

CORPORATE GOVERNANCE COMMITTEE

25 SEPTEMBER 2015 - 2:30PM



PRESENT: Councillor Owen (Chairman), Councillor Boden (Vice-Chairman), Councillors Booth, Buckton, Hay, Murphy, Mrs Newell and Tanfield.

OFFICERS IN ATTENDANCE: Jane Bailey (Member Services and Governance), Rob Bridge (Corporate Director (Finance)), Carol Pilson (Corporate Director), Mark Saunders (Chief Accountant) and Jonathan Tully (Internal Audit Manager)

ALSO IN ATTENDANCE: Ciaran McLaughlin from PricewaterhouseCoopers (PwC), the Council's External Auditors

CGC10/15 PREVIOUS MINUTES

The minutes of the meeting of 14 July 2015 were agreed and signed.

*** FOR INFORMATION OF THE COUNCIL ***

CGC11/15 APPOINTED AUDITOR - ANNUAL GOVERNANCE REPORT (ISA260)

Members considered the Appointed Auditor - Annual Governance Report (ISA260) presented by Ciaran McLaughlin from PwC, the Council's External Auditors.

Members asked questions, made comments and received responses as follows:

1. Councillor Booth stated that page 22 of the report refers to bad debt provision and the reliability of the knowledge of the teams for information on specific transactions; he asked if this would place the Council in a serious situation if a member of that team were to leave the organisation. Rob Bridge confirmed that this type of work is not done by one person, a CIPFA calculation model is used and more than one person always looks at this;
2. Councillor Boden stated that he notes the report with pleasure; the report has been prepared with a great deal of competence and therefore gives the Committee a great deal of assurance. He added that he notices that there are no material misstatements and asked if there were any non-material. Ciaran McLaughlin stated that the auditors are required to note on the report any misstatements over £60,000, and none were found, he added that there may have been some minor errors of classification, but there is no requirement to include them in the report;
3. Councillor Booth stated that previously we have had some figures with regards to the errors, but there are no details in this report. Ciaran McLaughlin stated that this is because there is no requirement to include errors below £60,000;
4. Councillor Booth referred to the responsibilities around the risk of fraud. He asked if we say anywhere that we are not willing to accept fraud of any nature. Rob Bridge confirmed that the Council use successful fraud prosecutions in the media as a way of getting the message across and this is a very good deterrent. He added that we remind everybody each year, but would be happy to have a further discussion with the Committee to look at doing something more public;

5. Councillor Buckton stated that surely this is something that is inherent in everyone's contract and not tolerated. Rob Bridge confirmed this, adding that it is good practice as part of the anti-fraud approach;
6. Councillor Tanfield referred to pension liabilities, and stated that as the number of staff paying pension contributions has reduced, she asked if we move forward with less staff would the contributions be within an acceptable range. Rob Bridge stated that the Cambridgeshire fund is subject to triannual valuation, of which we are in the second year of. He informed members that changes were made to pension contributions as payroll numbers were falling. Therefore councils now pay a percentage per employee as well as a deficit lump sum payment each year as well. This change was to ensure appropriate contributions were being made, and as Councillor Tanfield highlighted, with a reducing payroll, a purely percentage contribution per employee could mean that not enough contributions were being made;
7. Councillor Booth asked if changes have been discussed with regards to Career Average Revalued Earnings (CARE) schemes. Rob Bridge stated that the LGPS has moved to a CARE scheme and any further changes to the scheme are not yet known, but confirmed that some people will be protected from the changes due to their age;
8. Councillor Murphy stated that the report refers to property, plant and equipment and that a number of significant judgements are required in order to generate the figures in the financial statements, he asked if this was 'guess work'. Ciaran McLaughlin stated that this type of work involves looking at specific assets and seeing if there is a comparable market, he explained that a valuer will use expert knowledge and expertise to make a professional judgement. Rob Bridge stated that ultimately this is about judgements, but it is important to remember that if PwC do not feel that what has been done is right or correct, they will look at comparators themselves;
9. Councillor Boden asked about the scope of this audit with regards to housing benefits payments. Ciaran McLaughlin confirmed that PwC test a sample of the work and are responsible for the Council's claim to the DWP. He added that PwC produce the Annual Certification Report, this report looks at how the Council completes grant returns and looks into their accuracy, standards and any issues arising from them; this report is presented to this Committee;
10. Councillor Boden asked if PwC have found anything to suggest that there have been any mistakes made. Ciaran McLaughlin stated that the level of errors, at just 2, has been much better than in previous years, he added that he is not aware of a single authority with no errors at all;
11. Councillor Boden asked what the implications are of such errors. Ciaran McLaughlin stated that PwC will write to the DWP setting out any errors that have been found, they will determine if those errors are substantial and could hold back some of the funding or ask PwC to do some further investigations. Rob Bridge stated that 5 years ago we had a poor report and put an action plan in place to improve the process, since then the number of errors has reduced, he added that we always challenge the team to get an unqualified outcome, but this is a complex process;
12. Councillor Boden stated that he trusts that the Committee would be informed if there was going to be financial implications with regards to errors. Rob Bridge confirmed that the Committee would be informed.

Councillor Owen thanked Ciaran McLaughlin and Aphrodite Antoniadou from PwC for their work over the past 7 years and stated that he is looking forward to a good working partnership with the new external auditors Ernst and Young.

