

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Annual Report of the Committee
Meeting/Date: Corporate Governance Committee – 13 June 2018
Executive Portfolio: Strategic Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Wards affected: All Wards

Executive Summary:

The Committee present an annual report to the Council on the work that it has undertaken each year.

The draft annual report in respect of the 2017/18 is attached at Appendix 1. It has been prepared by the Internal Audit & Risk Manager. It summarises the work undertaken by the Committee during 2017/18 together with any issues that relate to the year.

If after considering the draft report the Committee wish to make any changes, it is proposed that the Chairman be given authority to agree any amendments. The report will be presented to the July Council meeting.

The report will be uploaded onto the Council's website once it has been approved.

Recommendations:

It is recommended that the Committee:

1. Review the draft annual report and decide what changes, if any, they wish to make;
2. Authorise that the Chairman of the Committee approve any amendments to the draft report.

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Corporate Governance Committee

Chairman's Annual Report to Council

for the year ending 31 March 2018

Draft copy

Introduction by the Chairman of the Corporate Governance Committee

This is the eighth annual report on the work of the Corporate Governance Committee but my first as Chairman of the Committee.

Rest of text to be agreed with the Chairman.

Councillor M. McGuire
Chairman, Corporate Governance Committee

June 2018

Introduction

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 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 are considered by a Standards Sub-Committee (which will report to the main Committee).

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

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.

Committee training

Committee Members need sufficient skills and knowledge to be able to fully understand the wide range of governance issues that fall within their remit. Following completion of self-assessment skills and knowledge forms, the Committee recognised that it needed to expand its knowledge across a number of areas. A training day was held in September 2017 at which external 'experts' were invited to speak to the Committee on the following areas:

- Governance – including the Code of Corporate Governance and requirements of the annual governance statement
- Internal and external audit
- Values of good governance – including the seven (Nolan) principles of public life.

Eight members of the Committee attended the training along with representatives (both Members and Officers) from nine other authorities. Feedback was very positive and once the 2018 self-assessment forms have been completed and analysed the Committee will decide whether it wishes to organise a similar event again.

Matters considered

The table below groups into six categories the issues considered by the Committee during 2017/18. A brief summary of the issues considered within each of the categories is included on the following pages.

	2017				2018	
	May	July	Sept	Nov	Jan	Mar
1 Constitution						
Review thresholds in the Disposals & Acquisition Policy: Land and Property		■				
Recommend to Council: Policy for disposal of Small Land Parcels				■		
Changes to Codes of Financial Management & Procurement					■	
Lead and Deputy Independent Persons appointments					■	
2 Governance issues						
Approve 2016/17 annual governance statement (AGS)		■	■			
Update on 2016/17 AGS significant issues					■	
Consider 2017/18 AGS significant issues						■
Governance Board effectiveness reviews		■				
Annual reports: Complaints : Freedom of Information			■		■	
3 External Audit & Financial reporting						
Consider 2016/17 audit results			■	■		
Approve accounting policies						■
Approve 2016/17 annual financial report			■			
Review 2016/17 grant certifications						■
Review 2017/18 audit plan						■
4 Internal Audit						
Approve Internal Audit Charter	■					■
Annual report 2016/17	■					
Implementation of agreed actions	■				■	
Review 2017/18 interim progress report					■	
Approve 2018/19 audit plan						■
5 Standards						
Member code of conduct / register of pecuniary interests / complaints		■	■	■	■	■
Committee annual report		■				
Committee training		■				

	2017				2018	
	May	July	Sept	Nov	Jan	Mar
6 Fraud						
Fraud Investigation Activity 2016/17	■					
Approved whistleblowing policy & noted concerns received	■					
Risk Based Verification policy		■				
Approve anti-fraud & corruption strategy						■

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.

Over the past few years the Council has received numerous demands from the public for the sale of small parcels of land. The Council had no policy in place to deal with these proposals and was relying on a procedure that was open to interpretation. Committee recommended to the Council that it approve a Disposal of Small Land Parcels policy. The policy was approved by Council in December 2017.

The Localism Act 2011 requires the Council to appoint one or more Independent Persons to assist in promoting and maintaining high standards of conduct amongst its elected members and town and parish councillors. The terms of the current post-holders - Mrs Gillian Holmes and Mr Peter Baker - were due to end in April 2018. The Committee discussed the Independent Persons' role, qualifications and remuneration. On the basis that the current Independent Persons had made valuable contributions by providing impartial advice and had excellent working relationships with both the Monitoring Officer and the Deputy Monitoring Officer, it was agreed that the Council be recommended to re-appoint them both for a two-year period ending 30th April 2020. The Council approved the appointments in February 2018.

The annual review of the Codes of Financial Management and Procurement was undertaken, with subsequent changes approved by Council in February 2018.

Governance of the Council

Approving the Annual Governance Statement on behalf of the Council.

At the September 2017 meeting, the Committee approved the 2016/17 [Annual Governance Statement](#) (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 for this.

