GOVERNANCE PANEL
HELD ON 24 SEPTEMBER 2007
(FROM 5.30 PM TO 6.35 PM)

PRESENT: Councillor Jim Clark in the Chair. Councillors Phillip Broadbank, John Lockhart, Charlie Powell, John Savage and Theakston.

Late Arrivals: None.

Early Departures: Councillor Charlie Powell at 6.20pm.

Also in attendance: Julie Talbot (Audit Manager, Audit Commission)
Mark Kirkham (District Auditor)

14/07 - **APOLOGIES FOR ABSENCE:** Apologies for absence had been received from Dr French.

(5.30 pm)

15/07 - **DECLARATIONS OF INTEREST:** Councillor John Lockhart declared a personal interest detailed under Minute 19/07 below.

(5.30 pm)

16/07 - **MINUTES:** The Minutes of the meeting of the Panel held on 26 June 2007 were unanimously approved as a correct record and signed by the Chair.

(5.31 pm)

17/07 - **EXEMPT INFORMATION:** There were no exempt information items.

(5.31 pm)

18/07 - **PUBLIC ARRANGEMENTS – QUESTIONS:** There were no such questions to consider.

(5.31 pm)

<u>MATTERS FOR REPORT</u>

19/07 - **AUDIT COMMISSION – GOVERNANCE REPORT:** The Audit Manager (Audit Commission) Julie Talbot submitted the Annual Governance report required under the Audit Commission's Code of Practice providing a summary of the work carried out during the 2006/07 Audit of Accounts, the conclusions reached by the Audit Commission and the recommendations made in discharging its' statutory Audit responsibilities. The District Auditor, Mr Kirkham referred to the report, which set out the proposed wording of the Audit Commission's opinion in relation to Harrogate Borough Council and then invited Julie Talbot to refer to the key issues for Harrogate Borough Council. Julie Talbot advised that the Audit Commission were prepared to give an unqualified opinion on both the Statement of Accounts and the Council's arrangements for securing Value For Money.

Julie Talbot then referred to paragraph 18 of the report in relation to Systems of Internal Control and, in response to a question from Councillor Clarke, advised that despite the wording of this paragraph the Audit Commission findings in relation to the creditors system Agresso were significant but were not material. Julie Talbot then referred to paragraph 23, which supported this view by stating that despite the control weakness, no errors in the accounts had been found. Julie Talbot then referred to paragraphs 28 and 29 and that the internal control issues in the creditors system were not referred to in the Statement on Internal Control. This had lead to recommendations 1 and 2 in relation to the creditor system and the need for the Statement on Internal Control to be approved after the Internal Audit Annual report had been produced and a check undertaken to ensure that the two documents were consistent.

The Chair invited the Director of Resources to comment on the recommendations set out in the Annual Governance report. The Director stated that he agreed with the two recommendations made in the report.

It was acknowledged that the Annual Governance Report would also be considered by the General Purposes Committee at its meeting to be held on 27 September 2007 following which it was anticipated that a letter of representation would be forwarded to the Audit Commission, a template for which was attached as appendix 5 to the report.

The Director of Resources responded to questions in relation to the potential for the Council facing equal pay claims as a result of the single status pay and grading review. It was acknowledged that comments were awaited from Unison nationally in relation to the exercise itself. There were also outstanding harmonisation issues as a result of staff expected to work unsociable hours.

Julie Talbot then referred to Appendix 6 to the report which set out the criteria for judging the Council in relation to its arrangements for securing Value For Money. Julie then referred to KLoE 2.3 in relation to management of the Council's asset base, work on which was currently ongoing and therefore a conclusion had not been given at this stage. However Julie commented that the Audit Commission would give the Council an unqualified opinion overall.

In terms of observations, the Panel made only one in relation to the Annual Governance Report in relation to Paragraph 18 Systems of Internal Control requesting that the report be amended to reflect that the weakness identified in the creditors system was significant but not material. Julie Talbot agreed to amend the report to clarify this before the report was presented to the General Purposes Committee.

For information, Councillor John Lockhart declared a personal interest in this item on the basis of his relationship with SOLACE Enterprises, the parent body of which had been referred to in the District Auditors report.

(5.31 pm – 5.47 pm)

20/07 – **GENERAL FUND REVENUE MONITORING 2007/08:** This agenda item was withdrawn.

(5.47pm)

21/07 – **CORPORATE GOVERNANCE HALF YEAR UPDATE:** The Corporate Improvement Officer (Governance) submitted a written report, the purpose of which was to provide the Panel with an update on developments in Corporate Governance and progress made on the delivery of planned actions. The report focused primarily on core corporate governance issues but also noted related developments in the Statement on Internal Control (SIC), Risk Management and the Review of Effectiveness of Internal Audit, the first two of which were the subject of more detailed reports.

