GOVERNANCE PANEL
HELD ON 22 SEPTEMBER 2008
(FROM 5.30 PM TO 6.50 PM)

PRESENT: Councillor Jim Clark in the Chair. Councillors Philip Broadbank, Charlie Powell, John Savage, Theakston, Geoff Webber and Dr M J French.

Late Arrivals: Councillor Broadbank at 5.32 pm.

Early Departures: Councillor Jim Clark at 6.15 pm.

15/08 - **APOLOGIES FOR ABSENCE:** There were no apologies for absence.

(5.30 pm)

16/08 - **DECLARATIONS OF INTEREST:** There were no such declarations to consider.

(5.30 pm)

17/08 - **MINUTES:** The Minutes of the meeting of the Panel held on 24 June 2008 were unanimously approved as a correct record and signed by the Chair.

(5.30 pm)

18/08 - **EXEMPT INFORMATION:** There were no such items to consider.

(5.30 pm)

19/08 - **PUBLIC ARRANGEMENTS – QUESTIONS:** There were no such questions to consider.

(5.31 pm)

MATTERS FOR REPORT

20/08 - **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT:** The Chair welcomed Mr John Prentice of the Audit Commission, the Council's District Auditor, who had attended the meeting to submit the Annual Governance Report for the Harrogate Borough Council Audit for 2007/08. Mr Prentice referred to the summary of the audit findings and acknowledged that initially this document would be actioned by the Council's General Purposes Committee. Mr Prentice advised that the audit was now substantially complete and the Audit Commission would give an unqualified opinion in relation to the accounts together with an unqualified conclusion on the Council's value for money arrangements. The Chair referred to paragraph 6 of the summary entitled "Next Steps" and it was acknowledged that in terms of recommending the final financial statements for approval, the Panel had already completed this process earlier in the year and, therefore, it was now for the Panel to consider its recommendations to General Purposes Committee.

In response to Members' questions it was acknowledged that the Director of Resources Mr John Sowden would sign off the report on the basis of his responsibility as Section 151 Officer as would the Chair of the General Purposes Committee.

Mr Prentice advised that a draft letter of representation was attached as Appendix 1 to the report which would provide a template for the Director of Resources and Chair of General Purposes to sign off. In response to the comments made in the report regarding equal pay claims and an issue raised by Mr Prentice in relation to whether the Council now knew of the level of equal pay claims, the Accountancy Manager advised that a detailed assessment had not yet been made. However, the Council had accrued sufficient general reserves to cover any likely equal pay claims.
Mr Prentice advised that he was required to invite the Council to consider specific provision and query whether this provision could yet be quantified. The Accountancy Manager advised that, in any event the Housing Revenue Account covered most of those staff likely to be affected by an equal pay claim rather than general fund reserves.

Mr Prentice then referred to table 2 and the need to consider improving the level of detail in relation to a number of disclosures set out in the accounts. However this was not considered to be a significant issue. Councillor Clark then referred to table 3 which described a number of items set out in the financial statements and in response to questions, Mr Prentice advised that the means used to report these figures presented a departure from the Statement of Recommended Practice but still complied with general accounting standards. The Panel was satisfied with the approach taken by the Council in this regard. In relation to the Council's arrangements regarding value for money, it was noted that all twelve areas were considered to be satisfactory by the Audit Commission. Mr Prentice was keen to point out that the standard of presentation of the paperwork to the Audit Commission was a credit to the Council's finance staff.

Following Members' questions in relation to the draft Annual Governance Report Councillor Webber referred to the current process and means of budgeting by Harrogate Borough Council taking into account the probable expenditure for the coming year, the likely level of Government grant leading to the setting of a Council tax base and that year on year this led to a significant level of under spends in the region of £1 - £1.5m and that, although this was not in itself a problem, it could be argued that this approach tended to lead to over budgeting. The under spends were then used for unbudgeted items which were not always exposed to full Scrutiny. Councillor Webber proposed that there were other means of budgeting and that a proportion of the £1 - £1.5m annual under spends could be set aside for a twelve month period and be used to offset any rise in Council tax for the following year. Councillor Webber believed that this would achieve a more focused and disciplined approach to Council budgeting and, in conclusion, Councillor Webber invited the Panel to keep this issue in mind as they approached the Council budget for 2009/10. The Accountancy Manager referred to the need to distinguish between one off savings and underspends and ongoing budget requirements.

On that basis the Panel then unanimously **agreed** to recommend the Annual Governance Report to the General Purposes Committee for approval.

(5.31 pm – 5.55 pm)

21/08 – **INTERNAL AUDIT PROGRESS REPORT:** The Audit Manager (Harrogate Borough Council) submitted a written progress report in relation to progress made by the Internal Audit section at the end of July 2008 against the Audit Plan for 2008/09. The report summarised the findings and conclusions from the audit work completed to that date.

The Audit Manager gave a verbal update on those audits completed since the end of July 2008. He referred to Appendix 2 regarding the Audit Commission Triennial Review and reported that only three of the nineteen recommendations (R4, R6 and R12) had yet to be fully implemented. The latest survey of audit clients had produced a very positive result with 99% of respondents being satisfied or very satisfied with work carried out by Audit staff.

