

**Corporate Governance Committee**

**Chairman's Annual Report to Council**

**for the year ending 30 September 2016**



## **Introduction by the Chairman of the Corporate Governance Committee**

This is the sixth annual report on the work of the Corporate Governance Committee and the second one that I have presented as Chairman of the Committee.

The report is intended to demonstrate to the Districts resident's and other stakeholders the importance of good governance and the contribution the Committee makes to achieving that aim. The Committee's meetings are open to the public and its reports are available on the Council's webpages and I welcome the public's attendance at our meetings.

The Council adopted a new Constitution in March 2016. This removed from the Committee's terms of reference the requirement to provide the Council with an annual report. I feel that it is important that the Council and all its stakeholders are aware of how the Committee discharged its duties and for that reason I have decided that an annual report will be prepared for this year. The Committee will consider whether or not it intends to continue to produce an annual report when it undertakes its annual self-assessment in February next year.

The report provides an overview of the key issues considered by the Committee during the year ending September 2016. The Committee is of the view that the Council's governance and internal control procedures are generally sound. They have however expressed concerns that the controls associated with the management of debt are not as effective as they should be and felt that significant improvements were needed in this area. Consequently they included this issue in the Council's 2015/16 Annual Governance Statement (AGS).

Whilst the Council's Annual Financial Report (AFR) is prepared for the year ending March, the key assurance that the Committee provides to the Council is via the AGS. The AGS has to reflect the governance position of the Council at the date when the AFR is approved - September 2016. It is for that reason, that this report covers the period to September, rather than the 2015/16 financial year.

Legislation has been introduced that will bring forward to 31 July 2018 the date by which both the 2017/18 AFR and AGS have to be approved and published. This change will also affect the publication date for this report. It is proposed to change the period which this reports covers to reflect financial years – so the next report will reflect upon the 2016/17 financial year.

In March 2016, following the adoption by the Council of an amended Constitution, the former Standards Committee was merged with the Corporate Governance Committee. Committee membership was increased from eight to twelve Members. To allow the newly appointed Members the opportunity to contribute to the annual Committee effectiveness review, a decision was made to move the review date from July 2016 to February 2017. Coincidentally, this also has the benefit of allowing the review to be reported in a timely way in future annual reports.

Finally, I would like to thank all the Members who served on the Committee during the reporting year and those Officers who have supported its work.

Councillor Mike Francis  
Chairman, Corporate Governance Committee  
September 2016

## **Committee Functions**

The Committee is required to discharge the functions of the Council in relation to both the corporate governance of the Council and the conduct of Elected Members.

The Committee's functions (terms of reference) were amended when the Council approved a new Constitution in March 2016. At that time, the former Standards Committee was abolished and merged with the former Corporate Governance Panel, so forming a new Corporate Governance Committee.

The Committee oversees the Council's governance and financial arrangements and the promotion and maintenance of high standards of conduct amongst the Council and Town and Parish Council's within the District of Huntingdonshire. This includes advising the Council on the Code of Conduct for Members, agreeing a Code of Conduct for Planning matters and considering reports by the Local Government Ombudsman.

Functions relating to the conduct of Members will be considered by a Standards Sub-Committee, which will be a Sub-Committee of the Corporate Governance Committee.

The full functions of the Committee are listed in Appendix A.

The Constitution review was undertaken by a cross-party Constitution Review Advisory Group (CRAG). The Chairman of the former Corporate Governance Panel was a member of the Group. In the course of the review it became clear that the Council needed to reconsider the naming of its Committees and Panels. Legal advice provided was that the Local Government Act requires delegations to be made only by a Committee or Sub-Committee of the Council or Cabinet, not a Panel. Consequently a number of Panels were renamed – with the Corporate Governance Panel becoming the Corporate Governance Committee.

For ease of reference, Committee has been used as the naming convention in this report to cover the work undertaken by the former Corporate Governance Panel and the current Corporate Governance Committee.

