

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Review of the Effectiveness of the Corporate Governance Committee
Meeting/Date:	Corporate Governance Committee – 22 March 2017 Council – 29 March 2017
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary:

The Corporate Governance Committee held an informal meeting on the 25 January to consider their own effectiveness. Nine Members of the Committee were present. Following the review, the Chairman of the Committee concluded that it acted on an apolitical basis, has sufficient authority and resources to fulfil its terms of reference and performed its role effectively and independently.

A number of opportunities to improve the effectiveness of the Committee were identified and are summarised below.

1. The Committee's terms of reference should be amended to reflect its role and responsibility (see Appendix 1).
2. The Chairman should reinstate private meetings with the external auditor.
3. The Head of Resources deliver training to the Committee ahead of the meeting at which the financial statements are presented.
4. The Head of Resources agree a training plan for Committee Members with the Committee Chairman.
5. An induction plan is agreed by the Chairman and delivered to all new Committee members within eight weeks of their appointment to the Committee.
6. A draft copy of the minutes are circulated by email to Committee Members shortly after a meeting has been held. (Note: due to current staffing changes within Democratic Services, this may not be possible to introduce immediately).
7. The Committee consider whether or not it wishes to expand its work plan and receive reports on significant cross-cutting organisation wide issues.
8. The Committee consider whether or not it wishes to introduce the concept of 'subject experts' and if so, agree how to proceed.

The Corporate Governance Committee undertook its first effectiveness review in

2008. Including this year, all of the reviews (7 in the last 10 years) have been based on a set of 'best practice' questions, prepared and updated as necessary, by the Internal Audit & Risk Manager.

Whilst the Committee have expressed a wish that the annual reviews continue. it may be appropriate to consider commissioning an external review once every five years so that a fresh perspective on the Committee's effectiveness is obtained. It is estimated that this will cost approximately £5k. No budget is currently available to fund this review.

Arising from the last review in 2015, three actions were agreed. All have been introduced (see Appendix 2).

RECOMMENDATIONS:

It is recommended that the Corporate Governance Committee:

1. Comment upon the outcome of the review of its effectiveness;
2. Recommend to Council the changes proposed to its terms of reference;
3. Endorse the opportunities (items 3 – 6 inclusive above) that have been identified to further improve Committee effectiveness;
4. Decide what action it wishes to take in respect of expanding its work plan (item 7 above) and introducing 'subject experts' (item 8 above); and
5. Decide whether an external review of effectiveness should be commissioned.

It is **RECOMMENDED** that the Council

adopt the proposed changes to the terms of reference of the Corporate Governance Committee as set out in Appendix 1 to this report.

1. PURPOSE OF THE REPORT

- 1.1 This report summarises the outcome of the informal Corporate Governance Committee meeting held on 25 January 2017 when it considered its overall effectiveness.

2. 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. The Committee and its predecessor Panel have undertaken a review in seven of the last nine years.
- 2.2 The Internal Audit & Risk Manager reviewed the previous checklist of questions and that had been used to assess effectiveness to ensure they remained appropriate and covered all areas of the Committee's terms of reference.
- 2.3 The questions 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 74 questions together with a range of supplementary information.

3. OUTCOME OF THE REVIEW

- 3.1 The Chairman of the Committee is of the opinion that the Committee are acting effectively and fulfilling its terms of reference. A number of opportunities to further improve Committee effectiveness have been identified and are detailed below.

Issue

1. The Committee's terms of reference do not accurately reflect its role and responsibilities. They do not refer to the Committee's role in:
- Considering and recommending to Council changes to the constitution;
 - Monitoring counter-fraud and whistleblowing arrangements; and
 - Reviewing value for money arrangements.

The opportunity should also be taken to clarify the Committee's role as 'Board' within the Public Sector Internal Audit Standards and its decision that it will submit an annual report to Council (as per the recommendation made in September 2016).

2. For reasons that were out of the control of the Chairman and Vice-Chairman, they were unable to meet privately with the external auditor prior to the Committee considering the 2015/16 annual financial statement.

Action to taken

Amended terms of reference (see Appendix 1) to be submitted to Council for approval.

(All of the proposed changes to the terms of reference have been clearly marked within the Appendix).

Reinstatement of the private meeting with the external auditor (which will also add to understanding in respect of item e below).

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| 3. | The Committee needs to be confident that the financial statements have been produced accurately and in compliance with relevant guidelines. | The Head of Resources deliver training to the Committee ahead of the meeting at which the financial statements are presented. |
| 4. | Whilst a skills and needs assessment has recently been completed by Committee Members the resulting training plan has not yet been agreed. | A training plan will be agreed with the Committee Chairman. |
| 5. | There is no induction plan for new Committee members. | An induction plan is agreed by the Chairman and delivered to all new Committee members within eight weeks of their appointment to the Committee. |
| 6. | It was felt that the minutes of meetings are not circulated quickly enough. The minutes of the last meeting are published within the agenda pack for the forthcoming meeting. This is too long for Members to be able to recollect accurately the decisions taken or discussions held. | A draft copy of the minutes are circulated by email to Committee Members shortly after a meeting has been held. |
| 7. | Whilst the Committee's work plan allowed it to fulfil its terms of reference, it was felt that its contribution to improving governance could be extended through considering reviews of significant cross-cutting organisation wide issues. This would assure the Committee that processes were sound and give them more confidence in the content of the annual governance statement. The Committee was clear that any expansion of work should not usurp the work of other Committees or Panels. | The Committee consider whether or not it wishes to expand its work plan and receive governance reports on significant cross-cutting organisation wide issues (e.g. procurement, project management, budgetary control, ethical governance. IT security, staff recruitment and training). |
| 8. | Is there an opportunity for Members with a particularly aptitude for a specific area of the Committee's work to become 'subject experts'. Whilst they could take the lead on an item when it came before the Committee, it would not preclude other Members from questioning as necessary. | The Committee consider whether or not it wishes to introduce the concept of 'subject experts' and if so, agree how to proceed. |