The Corporate Governance Committee agreed to note the content of the Appointed Auditor - Annual Governance Report (ISA260), and formally record their thanks to PwC, on behalf of the Council, for their work over the past 7 years.

(Councillor Booth declared a Non-Pecuniary interest in this item by virtue of the fact that he works with PwC as part of his job)

CGC12/15 LETTER OF REPRESENTATION

Members considered the Letter of Representation Report presented by Rob Bridge.

The Corporate Governance Committee Agreed the content and form of the Letter of Representation.

CGC13/15 STATEMENT OF ACCOUNTS 2014/15

Members considered the Statement of Accounts 2014/15 presented by Rob Bridge.

Members asked questions, made comments and received responses as follows:

1. Councillor Booth stated that it would have been helpful if the Committee could see where the material changes had been made. Mark Saunders stated that most of the changes that have been made are around wording and punctuation. Rob Bridge suggested that in future officers could highlight significant changes in the covering report;
2. Councillor Tanfield suggested that the changes be highlighted throughout the report. Rob Bridge explained that although this is a good point, this is the final version that will be formally submitted. He added that there are no significant changes in this report, but will reflect on this feedback in the future;
3. Councillor Boden stated that previously we discussed Treasury Management Functions and how they are reported, and that informal benchmarking would be useful so we could compare ourselves against other authorities. Rob Bridge stated that we are not a member of the CIPFA Benchmarking Group, but there are other ways of finding this type of information, and this might be something that could be taken on by the team;
4. Councillor Tanfield asked if it would be more beneficial to benchmark against our own previous figures than other authorities as nowhere else is going to be the same makeup as Fenland or the same size. Councillor Boden stated that he is referring to the function and therefore the size does not matter in this circumstance;
5. Councillor Owen stated that he is happy to look at informal benchmarking as long as it will not cost a lot of money. Rob Bridge stated that he believes that he and Mark Saunders could investigate this between them.

The Corporate Governance Committee agreed to approve the Statement of Accounts for the financial year ended 31 March 2015.

CGC14/15 CORPORATE RISK MANAGEMENT STRATEGY AND REGISTER

Members considered the Corporate Risk Management Strategy and Register Report presented by Jonathan Tully.

Members asked questions, made comments and received responses as follows:

1. Councillor Tanfield referred to the heat map and the likelihood score of political change which she thought was low. She asked if that score changes during election periods. Jonathan Tully stated that it indicates the residual likelihood and is reviewed twice a year, so could possibly fluctuate during an election;
2. Councillor Boden asked if this Council are hindering themselves with regards to the impact of the risks related to the failure of external investment institutes affecting the availability of funds. He added that he is surprised that the impact figure has moved from a 5 to a 3. Rob Bridge stated that we have seen banks causing massive concerns to other local authorities, and we are talking about very large investments. He added that he feels that if the impact figure was dropped lower we are saying that there is not a risk and would rather be risk

averse about this as it is tax payer's money. Our counterparty list is short and so maybe we do not invest as some other local authorities do, but the safety of the funds is paramount, we need to protect those funds and therefore feel that the levels set out are appropriate;

3. Councillor Boden stated that he is surprised that the inherent impact is a 5 and the residual impact is a 3 stating that he believes that the impact should remain the same. Rob Bridge stated that we are making some roads to how we minimise those risks, it is a subjective view and agreed that he would be happy to review these details in 6 months with the Committee;
4. Councillor Boden stated that if the financial system were to go wrong the impact would be the same, yet the likelihood number has been reduced. Rob Bridge stated that most of the investments are less than £1m therefore we are able to minimise the impact in that way;
5. Councillor Booth stated that if we have a small counterparty list, with £18m to invest we must be making multiple investments with each. Mark Saunders stated that we have a wide range of investments with these;
6. Councillor Booth stated that because we have such a small list and are making multiple investments with each this must increase the likelihood of risk. Mark Saunders stated that we have a maximum investment level with each, and are keeping investments within a 12 month period to minimise the risk and to maximise the opportunity to move with changes in interest rates;
7. Councillor Booth asked for clarification with regards to the risk around business rate appeals. Rob Bridge stated that page 186 of the report refers to this, and explains how we are monitoring and controlling it;
8. Councillor Booth explained that he was expecting to see this under the risk register update on Page 172. Rob Bridge confirms that this section does make reference to business rates, but is happy to expand on this paragraph;
9. Councillor Booth asked if the Delivery of the Nene Waterfront Regeneration (NWR) Project risk should be updated as we are not likely to be moving forward with this project for a number of years. Rob Bridge stated that houses are being built, and in the background there are parties interested in other sites. If we get to the point where we can do nothing more and just need to wait for the open market then we might need to update that risk;
10. Councillor Booth stated that we are still lacking an overall strategy with regards to partnerships. Rob Bridge stated that a lot of this work is brought together at CMT meetings, and then fed back to each portfolio holder. He added that the principles are that the quality stays the same, or improves and that savings are delivered, with a forward look at what further savings could be made moving forward. He agreed that he is happy to have another conversation with this committee if they feel that this something that they would like to discuss further.

The Corporate Governance Committee agreed the review and the development of the existing Risk Management Policy and Strategy and the current Corporate Risk Register as at September 2015.

3.30pm

Chairman