## **Effectiveness**

An effective Corporate Governance Committee can bring many benefits, including:

- raising greater awareness of the need for internal control and the implementation of agreed audit recommendations;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and other similar review process; and
- providing additional assurance through a process of independent and objective review.

The Committee's work activities have been designed so that they not only provide assurance to the Council and allow it to discharge its functions, but also allow the Committee to make a positive contribution towards maintaining good governance practices across the Council.

A brief outline of the main business conducted by the Committee during the reporting year is listed in the table below and on the following pages.

<b>December 2015</b>	<b>March 2016</b>	<b>June 2016</b>	<b>July 2016</b>
Approved the Corporate Fraud Team work plan and prosecution policy	Reviewed proposals for a new Council Constitution and changes to the Code of Financial Management and Code of Procurement and recommend their adoption to the Council	Considered the Internal Audit Service 2015/16 annual report, opinion and effectiveness review. Approved the Internal Audit Charter	Recommended to Council the adoption of a new Code of Corporate Governance
Reviewed proposed changes to the structure of Overview & Scrutiny Panels and recommend their adoption to Council	Reviewed external audit plan for 2015/16 and 2014/15 grant certification	Approved changes to the whistleblowing policy & procedure and reviewed concerns received.	Agreed the significant governance issues for inclusion in the 2015/16 AGS
Reviewed delivery of 2015/16 Internal Audit plan	Approved 2016/17 Internal Audit plan	Reviewed 2015/16 Corporate Fraud Team activity	Considered changes to the benefits risk based verification policy and recommended to Cabinet that it be approved
Reviewed the external auditors annual audit letter 2014/15	Noted progress on issues from 2014/15 AGS	Considered the current position of business continuity planning across the Council	Considered the annual report on the Council's compliance with the FoI & EIR <sup>1</sup> and governance issues arising
Noted progress on the introduction of agreed internal audit actions	Approved accounting policies for 2015/16	Noted the progress on the introduction of external audit recommendations from 2014/15 audit	Considered appropriateness of thresholds within the Disposals and Acquisitions Policy: Land and Property and made recommendations to Cabinet

<sup>1</sup> Freedom of Information Act and Environmental Information Regulations.

## How effective is the Committee ?

As explained in the introduction to the report, the Committee has not undertaken a review of its own effectiveness during 2016, but postponed the date of the review from July 2016 to February 2017.

The results of the 2015 review were considered by the Committee in September 2015. Whilst considering themselves to be acting effectively and fulfilling their Terms of Reference (as applicable at that time), an number of opportunities to further improve effectiveness were identified – these are listed below together with the action taken.

<b>Opportunities to improve effectiveness</b>	<b>Action taken</b>
1 Five new Members were appointed to the Committee in May 2015. In order to get a clear idea of all Committee Members current knowledge of governance matters, a skills assessment questionnaire to be circulated, based upon the CIPFA Audit Committee knowledge and skills framework.	There was a delay in issuing the questionnaire. It was issued to all Committee Members in August 2016 and the results will form the basis of a training programme for the Committee.
2 Cabinet are responsible for approving the Risk Management Strategy and ensuring that risk management procedures are in place across the Council. The Committee require assurance that these arrangements are working effectively.	The Head of Resources to report to Committee (in September 2016) on the risk governance arrangements in place across the Council.
3 With regard to the Constitution review that is underway, the Committee would like early sight of proposed changes so that they are able to adequately deliberate and consider the changes before making any recommendation to Council.	The Chairman of the Committee was appointed a member of the CRAG, which was formed to support the Monitoring Officer in undertaking the Constitution review.  Whilst a Special Meeting of the Committee was planned to be held in late January 2016 to review the new Constitution, the meeting had to be cancelled as the final document was not available for review. The Committee reviewed the Constitution at their March 2016 meeting.
4 A wide breadth of governance related knowledge is required by Members of the Committee. To ensure that the Committee remains effective the Constitution review should consider options for restricting the number of changes to Committee membership each year or the appointment of Members for longer than one year.	The CRAG did not propose any changes to membership appointments. The decision was accepted by the Committee.

