working effectively with the exception of those within accounts receivable. The failings within the accounts receivable system had been reported to

the Committee for the third successive year. Over that time little improvement had been made to the implementation of the systems and processes in place due to the difficulties in recruiting and retaining staff. The Committee were requested to consider including the need to improve debt management as an issue in the Annual Governance Statement.

Regarding implementation of agreed audit actions, Corporate Management Team (CMT) had set a target that 100% of agreed actions be implemented on time, based on a rolling 12 month timeframe. As at the 31st May 2016 71% of actions had been implemented on time. The Corporate Governance Panel had previously agreed with regular monitoring being undertaken by Corporate Management Team and that Members would receive this information via email from the Internal Audit and Risk Manager. Audit actions were now being monitored with 4action software rather than on the Council's Sharepoint system.

The Internal Audit and Risk Manager had maintained a quality assessment and improvement programme (QAIP) throughout the year in accordance with the PSIAS and undertook a self-assessment in May 2016 to evaluate Internal Audit's conformance with the PSIAS. The self-assessment did not identify any new areas of non-conformance, over and above the eight minor issues that were identified in 2015.

A review of the Internal Audit Charter had also been conducted. Changes were made to the PSIAS in April 2016 by the introduction of a Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing. The Audit Charter has been updated to reflect the ethos of the Mission of Internal Auditing. However, no changes had been made to the Audit Charter to reflect the Core Principles as the Internal Audit and Risk Manager considered that these were already sufficiently addressed.

In response to questions regarding the outstanding audit actions it was explained that as of 31st May 2016 18 audit actions remained outstanding. The new 4action software automatically generated reminders and those responsible could update the system. Once users were fully conversant with the system the information on audit actions should be current.

The Committee expressed concern at the number of agreed audit actions that were either not introduced or partially introduced and the debt management system. The Committee were assured that debt was being raised and recorded. However, it was the recovery of debt that was an issue. The reasons for this were discussed and it was explained that a new Financial Management System (FMS) was being procured and implemented in partnership with the Councils strategic partners, Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC).

The Councils current FMS had been in operation for a number of years with little improvement or modifications to the system. Although the system continued to meet basic accounting requirements a new system would provide better financial reporting, improved financial management and support the sharing of financial resources. By

September 2016 the new system should be operational.

The Corporate Governance Panel had previously expressed concern at the declining service delivery target for 'complete audit fieldwork by date stated on the audit brief'. It was explained that due to the variable hour contracts that the Internal Audit Team worked, it was difficult to reschedule meetings cancelled at short notice which was impacting upon the target. Subsequently the Head of Resources had contacted Senior Management Team to remind them of the importance of keeping to pre-agreed meeting dates and the number of cancelled meetings had reduced markedly.

Having thoroughly considered and discussed the report the Committee,

RESOLVED

- i. that having taken account of the Internal Audit and Risk Manager's opinion when considering the Annual Governance Statement for 2015/2016 that the need to improve debt management should be an issue included in the Annual Governance Statement; and
- ii. the Committee approves the Internal Audit Charter.

Chairman