

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, 28 March 2018.

PRESENT: Councillor M Francis – Chairman.
Councillors Mrs S Conboy, Mrs R E Mathews, R J West, D M Tysoe and J M Palmer.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler, D B Dew, Mrs L A Duffy, T Hayward, P Kadewere and D A Giles.

IN ATTENDANCE: Councillor J A Gray.

49. MINUTES

The Minutes of the meeting of the Committee held on 17th January 2018 were approved as a correct record and signed by the Chairman.

50. COUNCILLOR T HAYWARD

The Chairman informed Members that the meeting of the Committee would have been Councillor Terry Hayward's last and that he intended to write to express his appreciation of Councillor Hayward's contribution to the Committee's work and to wish him well for the future.

51. MEMBERS' INTERESTS

No declarations of interests were received.

52. GRANT CERTIFICATION 2016/17

Consideration was given to a report by the Benefits Systems and Development Team Manager (a copy of which is appended in the Minute Book) to which was attached the External Auditor's Annual Certification Report 2016/17 produced by Ernst and Young LLP following its audit of the Housing Benefit scheme. Members were reminded that the Council administered the scheme on behalf of, and claimed a subsidy from, the Department for Work and Pensions.

The Committee was informed that in 2016/17 the Council received £34.3m of Housing Benefit grant and was subject to external audit. If an error was identified the audit instructions required that additional testing was undertaken. Some minor errors were identified during the audit but there was no materiality on external audit grant certification work for the Department of Works and Pensions so the additional testing had not resulted in an increase in charges to the Council. The errors identified amounted to £424.97 in the context of the total benefits budget of £34.3m.

In response to a question by Member, the Benefits Systems and Development Team Manager informed the Committee that Benefits transactions were complex so regular training was provided and accuracy checks were undertaken. Whereupon, it was

RESOLVED

that that contents of the External Auditor's Annual Certification Report 2016/17 be noted.

53. CODE OF CONDUCT COMPLAINTS - UPDATE

By means of a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book), in accordance with its responsibility for monitoring the operation of the Code of Conduct, the Committee was provided with general information on alleged breaches of the Code. In response to questions by a Member, the Elections and Democratic Services Manager reported that the Induction programme for new Councillors included a session on the Code of Conduct and that she would be working with some local councils to reduce the number of events leading to complaints under the Code.

RESOLVED

that the progress of outstanding complaints and the conclusion of cases resolved since the last meeting be noted.

54. ANTI-FRAUD AND CORRUPTION STRATEGY 2018-2012

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 acquainted with proposed changes to the Anti-Fraud and Corruption Strategy. The Strategy had been updated to reflect the requirements of the Local Government Counter Fraud and Corruption Strategy 2016/17, which was published by the CIPFA Counter Fraud Centre, and the June 2017 briefing from the Internal Audit Standards Advisory Board on the Internal Audit role in counter fraud.

Members' attention was drawn to the main changes that had been made to the Strategy. Having then received confirmation from the Internal Audit and Risk Manager that in his view he had sufficient resources to meet the requirements of the Strategy, it was

RESOLVED

that the Anti-Fraud and Corruption Strategy 2018-2021 be approved.

55. EXTERNAL AUDIT PLAN

(N Harris and H Clark of Ernst Young LLP, the Council's External Auditors, were in attendance for consideration of this item).

The Committee received a report by the Head of Resources (a copy of which is appended in the Minute Book) to which was attached the

Council's External Audit Plan 2017/18. The Plan had been produced by the External Auditors, Ernst and Young LLP. N Harris explained how his team intended to complete the audit.

Members' attention was drawn to the risk based focus of the audit, particularly the valuation of investment property and property, plant and equipment valuation. Following a question by a Member, it was confirmed that work on the valuation of investments had been chosen because this matter had been brought to the Auditors' attention as requiring examination. With regard to property valuation, it was stressed that much of the estate had been in the Council's ownership for a significant amount of time and issues now associated with it were inherited.

The figure for materiality had been set at £1.808m, which represented 2% of the prior year's gross expenditure. The figure for performance materiality was £0.904m which represented 50% of materiality compared with 75% for the previous year. The change was attributed to a number of factors including difficulties experienced the previous year and the condensed closedown period. Further on the latter, assurances were received that as much work as possible would be brought forward; however, more estimation would be required.

Reference was made to two areas of audit risk contained in the section of the Plan on Value for Money. Members discussed the Council's trading companies and it was confirmed that the Auditors had significant experience of auditing such entities.

The Committee noted the indicative fee scale for the audit of the Council, not taking into account any additional work that might be required, and the timetable for the key stages of the audit. If any problems arose, they would be discussed with Officers and, if necessary, reported to the Committee. Having requested that the audit assessment of the Council's financial resilience should be explicitly stated, it was

RESOLVED

- a) that the content of the External Audit Plan for 2017/18 attached as an Appendix to the report now submitted be noted, and
- b) that the timetable for reports and updates to the Committee as set out in paragraph 4.6 of the report now submitted be noted.