- 5 As recommended by the Committee in 2013 and 2014 the Council should -
- a. introduce a Procurement Policy; and
  - b. become a signatory to the Prompt Payment Code (PPC)

A Procurement Policy was approved by the Council in December 2015.

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 required to pay sub-contractors within 30 days. For this reason the Procurement Manager proposed to the Committee that the Council does not sign up to the PCC. This was agreed by the Committee in September 2015.

Whilst the table above summarises the work of the Committee, significant items of note that were discussed or considered are summarised in the following paragraphs.

## Reviewing the Constitution

**The Council have adopted the recommendations of the Committee and introduced a number of changes to the Constitution to allow it to operate more effectively.**

The Committee is responsible for proposing to Council changes to the Council's Constitution.

As noted above, a major review of the Constitution was undertaken during 2015/16.

The main changes were:

- All Panels with delegated decision making powers were renamed as Committees in line with Local Government Act 2000 requirements.
- The introduction of a revised Scheme of Delegations.
- The introduction of Committee Procedure Rules.
- The incorporation of the Standards Committee into the Corporate Governance Committee (and for Standards Committee to be a Sub-Committee of the Corporate Governance Committee).

The proposed changes were considered by the Committee in March 2016, who after review, agreed to recommend their adoption to the Council. (Council approved the Constitution on 23 March 2016) .

The annual review of the Code of Financial Management and Code of Procurement was also considered in March 2016, and subsequently approved by Council.

## The overall governance of the Council

### **Adopting a new Code of Corporate Governance.**

The Code of Corporate Governance (CoCG) describes the way in which the Council carries out its functions through its Members, and employees and the way it undertakes its work, so ensuring that it establishes and maintains public confidence. It is a key document that supports the preparation of the Annual Governance Statement (AGS).

Council first adopted a CoCG in September 2003. A new 'proper practices' document – *Delivering Good Governance in Local Government: Framework* – was published in April 2016. The Framework defines seven principles that underpin the Council's overall governance structure.

The Committee recommended to Council that a new CoCG should be adopted from April 2016, and so form the basis for the 2016/17 AGS.

The Committee also discussed the assurance gathering processes to be introduced to ensure compliance with the CoCG and noted that the six Officer led Governance Groups (first introduced in November 2013) would be responsible for this.

### **Approving the Annual Governance Statement on behalf of the Council.**

At the September 2016 meeting, the Committee approved the 2015/16 AGS. The Committee continue to believe that it is important that the Council's stakeholders understand the Council's governance structures and consider that the style of the annual governance statement allows this.

The Committee are of the opinion that there are two areas that need specific mention – the development of robust and effective reporting arrangements for shared services ([page 7](#) provides more information); and to continue to improve debt management arrangements ([page 8](#) provides more information).

### **Significant governance issues included in the 2014/15 AGS:**

- ~ Improve project management practices.*
- ~ Develop robust & effective reporting arrangements for shared services.*

In March 2016 the Committee discussed the progress that had been made in delivering the two significant governance issues identified in the 2014/15 AGS.

#### **Project management**

The action taken to address all five of the recommendations agreed by Cabinet in April 2015, through reports presented to the Overview and Scrutiny Panel (Economic Well-Being) in

October 2015 and March 2016 was noted. The Committee consequently felt that sufficient improvement had been made that it was not necessary to include the issue in the 2015/16 AGS.

### **Shared Services**

The Committee were aware that the Council approved the overall shared service<sup>2</sup> governance arrangements in July 2015 and were content with the progress since made.

In July 2016 they revisited the shared service governance arrangements and noted that business plans which set out the key priorities, objectives, activities and measures of success for each service had been approved by the Cabinet in June 2016. Whilst having no specific concerns about this, it was felt that reporting and oversight of shared services performance was still in its infancy and the failure of a shared service would be of significant impact to the Council. For this reason, the Committee decided that the Council should not lose sight of the shared service initiatives and decided that it should remain as a significant governance issue for the 2015/16 AGS.

