



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Wednesday, 24 October 2018.

PRESENT

Mr. P. Bedford CC (in the Chair)

Mr. T. Barkley CC

Mr. G. A. Boulter CC

Mr. J. G. Coxon CC

Mr. D. Jennings CC

Mr. J. Kaufman CC

Mr. J. T. Orson JP CC

Mr. S. D. Sheahan CC

Mrs. M. Wright CC

88. Minutes of the previous meeting.

The minutes of the meeting held on 25 July 2018 were taken as read, confirmed and signed.

89. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

90. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

91. Urgent items

There were no urgent items for consideration.

92. Declarations of interest

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

93. Annual Audit Letter 2017/18.

The Committee considered a report of the Director of Corporate Resources which presented the Annual Audit Letter for 2017/18 for approval. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Chairman welcomed Mr John Cornett from KPMG, the Council's external auditors for 2017/18, to the meeting.

Mr Cornett confirmed that an unqualified opinion had been issued and that no material or unadjusted misstatements had been identified within the year end accounts. An unqualified value for money conclusion had also been issued and its assessment of arrangements put in place to ensure continued financial resilience had found these to be adequate (the highest grading available).

In response to questions raised, Mr Cornett advised that the delivery of savings identified in the MTFS and the identification of further savings necessary to achieve a balanced budget would be difficult. Changes to the way services were delivered and the need to work in partnership with other organisations would be necessary. He confirmed that, in his view, the Council had been steadfast in making the difficult decisions necessary to deliver savings and to introduce change which put the Authority in a good position compared to other authorities. However, further difficult decisions lay ahead.

Mr Cornett confirmed the important role Members played in challenging any failures to deliver the Council's MTFS and said those authorities currently in financial difficulty had not robustly followed this process.

The Chairman advised that this would be the last meeting attended by Mr Cornett on behalf of KPMG, as the Council's new external auditors, Grant Thornton, would now take over. Members thanked him for the work undertaken by him and his colleagues at KPMG.

RESOLVED:

That the Annual Audit Letter for 2017/18 be approved and distributed to all Members of the Council.

94. Regulation of Investigatory Powers Act 2000 - Annual Report.

The Committee considered a report of the Director of Law and Governance regarding the Authority's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) during the period 1 October 2017 to 30 September 2018. The report also outlined recent legislative changes and proposals to conduct a further review of the Council's current Policy Statement relating to RIPA once these had come in to force. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

In response to questions raised, the Director confirmed that the new national authorisation body to be introduced under the Investigatory Powers Act 2016 would only have judicial oversight of applications to acquire communications data. It was not yet clear whether this would be in place of, or in addition to the role currently provided by Magistrates' courts. The introduction of this new body was necessary, given the complexity and sensitivity of accessing such data and Members were informed that additional scrutiny and safeguards had been added during the Parliamentary considerations of the legislative changes now being made to reflect this.

RESOLVED:

- (a) That the report on the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) for the period from 1 October 2017 to 30 September 2018, be noted;

- (b) That it be noted that no changes have been required to be made to the County Council's current Policy Statement on the use of RIPA (attached as an appendix to this report) and that this remains fit for purpose;
- (c) That the County Council's Policy Statement on the use of RIPA be reviewed and amended once details of the Investigatory Powers Act 2016 have been made clear and the revised Policy brought back to this Committee for consideration and thereafter presented to the Cabinet for approval.

95. Ombudsmen Annual Review and Corporate Complaint Handling 2017/18.

Members considered a joint report of the Chief Executive and the Director of Corporate Resources regarding the outcome of the Local Government and Social Care Ombudsman annual review letter for the Authority for 2017/18 and which provided an update on improvements to the Authority's Complaints procedures and effective complaints handling processes. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

Arising from discussion, the following points were made:

- The outcome of the report was welcome. Given the number of people that contacted the Authority on a daily basis regarding some very complex matters, the result of the review was very positive, as was the approach of the Authority as a whole to look into and respond to complaints quickly and to seek to learn from these.
- The 'Landmark Cases' detailed in the Ombudsman's review of local government complaints highlighted areas where the Council might also review its own practices so as to avoid similar service failures occurring locally.

RESOLVED:

That the outcome of the Local Government and Social Care Ombudsman annual review letter for the Authority for 2017/18, and the improvements made to the Authority's Complaints procedures, be noted.

96. Clinical Governance Annual Report.

The Committee considered a report of the Director of Public Health regarding the Council's clinical governance processes and monitoring arrangements, key issues dealt with since November 2017, and action taken to respond to the recommendations of an Internal Audit Service review of the Council's overall Clinical Governance Framework which was undertaken in April 2018. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

In response to questions raised, the following information was provided:

- The high importance recommendations arising from the Internal Audit Service review had been previously reported to the Committee. At the last meeting of the Committee in July, the Head of Internal Audit Service had advised that, following re-testing, the actions identified by the review had been implemented.

