

## 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 Tuesday, 27 September 2016.

PRESENT: Councillor M Francis – Chairman.

Councillors K M Baker, E R Butler,  
Mrs S Conboy, D B Dew, Mrs L A Duffy,  
R Fuller, T Hayward, Mrs R E Mathews and  
R J West.

APOLOGY(IES): Apologies for absence from the meeting were submitted on behalf of Councillors J E White.

IN ATTENDANCE: .

### **22. MINUTES**

The Minutes of the meeting of the Committee held on the 20th July 2016 were approved as a correct record and signed by the Chairman.

### **23. MEMBERS' INTERESTS**

No declarations were received.

### **24. CORPORATE GOVERNANCE PANEL PROGRESS REPORT**

The Committee received and noted a report on progress (a copy of which is appended in the Minute Book) detailing progress of decisions and action taken at previous meetings. In so doing, Councillor T Hayward drew Members attention to the action of re-establishing the Member Development Working Group that had been closed and his concerns for the lack of attendance by Members at training events. The Chairman undertook to raise the issue further at a forthcoming meeting with the Executive Leader.

With reference to the request for completion of a skills audit by Members, the Internal Audit and Risk Manager confirmed that five forms were still outstanding and urged those Members to complete their returns.

### **25. COMPLAINTS - ANNUAL REPORT**

The Committee received and noted a report by the Policy, Performance and Transformation Manager (a copy of which is appended in the Minute Book) on complaints submitted to the Local Government Ombudsman (LGO) and data relating to Stage 1 and Stage 2 complaints received internally in 2015/16. The Committee was informed that in 2015/16 there were two detailed investigations by the LGO and only one was upheld.

With regard to internal complaints handling, the Committee was

advised that the Council's policy and procedure for recording and monitoring complaints had been reviewed and had resulted in a significant increase in the volume of complaints being recorded. Members' attention was drawn to the absence of data from One Leisure and the Policy, Performance and Transformation Manager advised the Committee that she had been working with the service and others to assist with the identification of formal complaints compared with service resolutions.

In response to a question by Councillor Mrs R E Mathews on the high volume of complaints recorded for the Operations Division, Members were advised that as the system for recording complaints had been revised it had resulted in an increase in the number of logged complaints but distinction had made between a service resolution rather than a formal complaint using an example of a missed bin collection.

The Committee were informed of the procedure for dealing with internal complaints, from service investigations through to independent review before final submission to the LGO if necessary.

With reference to a question from Councillor Mrs S Conboy on the balance of the number of complaints received on planning matters following decisions taken at Development Management Committee compared with decisions taken by Officers under delegated authority, the Policy, Performance and Transformation Manager undertook to provide an analysis following the meeting.

RESOLVED

that the contents of the report be noted.

**26. UPDATE ON CODE OF CONDUCT AND REGISTER OF DISCLOSABLE PECUNIARY INTERESTS**

By means of a report by the Members' Support Assistant (a copy of which is appended in the Minute Book) the Committee was updated on the adoption of a Code of Conduct by Town and Parish Councils and on the receipt and publication of register of interests forms on behalf of District and Town and Parish Councillors. Members noted that all of the 71 Town and Parish Councils had adopted a Code of Conduct, with 56 based on that adopted by the District Council, 11 had opted for the Code promoted by the National Association of Local Councils and the remaining four Councils had adopted their own version of the Code.

Members were then informed that, of the 71 Town and Parish Councils, 47 had their full Register published, which comprised the Disclosable Pecuniary Interests (DPI) forms of all Councillors, with 24 parishes holding vacancies.

In terms of individual DPIs, 607 out of a total of 650 had been received from Parish Councillors, one was outstanding and 42 were vacancies. The forms of all District Councillors had been published on the Council's website.

RESOLVED

that the contents of the report be noted.

## **27. SHARED INTERNAL AUDIT SERVICES**

The Committee considered a report by the Head of Resources (a copy of which is appended in the Minute Book) to which was attached a Business Case to establish a Shared Internal Audit Service between the Council, Cambridge City and South Cambridgeshire District Council. Attention was drawn to an update in the level on savings identified in Appendix 2 of the Business Case, whereby the figures had been amended for Cambridge City to £24,546, Huntingdonshire to £21,337 and South Cambridgeshire to £6,336 to bring them in line with the protocol utilised for the identification of savings in accordance with the previous shared service models.

The Head of Resources advised the Committee that the employing authority would be South Cambridgeshire District Council for the Shared Audit Service (SAS) and drew Members attention to Appendix A of the report that highlighted the benefits of the proposal. The savings identified had been targeted at £51.9k for 2017/18 and the Council's liability for the initial set up costs would be £10k to be funded from Special Earmarked Reserves.