## **Approving the Annual Financial Report 2015/16**

### **Unqualified financial statement and value for money opinion issued by the external auditor.**

The 2015/16 financial report was externally audited and approved prior to the statutory deadline of 30 September 2016. The external auditors issued both an unqualified value for money and financial statement opinion.

The Committee are aware that from 2017/18 the financial statements will need to be ready for external audit review by the 31 May and be approved by the Committee by the 30 July. They are also aware that the Council missed the deadline for preparing the 2010/11 accounts due to introduction of new accounting standards. The Committee intend to request updates on the progress being made to ensure that the new dates are achieved.

---

<sup>2</sup> Cambridge City Council, Huntingdonshire District Council and South Cambridgeshire District Council – collectively known as 3Cs - have agreed the principle of working in partnership to deliver a range of shared services.



## Internal audit plan and annual opinion

**The annual opinion of the Internal Audit & Risk Manager as at 31 March 2016 was that the Council's internal control environment and systems of internal control provide, with the exception of IT systems (where no work has been completed during 2015/16) adequate assurance over key business processes and financial systems.**

The Committee noted that the assurance opinion was unchanged from 2014/15.

The Committee had previously expressed concern that the need to drive out savings and efficiencies may lead to a reducing internal control environment and increasing numbers of internal audit reports being issued that are in the 'limited' or 'little' categories. It is pleasing that this does not appear to be the case.

The Committee were concerned about the continuing low level of assurance given to the Accounts Receivable system. Control failings had been reported to the Committee over three successive years. Due to the difficulties in recruiting and retaining staff little improvement had been made to the implementation of systems and processes.

Having considered the matter, the Committee decided that improvements in debt management should be included as a significant issue for the 2015/16 AGS.

**Concerns about the lack of IT audit services during 2015/16.**

The Internal Audit Service has obtained IT audit services from an external contractor since 2006. The previous contract ended in January 2015. It was not immediately re-let due to uncertainty over which of the 3Cs would be appointed the lead authority for the IT shared service. Following the decision that Huntingdonshire would lead, a further delay occurred due to the commencement of a review to examine options for forming a shared internal audit service.

The lack of IT audit is of concern. However some of the risks associated with this have been mitigated by the Cabinet Office renewing the Council's Public Services Network (PSN) compliance certificate in November 2015 for twelve months. The certification shows that the Council has demonstrated that its infrastructure is sufficiently secure that our connection to the PSN does not present an unacceptable risk to the security of the network.

Whilst no IT audit reviews were conducted during 2015/16, work is expected to be completed in 2016/17. A contract for IT audit services was awarded in August 2016 to BDO LLP.

**Poor performance in introducing agreed internal audit action on time.**

As last year, the Committee have continued to express concern and disappointment at the low number of agreed audit actions that have been introduced on time. In June 2015 the Committee referred the matter to Council and requested that it be referred on to the Cabinet. This was done.

Despite their being an initial improvement, recent months has seen a tail off in performance.

Before the Committee refer the matter to Council once again, they have decided to review the outstanding actions and seek an explanation from the appropriate Head of Service so as to understand the reason why the action has not introduced on time. The first such review is due to be completed in September 2016.

**Approving the internal audit work plan and Internal Audit Charter.**

The Committee approved the internal audit plan for 2016/17 in March 2016.

In July 2016, the Committee approved changes to the Internal Audit Charter. Changes were necessary following revised Public Sector Internal Audit Standards (PSIAS) being issued in April 2016 – which introduced a Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.

The Audit Charter was updated to reflect the ethos of the Mission of Internal Auditing. However, no changes have been made to the Audit Charter to reflect the Core Principles as the Committee considered that these were already sufficiently addressed.