- The high importance recommendations had not appeared on the corporate risk register. This was often the case as risks were largely managed departmentally and were only referred up to the corporate register when they were regarded as sufficiently high to warrant this.
- Departmental risk registers were regularly reviewed and risk scores challenged through the Corporate Risk Management Group which included internal audit officers. The Head of Internal Audit Service said that having gone through this process and the recent internal audit re-testing, he was confident that the issues identified in the audit were being sufficiently managed at a departmental level. However, to provide further assurance to members, he undertook to check and confirm this and to advise members accordingly.
- Details regarding individual serious incidents that were considered by the Department in line with the Leicestershire Public Health Serious Incident Protocol were not included in the report. However, these often related to cases of substance misuse or where safeguarding issues had been identified. Robust systems were in place for the reporting, management and monitoring of serious incidents to ensure these were quickly and properly dealt with, and to ensure that lessons learned were captured to prevent them in the future.

#### RESOLVED:

That the update on clinical governance work and processes, and the actions taken to respond to recommendations arising from the Internal Audit of the Public Health Department's Clinical Governance Framework, be noted.

#### 97. Annual Review and Update of the Contract Procedure Rules.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance the purpose of which was report on the operation of the Contract Procedure Rules between 1 July 2017 and 30 June 2018 and to set out proposed changes to those Rules. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Arising from discussion, the following points were noted:

- In future reports, a breakdown of the total value of the original contract/s separate from the value of the extension/modification granted would be provided;
- Brexit had been included on the corporate risk register and consideration was being given to how this might affect the Council's procurement processes. It was unlikely that changes would occur immediately, as European Law regarding procurement rules had been enshrined in UK legislation. There would likely be an opportunity to change this legislation after Brexit and this might involve a relaxation in the rules and thresholds that currently apply, but this would take some time to implement;
- Implementation of the recently approved Social Value Policy would enable additional benefits to be sought and secured through the procurement process which would help deliver the Council's wider Strategic Plan objectives. Examples to date included free Wi-Fi and office spaces offered to voluntary sector workers, free advertising for community groups and free management training to help

voluntary sector providers;

- The proposed revisions to the Contract Procedure Rules did not cover specific issues such as 'blacklisting' and whether or not the Council would contract with an organisation which had been blacklisted. This would be picked up through existing pre-contract due diligence enquiries which sought information to identify whether an organisation was fit to do business with in advance of an award. The Director undertook to provide additional information on the processes followed to provide assurance that the Council was not contracting with organisations which operated 'blacklisting';
- The Contract Procedure Rules included provisions that enabled the Council, as far as possible within the national and EU legislative framework, to support local businesses.

RESOLVED:

- (a) That the contents of the report on the operation of the Contract Procedure Rules between 1 July 2017 and 30 June 2018 be noted;
- (b) That the County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B attached to this report.

98. Supplier Code of Conduct.

The Committee considered a report of the Director of Corporate Resources which detailed work undertaken to develop a Supplier Code of Conduct and which sought approval for its implementation with immediate effect. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

Members welcomed the implementation of the new Code but requested that an internal audit service review be undertaken to ensure this was being fully implemented and that the outcome of that review be reported to this Committee.

RESOLVED:

- (a) That the work undertaken to develop the Supplier Code of Conduct attached as an appendix to the report be noted and its implementation with immediate effect be supported;
- (b) That the Head of the Internal Audit Service be requested to undertake, at an appropriate time, a review of the operation and implementation of the new Code and that the outcome of that review be reported to the Committee.

99. Risk Management Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risks faced by the Authority and the measures being taken to address them. The report also provided an update on the operation of the Corporate Risk Management Group, the outcome of the Risk Management Maturity Health Check carried out by RMP and counter fraud initiatives. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

Arising from discussion, the following points were noted:

- Since writing the report, Risk Management Partners (RMP) had completed the risk management maturity health check but the draft report had only been received the previous day. Time was needed to undertake a detailed look at the report and a further update would be provided at the next meeting of the Committee. In summary, however, the report appeared to be positive, though some improvements had been proposed.
- The risk of Council partners getting into financial difficulties was recorded on the Corporate Risk Register given the wider impact this could have on the Authority. Schools were a particular area of concern as local authorities played no part in the financial running of academies, but retained a statutory duty to ensure all children living in their area received an education.

A member raised concerns about Environment Risk 9.2 (i.e. that if there was a major incident which resulted in unplanned site closure (e.g. a fire) then the Council might be unable to hold or dispose of waste) and how, given the impending closure of a number of sites and alternative provision not having been secured, the risk could be regarded as likely to reduce over the next 12 months. Members requested that further information be provided to give assurance that this risk was being appropriately measured and managed.