Arising from a comment from Councillor Mrs S Conboy on the high level of non-productive time recorded, the Internal Audit and Risk Manager confirmed that the level had been high across the three authorities and advised Members of how the target to reduce levels by March 2019 would be achieved. Councillor Mrs Conboy further highlighted her concerns with the proposal urged that consideration be given to prioritisation of the Council's risks, together with allowance of a 'break clause' in the contract.

In response to a question from Councillor Ms L A Duffy on why South Cambridgeshire had been nominated as the employing authority, the Head of Resources had confirmed that they had put themselves forward for the role. Councillor Ms Duffy further drew attention to the suggested resilience that would ensue with the SAS and reported upon her concerns that the high quality of audit service that the Council had currently supplied could be diluted with the requirement to support the other local authorities. The Head of Resources confirmed that when the Council had entered into an agreement to share services with the other authorities it had been considered that the Internal Audit Service would be a prime service to share, creating greater resilience but not necessarily generating savings.

Councillor T Hayward commented upon his concerns for not being the lead authority and how the SAS may not have the advantage of understanding how the Council works and functions, comparing such a scenario to External Audit if the service is extended further to include Peterborough City Council. The Head of Resources confirmed that there had been no proposals to include Peterborough and had expected the level of internal audit service provided to be of the standard that is currently being provided.

Councillor D Dew referred to the previous services that had been implemented as a shared service at the authority and commented that

the Council currently had no evidence to support the success of these services to proceed further with another service, making particular reference to the staffing issues recently experienced in the Building Control Service. In concurring with the sentiments of Councillor Dew, Councillor R J West referred to the different performance standards across the three authorities with differing productivity levels and his concern for the timescale of two years to achieve standard working practices when the Council currently had an Internal Audit Service that met our requirements.

In referring to the reasoning behind the previous shared service agreements on a financial basis, Councillor R Fuller outlined his concerns for the SAS proposal that had not concentrated on the financial justification but rather the resilience. In so doing, Councillor Fuller stated that he had not been made aware of any issues with the current Internal Audit Service and could not support the justification in the Business Case.

In supporting the comments that Members had made previously, Councillor E R Butler confirmed that the savings identified did not warrant the argument for proceeding with the proposal. Councillor Mrs R E Mathews further highlighted concerns with the proposal and made particular reference to the external independent review and external assessment that the Council had achieved previously but the other authorities had not been at the same standard and not been reviewed in the same way.

In concluding the discussion, the Chairman supported the views of the Committee and invited Members to attend the meeting of the Cabinet on the 20th October 2016 to support the Chairman in presenting their comments. Whereupon, the Committee

#### RESOLVED

- (a) that the Cabinet be recommended not to proceed with the Business Case for the establishment of a Shared Audit Service; and
- (b) that the Chairman be requested to attend the meeting of the Cabinet on the 20th October 2016 to present the comments of the Committee.

## **28. COMPUTER AUDIT PLAN**

With the aid of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee has been apprised of arrangements in place for the delivery of computer audit services. In so doing, Members attention was drawn to the 2015/16 Internal Audit Service Annual report that had highlighted the lack of computer audit reviews and importance placed upon providing key IT systems and reliance upon which the Council had been leading on for the 3C Shared Service ICT.

The Committee was advised of the competitive tender exercise that had been undertaken and the appointment of BDO LLP to support the

Internal Audit Service in undertaking computer audit reviews for the period October 2016 to March 2019.

In referring to the work plan of seven key areas to focus upon, the Committee confirmed their support, in particular the emphasis on cyber security and the Financial Management System. In accordance with the Public Sector Internal Audit Standards, the Committee

RESOLVED

that the Computer Audit Plan 2016/17 be approved.

## **29. IMPLEMENTATION OF AGREED AUDIT ACTIONS**

Further to Minute No. 21 of the meeting held on the 20th July 2016 and by way of a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) the Committee was presented with an update of the current position with regard to the implementation of agreed audit actions in light of Members concerns raised previously.

Members' attention was drawn to a summary of performance as at 31st August 2016 and the target set by Corporate Management Team that 100% of agreed internal audit actions should be introduced on time. Officers with responsibility for each audit action are required to provide an update of progress and until immediately prior to the meeting an update had not been provided for three audit actions under the responsibility of the Head of Community. The Internal Audit and Risk Manager acquainted the Committee with a verbal update in relation to the appointment of a Single Point of Contact (SPoC), whereby he advised that the post of CCTV Manager was currently vacant and the job description and person specification would be updated to reflect inclusion of the SPoC role. The Codes of Practice for CCTV systems had been established and implemented and as such would now be subject to a review by Internal Audit. The last outstanding action by the Head of Community referred to Licensing, rather than CCTV, and the Internal Audit and Risk Manager confirmed that an audit trail was held in the Licensing software system.