Four significant governance issues included in the 2016//17 AGS:

Continued development of effective governance and reporting arrangements for shared services.¹

Introduce the replacement financial management system so that it is operational and available to use from December 2017.

Ensure better outcomes are delivered to customers by improving that way in which complaints are recorded, investigated and outcomes reported back to the complainant.

Introduce robust safeguarding procedures.

Shared Services

This item had been included in the AGS for the previous two years. The Committee 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.

New financial management system

The 3C Council's jointly purchased a financial management system (FMS) in June 2016 with the intention of modernising the way each Council undertakes its budgeting, financial forecasting, income collection, procurement and payment of suppliers.

The FMS was to have been introduced in April 2017 but has been delayed a number of times. At the time of approving this annual report, Committee were informed that the FMS would 'go-live' in July 2018.

Complaints handling

An internal audit review of customer feedback procedures was undertaken during Qtr. 3, 2016/17. It concluded that overly bureaucratic and time consuming systems were in place to handle customer complaints, and a 'limited' assurance opinion was given.

The Committee was informed in January 2018 that the action plan contained within the AGS – that referred to a review of the complaints policies and procedure and relaunch of the complaints process - would not be achieved by 31 January 2018. An update on progress is due to be provided to the Committee before the approval of the 2017/18 AGS and a decision taken at that time as to whether or not this issue will be carried forward into the 2017/18 AGS.

Safeguarding procedures

An internal audit review of safeguarding procedures was undertaken during Qtr. 4, 2016/17. It concluded that the safeguarding procedures being followed were not as effective as they could be – there was an ad-hoc approach across Services to the assessment of safeguarding risks, piecemeal training and a lack of evidence that consistent checks on employees suitability for employment are carried out.

In consider all of the four matters above, the Committee are of the view that it is important that the planned dates for completion of the necessary actions were achieved. The Committee has requested further updates against each of the items ahead of their deliberations on the 2017/18 governance review.

¹ Huntingdonshire, Cambridge City Council and South Cambridgeshire District Council (known collectively as the 3C's) are sharing ICT, Legal and Building Control Services.

Consideration of significant governance issues for the 2017/18 AGS.

The Managing Director attended the March 2018 Committee meeting and provided Members with a detailed explanation of the approach taken to the identification of five significant governance issues that were being put forward for inclusion in the 2017/18 AGS:

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

There was extensive debate on each of the five issues. The debate explored the desire of Members to focus on more strategic challenges, versus looking only at those risks over which the Council has direct control. Members ultimately supported the proposed approach on the grounds that a more strategic alignment to the Council's Corporate Plan and medium term financial strategy should be adopted.

The Committee agreed that the five issues should be included in the 2017/18 AGS and wished to be kept informed on how they would be taken forward. The Manager Director informed Members that work had already commenced on them and that this work fitted with the Council's structural emphasis on LEAN and transformation.

External Audit matters

Approving the 2016/17 annual financial report.

The 2016/17 financial report was externally audited and approved prior to the statutory deadline of 30 September 2017. The external auditors issued both an unqualified value for money and financial statement opinion.

Housing Benefit grant certification

The Council received £34.3m of Housing Benefit grant during 2016/17 and the external auditors review the grant certification process on behalf of the Dept. of Work and Pensions. The Committee were pleased to note that administration of Housing Benefit claims continues to be well managed and that the audit only identified a number of minor errors (£424.97) which were not material in the context of the overall grant.

Internal audit

Adequate assurance opinion.

The Committee noted that the adequate assurance opinion was unchanged from 2016/17.

The annual opinion of the Internal Audit & Risk Manager as at 31 March 2018 was that the Council's internal control environment and systems of

Additional text to be added to this section once the Committee have reviewed the internal audit annual report.

internal control provide adequate assurance over key business processes and financial systems.

Improving performance through the introduction of a new process for monitoring internal audit actions introduced on time.

Last year's annual report set out the Committees concerns with the continued failure to achieve the performance targets set for the introduction on time of internal audit actions. The Chairman met with the Managing Director and the Deputy Executive Leader to express the Committees concerns.

In May 2017, the Head of Resources outlined a new process for agreeing valid extension of time requests from Managers. The process had been agreed by the Managing Director and be overseen by the Head of Resources. The Committee are pleased to be able to report that this new process has had a positive effect and that the percentage of internal audit actions introduced on time is steadily increasing. Up from 50% at May 2017 to 79% at March 2018. The Committee intend to continue to monitor the position and include it in their annual work plan.

Approving the internal audit work plan and Internal Audit Charter.

The Committee approved the 2017/18 internal audit plan, consisting of 30 reviews, in March 2017. A member of the internal audit team was seconded to the Transformation Programme for one year during February 2017. To reduce the impact of this move, 140 general audit days were purchased from the Council's current IT internal audit service provider.