**Countering fraud and the work of the Corporate Fraud Team**

**Consideration of the Corporate Fraud Teams (CFT) work plan and prosecution policy.**

The Committees 2015 annual report explained that the Council's Anti-Fraud and Corruption Strategy had been amended to reflect the CFT change of focus – that was a move away from undertaking mainly welfare fraud reviews.

In December 2015, the Committee received a report that detailed how this change of approach was reflected in the work plan of the CFT. At the same time, the Committee considered a revised prosecution policy.

The work plan outlined the approach to dealing with areas such as Council Tax Support and Council Tax discount fraud; Housing Tenancy and Business Rate frauds.

A Fraud Working Group had previously been set-up by the Committee to review the work of the CFT. The Committee considered whether the Group should be re-formed as work priorities had changed. However they felt that an annual report to the Committee together with the Executive Councillor for Customer Services overseeing the work of the team was an appropriate level of focus.

The Committee made a number of comments to the Cabinet on the report as they were responsible for approving the work plan and prosecution policy.

**Approving the whistleblowing policy and guidance.**

In June 2015 that policy and guidance was overhauled to meet the aims of the Public Concern at Works whistleblowing code of practice. Consequently, only minor changes to the policy were required in 2016.

Due to the adoption of a narrower definition of 'whistleblower' – covering only Council employees and contractors and suppliers who provided services under contract to the Council – no allegations of whistleblowing were received during 2015/16.

However three allegations were made from members of the public. All have been investigated and the Committee made aware of the outcomes of those investigations.

The areas referred to above deal with the core business of the Committee. A number of reports and other issues were also considered during the year that had a direct impact upon governance systems and processes across the Council. The most significant of these were:

- Reviewing the Disposals & Acquisitions Policy (in July 2015) that supports the Commercial Investment Strategy, recommending to Council that it be adopted. In July 2016, considering whether financial thresholds in the Policy should be amended, deciding that they should remain unchanged;
- Considering and then approving to Cabinet, changes to the Housing Benefits risk based verification policy; and
- Reviewing the Council's compliance and performance in respect of responses to enquiries received under both the Freedom of Information and Environmental Impact Regulations.

## **Future Developments**

The Committee wish to continue to build upon the solid governance processes and procedures that are in place across the Council. In addition to the opportunities for improvement that are listed earlier in the report, there are other developments planned.

- Reinvigorating the Committee's training programme.
- Undertake an effectiveness review of the S106 Agreement Advisory Group.
- Undertake an effectiveness self-assessment in February 2017

**Corporate Governance Committee**  
**Functions : Approved by Council 23 March 2016**

To discharge the functions of the Council in relation to the Corporate Governance of the Council and to be the Council's "Audit" Committee.

These responsibilities include:

<b>Governance</b>	<p>Regularly reviewing the Council's Code of Corporate Governance and recommending any changes to the Council and approving the annual governance statement and reviewing the achievement of any outstanding improvements.</p> <p>Ensuring there are effective arrangements for the management of risk across the Council.</p> <p>Ensuring there are effective arrangements for the system of internal audit of the Council including:</p> <ul style="list-style-type: none"><li>• considering a regular review of its effectiveness;</li><li>• reviewing and approving the internal audit charter;</li><li>• approving internal audit plans and receiving reports on progress in delivery.</li></ul> <p>Receiving and considering external audit reports including the adequacy of management response to issues identified.</p>
<b>Final Accounts</b>	<p>Approving the accounting policies, statement of accounts and considering any matters arising from the external audit.</p>
<b>Standards</b>	<p>To advise the Council on the adoption or revision of its Codes of Conduct for Members.</p> <p>The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.</p> <p>To advise the Council on the adoption or revision of a Protocol for Member/Officer relations.</p> <p>To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code.</p>
<b>Complaints</b>	<p>Consideration of reports by the Local Government Ombudsman including compensatory payments.</p>
<b>Electoral matters</b>	<p>Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.</p>
<b>Standards Sub-Committee</b> To include Independent Person and Parish Council representatives	<p>Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.</p>