Councillor Mrs S Conboy suggested that the recording system could be improved by way of inclusion of a further date indicating the timescale if audit actions are not being implemented on time. In response, the Internal Audit and Risk Manager advised Members that there was currently no facility to add a secondary date but undertook to revisit this issue outside of the meeting. Furthermore, the Committee was advised that the software system '4Risk' had been procured on the understanding that it had the ability to issue reminders but this had not been available and was currently being pursued with the supplier.

In referring to the percentage of audit actions that been introduced on time versus those that had been introduced late, Councillor Ms L A Duffy sought reassurance from Senior Management Team that such actions were being taken seriously, whereby the Chairman undertook to keep this as a live issue on the Committee's Work Plan and raised the suggestion of inviting the relevant Executive Councillor along to a future meeting. The Internal Audit and Risk Manager suggested that

an update could be provided at a future meeting and a decision be taken by Members as to whether the Executive Councillor be invited to attend following receipt of the September and October updates.

RESOLVED

- (a) that the progress achieved in the implementation of agreed internal audit actions be noted; and
- (b) that following circulation of the September and October 2016 reports of implementation of agreed audit actions to Members, consideration be given to inviting the relevant Executive Councillor to the meeting of the Committee on the 7th December 2016 as necessary.

### **30. MISCELLANEOUS INCOME - PERFORMANCE REVIEW**

Further to Item No. 11 of the meeting held on the 8th June 2016 and by way of a report by the Head of Resources (a copy of which is appended in the Minute Book) the Committee were acquainted with an update on the Miscellaneous Income (Debtors) Service that had been recommended to be included within the Annual Governance Statement 2015/16.

Attention was drawn to issues within the Debt Management Team, the miscellaneous debt position as at 31st March 2016 and a comparison with the position as at 31st August 2016, highlighting progress made during the year to recover the outstanding debt. Members noted that the debt position had reduced by £800k and the Council's decision not to write off some significantly old debts. The Head of Resources also reported upon the significant increase of debts raised in 2016/17 to £1.2m that had been achievable by a change in working practices, with responsibility for raising debts transferred back to the relevant service, clearer payment plans and a more stable Team in place.

The Committee were pleased to note the progress that had been achieved to date that had been largely achievable by the transfer of debt administration functions back to services. The Internal Audit and Risk Manager reported upon his review of the Debtors Service and undertook to review the Service again in October 2016 to determine whether the key controls that had been established had been working effectively. A further update on progress would be included in the update report provided by the Internal Audit and Risk Manager at their meeting in December 2016.

RESOLVED

that the contents of the report and progress made in relation to the recovery of outstanding debt be noted.

### **31. RISK MANAGEMENT UPDATE**

The Committee were acquainted with a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the management of risks across the Council and a summary of the current position. Having been advised that the Cabinet had recently

approved an updated Risk Management Strategy at their meeting on 22nd September 2016, a review had been undertaken by Senior Management Team of the content of the risk register resulting in a reduction in the number of risks from 143 to 89.

Members were reminded that responsibility for risk management had been transferred to the Cabinet and the Committee's responsibility now was to ensure that the correct procedures remain in place.

In drawing attention to the percentage of controls with limited assurances, the Internal Audit and Risk Manager concurred with the concerns of Members and reported that he had not had the opportunity to investigate the areas affected by these assurance levels. He advised the Committee that Managers were required to update the controls every six months and a reminder had been presented to Corporate Management Team to this effect.

In response to a question from Councillor Hayward on the frequency of exercises undertaken by the Council in the event of a major catastrophe or power failure, the Internal Audit and Risk Manager confirmed that they had been carried out previously in accordance with the Business Continuity Plan but was not aware of any recent exercises. In discussing such scenarios with the Council's new insurers, they had confirmed that the Council should continue with the exercises, whereby the Internal Audit and Risk Manager undertook to discuss the issue further with the Corporate Team Manager.

In noting that the Overview and Scrutiny Panel (Performance and Customers) and the Cabinet regularly review the corporate risk register, the Committee

RESOLVED

that the Committee are satisfied with the current risk management procedures in place in light of the comments highlighted above.

**32. APPROVAL OF THE 2015/16 ANNUAL FINANCIAL REPORT AND ANNUAL GOVERNANCE STATEMENT INCLUDING EXTERNAL AUDITOR'S REPORT**

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) which sought approval for the publication of the Council's Annual Governance Statement (AGS), Annual Financial Report (AFR) for 2015/16 and Letter of Representation in accordance with statutory regulations and to be approved and published by the 30th September.

