

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Annual Report of the Committee
Meeting/Date: Corporate Governance Committee – 12 June 2019
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 2018/19 is attached at Appendix 1. It has been prepared by the Internal Audit & Risk Manager. It summarises the work undertaken by the Committee during 2018/19 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 2019

DRAFT

Introduction by the Chairman of the Corporate Governance Committee

This report summarises both the Committee's activities undertaken during 2018/19 and issues that relate to that financial year. It is intended to:

- reassure the Council and other stakeholders that it is undertaking its responsibilities and obligations properly and in a way that allows it to provide effective oversight; and
- demonstrate to the Districts resident's and other stakeholders the importance the Council places on 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.

Last year's report was my first as Chairman of the Committee. In my introduction to that report I set out five issues that I wanted the Committee to focus upon.

1. Maintain awareness of the progress being made against the issues identified in the 2017/18 annual governance statement
2. Understand why the replacement financial management system was not delivered on time and what lessons can be learnt for the future
3. Receive assurance that business continuity plans are in place, especially in those service areas that are supporting the Council's commercialisation agenda
4. Review the controls in place to rebut a cyber-security attack
5. A continued increase in the percentage of internal audit actions introduced on time

It is disappointing that apart from items 1 and 5, little oversight has been exercised by the Committee in the other three areas.

Additional text

Finally I'd like to thank all the Members who served on the Committee during the 2018/19 municipal year and for the contributions they made to challenging and improving governance arrangements. I also want to thank those Officers who have supported the Committee.

Councillor M. McGuire
Chairman, Corporate Governance Committee

June 2019

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

No training has been provided to the Committee since it was appointed by Council in May 2018.

A skills and training needs assessment form was circulated to all Committee members but was completed by only three Members. This was insufficient to allow training needs to be identified.

Similarly the Committee has not completed a self-assessment during the year to consider its own effectiveness or identify areas for improvement.

Matters considered

The table below groups into six categories the significant issues considered by the Committee during 2018/19. A brief summary of the issues considered within each of the categories is included on the following pages.

	2018			2019	
	June	July	Oct	Jan	Mar
1 Constitution					
Recommend to Council:					
Process for appointing Assistant Cabinet Members		■			
A mechanism for decisions to be taken by the Council as Shareholder of its Local Authority Trading Company, HDC Ventures Limited.		■			
Changes to Code of Procurement					■
2 Governance issues					
Local Code of Corporate Governance & annual governance statement (AGS)	■	■		■	
Governance Board effectiveness reviews			■		
Annual reports: Complaints			■		
: Freedom of Information				■	
3 External Audit (EA) & financial reporting					
Approve 2017/18 annual financial report and AGS		■			
Receive EA annual audit letter & grant certification 2017/18			■		■
Review EA 2018/19 audit plan				■	
4 Internal Audit					
Annual report 2017/18	■				
Approve 2018/19 audit plan & review progress to date		■	■	■	
Implementation of agreed actions		■			
Approve 2019/20 audit plan					■
5 Standards					
Member code of conduct / register of pecuniary interests / complaints	■		■	■	■
6 Fraud					
Fraud Investigation Activity 2017/18	■				
Approved whistleblowing policy & noted concerns received	■				
Risk Based Verification policy	■				
Review of Regulation of Investigatory Powers Act Policy	■				

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.

The Cabinet at their meeting on 21st June 2018 approved the creation of Assistant Cabinet Members who would to be appointed as non-executive members to support Cabinet Members in carrying out their role. After debate, the Committee resolved to recommend to Council that the necessary variation be made to the Constitution.

The Council is the sole shareholder of HDC Ventures Ltd. The day-to-day operation of the company is the responsibility of its Directors. To provide a link between the Directors and the Council, the Council has appointed a Shareholder Representative. The Constitution required amending to reflect this change and terms of reference for the Shareholder Representative were considered by the Committee. Amendments were proposed in two areas, both of which were approved by Council.

Governance of the Council

Approving the Local Code of Corporate Governance.

At the June 2018 meeting the Committee approved the Local Code of Corporate Governance. The Local Code sets out the processes and procedures which taken together support the Council's governance processes.

Approving the Annual Governance Statement on behalf of the Council.

At the July 2018 meeting, the Committee approved the 2017/18 [Annual Governance Statement](#) (AGS). The AGS has traditionally been inward looking, focussed on improvements to governance arrangements that had been identified from the review of the Local Code.

Five significant themes included in 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 themes 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 received a detailed update on the progress that had been made against each theme at its January 2019 meeting.