The Corporate Improvement Officer (Governance) then referred the Panel to a presentation entitled "delivering good governance in Local Government" referring to what was meant by Governance, the background including the Cadbury report in 1992, the Nolan Committee Report 1995, CIPFA / SOLACE Frameworks 1995 and 2001. The Corporate Improvement Officer (Governance) referred to the principles in delivering good governance, the governance framework and actions taken in establishing a local code of governance based on a good governance framework, the local code, its principles and key roles for councils and referred to the next steps in agreeing a local code for Harrogate Borough Council which would result in a report to council in March/April 2008. The Corporate Improvement Officer (Governance) referred to the need to review existing arrangements, the need to prepare an annual governance statement, the content and sources of that statement and finally concluded with a timetable for the preparation of the governance statement. The Corporate Improvement Officer (Governance) then invited member questions in this regard.

Councillor Theakston referred to the use of the word 'culture' and its meaning in the context of the presentation. The Corporate Improvement Officer (Governance) outlined that the Council enjoyed a culture of strong corporate governance but that there was a need to consider whether partners and potential partners had a similar culture in their organisations and asked the Governance Panel to consider this in taking the arrangements forward.

The Panel noted the progress made in relation to the Council's Corporate Governance arrangements.

(5.47 pm – 6.07 pm)

22/07 – **STATEMENT ON INTERNAL CONTROL 2006/07 SECTION 5 ACTION PLAN MONITORING QUARTER 2:** The Corporate Improvement Officer, (Governance) submitted a written report, the purpose of which was to update the Panel on progress made against actions noted in section 5 of the Statement on Internal Control (SIC) 2006/07 to address significant internal control issues.

The Corporate Improvement Officer (Governance) referred to appendix A attached to the report which set out those issues highlighted and action taken against them which had been set out within the SIC Action Plan for 2006/07 referring to progress made on each.

The Panel noted the progress made.

(6.07 pm – 6.10 pm)

23/07 – **INTERNAL AUDIT POSITION STATEMENT:** The Audit Manager submitted a written report in relation to progress made against the Annual Plan for 2007/08. The report also summarised the findings and conclusions from the Audit work completed and commented on a number of key issues for the remainder of the year.

The Audit Manager referred to paragraph 3.3 in relation to Major Financial Systems and progress made in relation to the Debt Management Code of Practice. The Audit Manager also referred to paragraph 3.4 in relation to anti fraud work and specifically to the review of Gifts and Hospitality offered to Council Officers to assess compliance with the Council's Code of Practice. Members discussed the number of gifts and hospitalities declared by Officers. It was acknowledged that some Officers declared more than others due to their seniority and as a result of their position. It was acknowledged that the Standards Committee were currently reviewing this to compare Harrogate's code with that of neighbouring authorities.

Paragraph 4.2 of the report set out actions taken by Internal Audit as a result of the independent review carried out by the Head of Legal and Democratic Services and progress made against each of the relevant recommendations.

The Panel noted the report.

(6.10 pm – 6.14pm)

24/07 – **RISK MANGEMENT HALF YEAR UPDATE:** The Corporate Improvement Officer (Governance) submitted a written report the purpose of which was to provide an update on the Council's risk management arrangements and in particular monitoring of the Council's strategic risk register.

The Corporate Improvement Officer advised that there had been a couple of additions to the risk register as a result of the National Concessionary Fares scheme and District Heating Scheme. A number of risks had been down graded in particular Local Government Review and the Royal Hall.

It was acknowledged that all risks had now been updated on the Covalent Performance Management system and the Corporate Improvement Officer (Governance) referred to the links between the risk register and budget spending plans. The Corporate Improvement Officer (Governance) referred to specific risks creating a link to the budget process namely SRO3, the comprehensive spending review, SRO6, income generation and SR14, the revenue budget position for 2007/08 onwards. The Corporate Improvement Officer (Governance) then also referred to those uncertain areas of the budget such as SRO7 relating to increased stay in temporary accommodation.

The Corporate Improvement Officer (Governance) then provided the Panel with a brief presentation regarding the usability of the Covalent performance management system and in doing so referred to the Covalent seminar to be attended by the Corporate Improvement Officer and the Performance Manager to present a showcase for the way in which Harrogate Borough Council use the Covalent software in its performance and risk management work.

The Panel noted the progress made.

(6.14 pm – 6.30 pm)