The Head of Resources reported upon the appointment of Ernst and Young as the Council's new external auditors and introduced Mr N Harris, Executive Director and Mr T Poynton, Audit Manager as their representatives to present the Audit Results Report.

Mr Harris outlined their responsibilities of issuing an opinion and a value for money opinion and informed Members that Ernst and Young had concluded their review and had been satisfied to issue an

unqualified opinion and value for money opinion that the Council had proper arrangements in place to achieve value for money. In thanking the Head of Resources and his Officers for their support in the process, Mr Harris reported upon some difficulties they had experienced but had worked through these in a professional way.

In referring to the uncorrected audit differences in Appendix A of the report now submitted, Mr Harris reported that they had not been considered material for adjustment to be made by management but necessary to be brought to the Committee's attention. Attention was also drawn to the identification of further audit differences as outlined in Appendix B to the report now submitted that necessitated correction by management within the revised financial statement.

The Committee noted a decrease in the materiality from £1.75m to £1.73m that had been reassessed based upon the actual results for the financial year due to lower gross revenue expenditure in 2015/16 than the previous year.

Mr Harris referred to the difficulties encountered during the audit outlined above and following the conclusion of the audit Members noted that it may be necessary for a further fee to be charged to cover these issues resulting in some delay in the completion of the report. With reference to these issues, the Chairman questioned whether Ernst and Young had supplied enough resources, whereby Mr Harris confirmed that the resource level had not been as good as it could have been and this would be taken into account when any additional fees are levied.

In response to a question from Councillor T Hayward on the statement that in 2018 the report had to be completed by the end of July, Mr Harris reported that the 40% level of other audit work undertaken by the end of March would increase to 60% and there would be more work undertaken on internal controls and testing, with more estimation work through principles agreed previously with the local authority.

Arising from a question from Councillor Mrs S Conboy on the Council's budget and concerns for sustainability, Mr Harris praised the Council's exercise on Zero Based Budgeting designed to achieve a level of sustainability and stated that the Council had an adequate level of reserves, but had also been looking at other ways of earning income through a prudent and risk based approach.

In response to a question from Councillor R Fuller on clarity of the uncorrected audit difference sum, the Head of Resources reported that the £258k had not been accounted for on the balance sheet and not recorded in the correct place. He assured Members that this situation would not arise again.

In referring to a question from the Chairman on the level of pension fund and change in its valuation, the Head of Resources reported that the valuation is obtained from an actuary but had been revised this year to reflect a change in market conditions such as investments and other liabilities but had been of an adequate level.

With reference to the significant movement in our usable reserves as



identified in the Annual Financial Report, the Head of Resources explained the background to the adjustments in the General Fund Balance to General Fund Reserves and the transfer in of £7.6m for the procurement of commercial assets.

In referring to concerns from Members regarding the whether the borrowing of finance had been reviewed, Mr Harris confirmed that this issue would be addressed in the 2016/17 audit. The Head of Resources assured Members that the borrowing had been made on a prudential basis to ensure that the returns would cover the investment made.

Having expressed appreciation to the Officers involved in producing the AGS and AFS and also to the External Auditors for their work this year, the Committee

#### RESOLVED

- (a) that the External Auditor's Results Report attached as Appendix A to the report now submitted be received;
- (b) that the Annual Governance Statement attached as Appendix B to the report now submitted be approved and that the Executive Leader and Managing Director be authorised to sign the Statement on behalf of the Council;
- (c) that the Letter of Representation attached as Appendix C to the report now submitted be approved and the Head of Resources be authorised to sign the Letter on behalf of the Council; and
- (d) that the Annual Financial Report attached as Appendix D to the report now submitted be approved and the Chairman of the Committee and Head of Resources be authorised to sign the accounts on behalf of the Council.

### **33. CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT**

The Committee was presented with the draft Annual Report of the Committee (a copy of which is appended in the Minute Book) in respect of the year ending 30th September 2016 which provided a summary of its work regarding the Council's internal control and governance environment.

Members' attention was drawn to the legislative changes that would bring forward to 31st July 2018 the date by which the 2017/18 Annual Accounts and Annual Governance Statement had to be approved and the proposal that the reporting period of any future report be changed from September to March.

In referring to the 'Introduction by the Chairman of the Committee', it was requested that reference be made to the significant changes that had been made to debt collection and the Internal Audit and Risk Manager undertook to draft a paragraph to reflect these changes. Whereupon, the Committee

RESOLVED

- (a) that the comments in relation to debt recovery should be reflected in the introduction of the Annual Report;
- (b) that the Chairman be authorised to make any changes as necessary to the report;
- (c) that future Annual Reports be prepared and reported for each financial year.

Chairman