3.2 There were three actions arising from the last effectiveness review which was completed in 2015. All have been introduced. The table in Appendix 2 provides more information.

4. KEY IMPACTS / RISKS

4.1 The Committee 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 Committee the opportunity to review how it has worked and how it can improve.

- 4.2 It is proposed that annual reviews of the Committee 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 Committee's effectiveness is obtained. If it is decided that an external review is to be undertaken, consideration should be given to holding it at the same time as the next external review of internal audit (which has to be no later than March 2019).

5. TIMETABLE FOR IMPLEMENTATION

- 5.1 A report will be presented to the Committee in September 2017 outlining the progress that has been made in introducing the agreed actions.

6. LINK TO THE CORPORATE PLAN

- 6.1 An effective Committee 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.

7. RESOURCE IMPLICATIONS

- 7.1 Depending on the decision of the Committee, there may be a number of actions that will need to be introduced. If these cannot be delivered within existing resources, the Committee will be informed at its next meeting of any additional resources required.
- 7.2 No budget is currently available to fund an external effectiveness review. If the decision is taken by the Committee to go-ahead with an external review, then it is estimated that it will cost approximately £5k. A growth bid would be required for the 2018/19 budget.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 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 Committee and the governance of the Council.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Proposed terms of reference.

Appendix 2 – Action Plan arising from the 2015 effectiveness review

BACKGROUND PAPERS

Effectiveness review of the Corporate Governance Committee

CONTACT OFFICER

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Corporate Governance Committee : Proposed terms of reference

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:

1. Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council'
2. Governance - 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.
3. Ensuring there are effective arrangements for the management of risk across the Council.
4. ~~Ensuring there are effective arrangements for the system of internal audit of the Council including:~~
 - ~~• considering a regular review of its effectiveness~~
 - ~~• reviewing and approving the internal audit charter;~~
 - ~~• approving internal audit plans and receiving reports on progress in delivery.~~Fulfilling the Board responsibilities of the Public Sector Internal Audit Standards and ensuring effective internal audit is undertaken in accordance with those Standards.
5. Receiving and considering external audit reports including the adequacy of management response to issues identified.
6. Final Accounts - Approving the accounting policies, statement of accounts and considering any matters arising from the external audit.
7. To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
8. Reviewing and monitoring the policy and procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1999 (Whistleblowing).
9. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.
10. The promotion and maintenance of high standards of conduct within the Council.
11. To advise the Council on the adoption or revision of its Codes of Conduct for Members.
12. The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.
13. To advise the Council on the adoption or revision of a Protocol for Member/Officer relations.
14. To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code. ~~(See Article 9 for further detail.)~~

15. Consideration of reports by the Local Government Ombudsman including compensatory payments.
16. Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.
17. Through the Chairman, the Committee will provide the Council with an Annual Report, timed to support finalisation of the financial statements and the Governance Statement, on how it has discharged its responsibilities.

**Standards Sub-Committee
(To include Independent Person and Parish Council representatives)**

To authorise the Monitoring Officer, in consultation with the Chairman of the Corporate Governance Committee, to appoint to the Standards Sub-Committee as and when it is required to be convened.

Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.

End.

Note:

The changes have been highlighted in grey (new text) or lined through (deleted text).

Action Plan arising from the 2015 effectiveness review

Ref	Issue	Action Proposed	To be completed by	Current position
1	As recommended by the Committee in September 2013 arising from the report on improving internal controls, a procurement strategy should be introduced.	A Procurement Strategy is introduced.	31 March 2016	Cabinet approved a procurement policy in December 2015
2	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 should be completed so that training needs can be identified and addressed.	The Head of Resources to circulate to Committee a skills assessment questionnaire based upon the CIPFA knowledge & skills framework.	31 October 2016	Issued in August 2016. Training needs discussed at CGC December 2016.
3	Whilst Cabinet are now 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.	<p>The Head of Resources will provide Committee with an annual report 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).</p> <p><i>NB – The annual report will supplement reports received in the normal course of the Committee's business (e.g. follow-up of risks identified by the external/internal auditor, delivery of annual governance statement issues, internal audit plan coverage and in year response to changes in risk).</i></p>	The report to be presented to the June 2016 Committee meeting	Risk management update report presented to CGC in September 2016.

Ref	Issue	Action Proposed	To be completed by	Current position
4	The Committee 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.	To be determined.	Considered by the former CGP in March 2016.

End