56. ANNUAL GOVERNANCE STATEMENT: SIGNIFICANT ISSUES

The Committee gave consideration to a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) on the significant governance issues to be included in the 2017/18 Annual Governance Statement (AGS). By way of introduction the Managing Director provided Members with a detailed explanation of the approach taken to the identification of the proposed significant governance issues. Taking into account the views of the National Audit Office on the financial sustainability of local authorities, the Council had examined the issues that would exert pressure on it

during the period of the Medium Term Financial Strategy (MTFS). This had led to the identification of five themes, which were analysed in the report.

Extensive debate ensued on the approach that was proposed, which differed from that previously employed. Some Members held that the AGS should contain matters for which the Council was responsible and able to address while exerting influence on those bodies that were responsible for the items listed in the report. Others supported the proposed approach on the grounds that a more strategic orientation should be adopted and the matters listed could severely impair the Council's financial position and, therefore, its ability to function. Comment was made on the importance of leadership in regard to the identified issues and on how they would be taken forward. In response to the latter, Members were informed that work had already commenced on them and that this work fitted with the Council's structural emphasis on LEAN and transformation. Furthermore, it would be necessary to map the impact on the Council of the significant issues in the MTFS.

Mr N Harris, Executive Director of Ernst and Young LLP, the Council's External Auditor, was asked to comment on the AGS. In doing so he welcomed the change in approach and stated that it was consistent with his findings, was necessary in a changing environment and was based on sound principles.

All Members recognised the validity of the issues identified given their potential to have a significant impact on the Council and concurred with a suggestion that reference should be made to the regional situation in the significant governance issues. Whereupon, it was

RESOLVED

that, subject to the inclusion of a regional perspective, the following significant governance issues be approved for inclusion in the 2017/18 Annual Governance Statement:

- Housing Affordability;
- Morbidity / growing number of years of ill health;
- Wider economic environment;
- Skill levels and educational attainment, and
- Partner agency operational issues.

57. INTERNAL AUDIT CHARTER AND 2018/19 AUDIT PLAN

The Committee considered a report by the Internal Audit and Risk Manager (a copy of which is appended in the Minute Book) containing details of the Internal Audit Charter and the 2018/19 Internal Audit Plan as required by the Public Sector Internal Audit Standards (PSIAS).

Members were advised that Internal Audit had to be independently, externally assessed at least once every five years to establish whether or not it conformed to the PSIAS and the latest assessment was expected to be completed by March 2019. Prior to then, changes were required to the Internal Audit Charter to comply with the 2017 version of the PSIAS, the main one of which was the adoption of the

mandatory elements of the global Institute of Internal Auditors International Professional Practices Framework, namely the definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. Furthermore, some areas of the Charter had been clarified and changes to be introduced to the 2018/19 audit planning process had been incorporated. Finally on the Charter, it was noted that it now covered the Council's commercial activities.

With regard to the Internal Audit Plan, Members were advised that the approach to its preparation had been changed for 2018/19. On a trial basis, it would cover a three month period and be updated quarterly. This was intended to be more responsive to change and to assist managers to deal with risk. The trial would be evaluated and if it failed to demonstrate the expected benefits, the Council would revert to the previous approach. The other Cambridgeshire authorities were adopting the same approach.

In response to a question by a Member, Councillor J A Gray, Executive Member for Strategic Resources, stated that he had received assurance from the Internal Audit and Risk Manager that he had sufficient resources to deliver an audit opinion. In addition, he expressed the view that the approach to audit should be to assist managers and promote best practice rather than to deliver enforcement. Audit should focus on areas where it was needed, which would be identified through the risk appetite statement. On the basis that the Council did not require "substantial" assurance in all areas, this view was endorsed by the Committee.

RESOLVED

- a) that the Internal Audit Charter attached at Appendix 1 to the report now submitted be approved; and
- b) that the Internal Audit Plan for quarter 1 2018/19 attached at Appendix 2 to the report now submitted be approved.

58. ANNUAL REVIEW OF ACCOUNTING POLICIES AND OTHER CHANGES ON THE ANNUAL FINANCIAL REPORT 2017/18 AS A CONSEQUENCE OF THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK 2017/18.

Consideration was given to a report by the Head of resources (a copy of which is appended in the Minute Book) on the outcome of the annual review of accounting policies applied by the Council when producing the Annual Financial Report 2017/18. Members were reminded that best practice required the Council regularly to review its adopted accounting policies to ensure they remained appropriate and reflected any changes in accounting requirements.

Members were informed that three polices required amendment, all of which were considered to be minor. In addition, a number of other changes were recommended as a consequence of the 2017/18 Accounting Code of Practice. The changes would not have any direct financial implications for the Council. In the circumstances, it was

RESOLVED

that the amendments to the accounting policies and other Code changes as set out in the report now submitted be approved.

59. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of actions in response to decisions taken at previous meetings.

60. COUNCILLOR M FRANCIS

Members placed on record their appreciation of the role fulfilled by Councillor Mike Francis as Chairman of the Committee. They commented on his personal approach and the progress made by the Committee. He would be much missed following his decision not to stand again at the forthcoming election. The Committee wished him well for the future.

In reply Councillor Francis stated that it had been a privilege to be Chairman of the Committee and thanked Members and Officers for their support.

Chairman