The Committee was informed that the seconded auditor resigned in November 2017 and that the post had been identified as a potential saving for 2018/19. Members were concerned that the reduction in resources decreased the level of resource able to probe governance issues and also threatened to lead to a loss of audit independence. The Committee decided to express to the Managing Director and Executive Leader their views. However the decision was endorsed by Council in February 2018 and it was agreed to delete the auditor post.

In March 2018, the Committee approved changes to the Internal Audit Charter. Changes were necessary following the April 2017 revisions to the Public Sector Internal Audit Standards – which adopted the mandatory elements of the global Institute of Internal Auditors International Professional Practice Framework.

Standards

Ensuring good standards are maintained throughout the District.

The Committee has received five reports during the year on various standards matters:

- The adoption of Codes of Conduct by Town and Parish Councils
- The receipt and publication of register of interests forms on behalf of District, Town and Parish Councillors
- Updates on complaint cases regarding alleged breaches of the Code of Conduct by Members within the Council and Town and Parish Councils.

When discussing the reports Members requested that feedback could be provided to Town and Parish Council's together with suggestion for possible future training areas.

Countering fraud

Corporate Fraud Teams (CFT) 2016/17 annual report.

The Committee remain strong supporters of the CFT and were pleased to see that they had identified over £83k in Council Tax related fraud and undertaken 8 prosecutions. The benefits of working together with social housing partners was highlighted, with 8 social housing properties recovered (with a notional value of £144k) that had been illegally sub-let.

Approving the anti-fraud and corruption strategy.

In March 2018 the Committee approved a revised anti-fraud and corruption strategy for the period 2018-2021. Changes to the strategy have been made to reflect the requirements of the Local Government Counter Fraud and Corruption Strategy 2016/17 and the June 2017 briefing from the Internal Audit Standards Advisory Board on the Internal Audit role in counter fraud.

One of the changes introduced was the inclusion for the first time of the seven (Nolan) principles of public life. These are currently included in the employees code of conduct but with the Employment Committee adopting a new set of values for the Council – icare (inspirational, collaborative, accountable, respectful, enterprising) and in anticipation that the employees code of conduct would be reviewed at some point during 2018-2021 to reflect the icare values and remove the principles of public life, the Committee wished to see a link to the Nolan principles being maintained.

The issues 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:

- Reviewing the outcomes of complaints made to the Local Government Ombudsman and internal complaints that could not be dealt with informally.
- Considering and then approving to Cabinet, changes to the Housing Benefits risk based verification policy.
- Reviewing the Council's compliance and performance in respect of responses to enquiries received under both the Freedom of Information and Environmental Impact Regulations.
- Considering whistleblowing allegations received and changes to the whistleblowing policy and procedure.

Committee membership & attendance

		2017				2018	
		May	July	Sept	Nov	Jan	Mar
Chairman	Cllr M Francis	■	■	■	■	■	■
Vice-Chairman	Cllr J M Palmer	■	■	■	■	■	■
	Cllr E R Butler	--	--	■	--	--	--
	Cllr Mrs S Conboy	■	■	■	--	■	■
	Cllr D B Dew	--	■	--	--	--	--
	Cllr Mrs L A Duffy	■	■	--	■	--	--
	Cllr D Giles	■	--	--	■	■	--
	Cllr T Hayward	■	■	■	■	■	--
	Cllr P Kadewere	■	■	■	■	■	--
	Cllr Mrs R E Matthews	■	■	■	■	--	■
	Cllr D M Tysoe	■	--	■	■	--	■
	Cllr R J West	■	■	■	--	■	■
Key:		■	attended	--	absent		

The following appointments were made to the Committee by the Council.

17 May 2017 Councillors E R Butler, Mrs S J Conboy, D B Dew, Mrs L A Duffy, M F Francis, D Giles, T Hayward, P Kadewere, Mrs R E Mathews, J M Palmer, D M Tysoe, and R J West.

**Corporate Governance Committee
Functions : Approved by Council 29 March 2017**

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:

- | | |
|------------------------------------|---|
| Constitution | Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council. |
| 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.

Ensuring there are effective arrangements for the management of risk across the Council.

To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

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. |
| Internal and External Audit | Fulfilling the Board responsibilities of the Public Sector Internal Audit Standards and ensuring effective internal audit is undertaken in accordance with those Standards.

Receiving and considering external audit reports including the adequacy of management response to issues identified. |
| Final Accounts | Approving the accounting policies, statement of accounts and considering any matters arising from the external audit. |
| Countering Fraud | Reviewing and monitoring the policy and procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1999.

Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud. |
| Standards | The promotion and maintenance of high standards of conduct within the Council.

To advise the Council on the adoption or revision of its Codes of Conduct for Members.

The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.

To advise the Council on the adoption or revision of a Protocol for Member/Officer relations. |

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code.

Complaints

Consideration of reports by the Local Government Ombudsman including compensatory payments.

Electoral matters

Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.

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

Standards Sub-Committee

To include
Independent
Person and
Parish Council
representatives.

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