#### RESOVLED:

- (a) That the current status of the strategic risks facing the County Council be approved;
- (b) That the updates now provided on the operation of the Corporate Risk Management Group, the outcome of the Risk Management Maturity Health Check and counter fraud initiative, be noted;
- (c) That further information be provided at the next meeting of the Committee regarding the actions being taken to address Environment Risk 9.2 (i.e. if there was a major incident which resulted in unplanned site closure (e.g. a fire) then the Council might be unable to hold or dispose of waste);
- (d) That, at the next meeting of the Committee, instead of a presentation on a specific risk area, an update be provided on the outcome of the Risk Management Maturity Health Check undertaken by Risk Management Partners.

#### 100. Property and Occupants Risk Management Group.

The Committee considered a report of the Director of Corporate Resources which detailed work undertaken by the Property and Occupants Risk Management Group, a group created following the Grenfell Tower tragedy in June 2017. A copy of the report, marked 'Agenda Item 13', is filed with these minutes.

In response to a question raised, the Director confirmed that following the introduction of revised DCLG guidance regarding fire doors, the Council had written to its suppliers to ensure those used in buildings which it was responsible for were compliant. Any found not to be compliant would be replaced. Such work would likely be managed and funded in the usual way, utilising existing property service budgets.

The Director explained that the property services section as a matter of course undertook regular reviews of its properties and routinely carried out upgrades following changes in guidance or legislation. However, it was likely that further changes in guidance and regulations would be made following the Grenfell Tower tragedy and if this resulted in a large number of upgrades being required at significant cost, this would be managed through adjustments to the MTFS.

RESOLVED:

That the work completed, ongoing and planned by the Property and Occupants Risk Management group during the period from the end of June 2017 to the end of September 2018 be noted.

101. Prevention of the Facilitation of Tax Evasion - Policy Statement and Procedures.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to present for approval the new Prevention of the Facilitation of Tax Evasion Policy Statement and Procedures which would form part of the Council's overall suite of counter fraud policies and procedures. A copy of the report, marked 'Agenda Item 14', is filed with these minutes.

In response to a question from a member, the Director confirmed that, separate from this Policy, the Council had established a working group to assess and ensure it complied with HRMC IR35 regarding the employment of self-employed personnel and to ensure appropriate income tax and national insurance contributions were being paid in respect of its own staff.

RESOLVED:

(a) That the Prevention of the Facilitation of Tax Evasion Policy Statement and Procedures be approved;

(b) That the Director of Corporate Resources be authorised to make any minor amendments to the Policy Statement and Procedures, agreed in (a) above, as necessary.

102. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources which provided a summary of progress against the Internal Audit plan for 2017-18 and of work conducted in 2018-19. It also advised of progress on the implementation of high importance recommendations. A copy of the report, marked 'Agenda Item 15', is filed with these minutes.

The Director reported that taking over Leicester City Council's internal audit function had not affected the County Council's own internal audit service function, the conduct of business as usual or the delivery of its own Internal Audit Plan. Recent staffing issues were unusual and proposals to appoint suitably qualified agency staff to fill the current gap were being progressed.

Members requested that a further update be provided at the next meeting of the Committee to assure itself that sufficient resources were in place to deliver the current Internal Audit Plan.

RESOLVED:

- (a) That the contents of the update now provided on Internal Audit work conducted during the period 7 July to 12 October 2018, be noted;
- (b) That a further update be provided regarding Internal Audit Service resources to provide assurance that current staffing difficulties have not impacted on assurance work being undertaken to deliver the Internal Audit Plan.

103. Quarterly Treasury Management Update.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide an update on the actions taken in respect of treasury management in the quarter ended 30 September 2018. A copy of the report, marked 'Agenda Item 16', is filed with these minutes.

The Director advised that the Committee would receive a presentation in January 2019 from the Council's treasury advisors, Link Asset Services, on treasury management and capital strategies. This would be in advance of its consideration of the Treasury Management Strategy Statement and Annual Investment Strategy.

RESOLVED:

That the contents of the report be noted.

104. Dates of meeting in 2019.

RESOLVED:

That the meetings of the Committee in 2019 would be held on:

Friday 18<sup>th</sup> January 2019 at 10am  
 Friday 3<sup>rd</sup> May 2019 at 10am  
 Friday 26<sup>th</sup> July 2019 at 10am  
 Friday 1<sup>st</sup> November 2019 at 10am

105. Grant Thornton - The Council's new external Auditors

The Chairman introduced to the Committee Mr John Gregory of Grant Thornton, the Council's new external auditors.

The Committee welcomed Mr Gregory to the meeting. Mr Gregory thanked members for inviting him to the meeting and confirmed his intention to build on the good work of KPMG, the Council's previous external auditors, whilst also providing a fresh look at the Authorities finance and governance processes going forward.