Governance Boards

A series of Officer led Governance Boards were established by the Managing Director in 2015 to review internal governance across all Council services. Boards have been both established and dissolved since that date as governance needs have changed. Four Boards were in place at the time of the review, October 2018. The Head of Resources having reviewed their operation considered the current Boards were effectively challenging the Council's process and practices, although not explicitly tackling the themes identified in the 2017/18 Annual Governance Statement. Committee expressed concerns about this, specifically the Finance & Procurement Boards oversight of the commercial investment strategy, and requested an update report, which is still awaited.

Complaints

The Committee receives an annual report on the outcome of any complaints referred to the Local Government Ombudsman as well as complaints that had been dealt with under the Council's own procedures. After discussing the benefits of providing more details within the report of individual complaints, it was decided that Members should contact the Corporate Team Manager if they required further information. It was agreed the future reports should include any key lessons learnt from complaint resolutions as well as a summary of complaint themes.

External Audit matters

Approving the 2017/18 annual financial report.

The 2017/18 financial report was externally audited and approved prior to the statutory deadline of 31 July 2018. The external auditors issued both an unqualified value for money and financial statement opinion.

Housing Benefit grant certification

The Council received over £32.8m of Housing Benefit grant during 2017/18 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 (£169) which were not material in the context of the overall grant.

Internal audit

Adequate assurance opinion.

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

The Committee noted that the 2017/18 adequate assurance opinion was unchanged from 2016/17.

There have been two substantial assurance, 16 adequate assurance and 10 limited assurance internal audit reports issued in 2017/18. As a consequence of subsequent action taken by Managers or wider risk mitigation considerations there were no areas of concern within these reviews that the Internal Audit & Risk Manager felt needed to be brought to the attention of the Committee.

Approving the internal audit work plan and Internal Audit Charter.

The internal audit plan has historically been approved prior to the start of the financial year. The Internal Audit & Risk Manager discussed proposals with the Committee to move away from annual plans and instead introduce quarterly plans. This change was intended to allow internal audit to respond quickly to changing needs, and so ensure the plan stays focused on current or future risks and consider their impact on the delivery of Corporate and Service Plan aims and objectives. The Committee agreed to this approach being trialled in 2018/19.

As a consequence of the Committee receiving information on the audit plan on a more frequent basis, they also gained better oversight as to its delivery, progress made and findings from individual audit reports.

In January 2019 when considering the approach to be followed for 2019/20 the Committee agreed with the Internal Audit & Risk Manager that quarterly planning was not providing the advantages that were envisaged and agreed that the 2019/20 plan should be prepared on a half year basis.

Whilst not consulted directly, the Committee were informed that as a result of the Resources restructure, additional resource was to be allocated to the internal audit service. Responsibility for insurance and risk management services was also to be transferred away from internal audit and so make further time available for internal audit delivery. This is welcomed.

Standards

Ensuring good standards are maintained throughout the District.

The Committee has received four 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) 2017/18 annual report

The Committee remain strong supporters of the CFT and were pleased to see that they had identified over £270k of fraud across a number of service areas. The CFT had also successfully used for the first time the Proceeds of Crime Act to obtain a confiscation order against one fraudster.

Review of Regulation of Investigatory Powers Act Policy (RIPA)

The Committee approved updates to the RIPA policy. The policy was amended as a result of recommendations contained with a report issued by the Investigatory Powers Commissioner's office in January 2018 that examined the Council's use of RIPA. The Committee amended the policy so that all future updates would require its approval.

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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:

- 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.
- Considering the progress made by managers to introduce agreed internal audit actions on time.
- Recommending to Council changes to the Code of Procurement.

Committee membership & attendance

		2018			2019		
		June	July	Oct	Jan	Mar	
Chairman	Cllr M McGuire	■	■	■	■	■	
Vice-Chairman	Cllr P L R Gaskin,	■	--	■	■	■	
	Cllr Mrs M L Beutell	■					
	Cllr E R Butler	--	■	--	■	■	
	Cllr J W Davies	--					
	Cllr D Giles	■	■	■	■	■	
	Cllr P Kadewere	■	--	■	■	--	
	Cllr H V Masson	■	■	■	■	■	
	Cllr J P Mead,	--	■	■	--	■	
	Cllr J P Morris	--	--	■	--	--	
	Cllr Mrs S Smith	■	--	■	--	■	
	Cllr D R Underwood	■	■	--	■	■	
	Cllr D J Wells			■	--	■	
	Cllr J White			■	■	--	
Key:		■ attended	-- absent				Not a Cttee Member

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

23 May 2018 Councillors Mrs M L Beutell, E R Butler, J W Davies, P L R Gaskin, D A Giles, P Kadewere, H V Masson, M McGuire, J P Mead, J P Morris, Mrs S Smith and D R Underwood.

27 June 2018 Councillors DJ Wells, J White appointed in place of Councillors Mrs M L Beutell and J W Davies.

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.

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