The Audit Manager advised that one of the current Audit Team had recently been seconded to Harrogate International Centre to help with their financial estimates and that secondment was currently anticipated to terminate towards the end of October. It was acknowledged that if the secondment continued much beyond that date, this would have significant implications for the audit plan and that he would need to consider using additional agency staff as additional temporary cover.

In response to a question on recommendation R4, the Corporate Improvement Officer (Governance) advised that Council staff were negotiating with Covalent to set up an "auditor profile" for both Internal Audit and the Audit Commission to access Covalent but that this was one of a number of developments and its priority was for Covalent to decide. In the meantime, it was for the Department of Resources to decide whether to prioritise the reallocation of one of its existing licences to Internal Audit.

Members referred to details of a "computer audit" set out in the report in particular to a review of compliance with the Council's policy on access to the Internet in order to ensure that such use was appropriate for business purposes. In response to a question from Councillor Webber the Audit Manager confirmed that the review also affected Members' use of the Internet. Councillor Webber then queried how this would work in practice. The Audit Manager advised that the IT User Policy was being revised and updated which would be supported by relevant training including Members. Arrangements were already in place to bar access to inappropriate sites from Council computers. The Panel queried whether steps to prevent attempts to access inappropriate websites could be taken further with facilities integrated into laptops to flag up to the Council when such attempts to access inappropriate sites were taking place. The Audit Manager advised that such reporting may be available from existing software and agreed to raise this matter further with the Head of IT&D. Councillor Theakston referred to the importance of freedom of expression and the preference toward the use of personal judgement in such circumstances.

The Panel then unanimously **agreed** that the report and appendices be received and noted. The Panel also stressed the importance of maintaining adequate staffing levels in Internal Audit.

(5.35 pm – 6.06 pm)

22/08 – **ANNUAL GOVERNANCE STATEMENT 2007/08: SECTION 5 ACTION PLAN MONITORING (QUARTER TWO/HALF YEAR)**: The Corporate Improvement Officer (Governance) submitted a written report, the purpose of which was to update the Governance Panel on progress made against the actions set out in Section 5 of the Annual Governance Statement 2007/08 to address significant internal control issues.

The Corporate Improvement Officer referred to Appendix A to the written report which set out two Corporate Governance issues which related to the transmission of personal and sensitive information to third parties and the need to ensure value for money in corporate procurement. The Panel had previously discussed these issues. The report concluded with a recommendation that monitoring of these issues should continue at a high level bearing in mind the level of progress as at September 2008 (Quarter 2).

Dr French referred to the transmission of personal and sensitive information to third parties and queried whether the term “transmission” actually referred to loss rather than transmission of sensitive information. It was acknowledged that the risk included loss as well as transmission. The Corporate Improvement Officer referred to discussions held with IT staff in relation to the technical issues regarding the transmission of such information and advised that IT could not control what people did with sensitive information.

In conclusion the Panel referred to recommendation 2 having considered progress on the actions noted in the Annual Governance Statement 2007/08 Section 5 Action Plan to address significant internal control issues and agreed that both issues identified in the report should continue to be monitored at a high level.

(6.06 pm – 6.10 pm)

23/08 – **STRATEGIC RISK REGISTER: BEST PRACTICE IN COMPILING A STRATEGIC RISK REGISTER:** The Corporate Improvement Officer (Governance) submitted a written report, the purpose of which was to provide an overview for a workshop for Members of the Governance Panel which had been scheduled to take place during the course of the Panel meeting in relation to Best Practice in compiling a Strategic Risk Register.

The Corporate Improvement Officer referred to a Powerpoint presentation that posed a number of questions for Members to consider in terms of matching strategic risks with corporate priorities set by the Council. The Panel were asked to consider whether the corporate strategic risks previously identified were still risks to the authority or now simply issues which the Council was dealing with in its day to operation. The Panel was also invited to consider whether there were any gaps in the information they needed to deliberate in this way.

In response to Members’ questions the Corporate Improvement Officer referred to the term “orphan” which related to strategic risks that didn’t relate to any corporate priority. The Review of Local Government 2006 that could have meant the end of Harrogate Borough Council in its present form was one such risk. The Panel agreed to consider ten of the questions posed by the Corporate Improvement Officer and then form a conclusion. The Panel concluded that the distinction of risk against day-to-day issues was fundamental to the risk strategy and that what could be considered to be a risk at present might not be considered to be risk later. It was also agreed that those looking at the current descriptions of risk in isolation may not understand the nature of the risk described, however the Corporate Improvement Officer (Governance) advised that further information that would clarify these descriptions was available through the Covalent system.

Finally Members agreed that they could feed back comments to the Corporate Improvement Officer after the meeting. In response to a question from Councillor Webber in relation to lower level risks register the Corporate Improvement Officer advised that access was available to this register on the current Covalent system. The meeting concluded with the end of the exercise.

(6.10 pm – 6.42 pm)