

## AGENDA

### **CORPORATE GOVERNANCE COMMITTEE**

**TUESDAY, 19 MARCH 2019**

**2.30 PM**

**COUNCIL CHAMBER, FENLAND HALL,  
MARCH**

Committee Officer: Izzi Hurst  
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- 1 To receive apologies for absence
- 2 Previous Minutes. (Pages 3 - 6)  
  
To confirm and sign the minutes of 5 February 2019.
- 3 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.
- 4 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.
- 5 Risk based Internal Audit Plan 2019/20. (Pages 7 - 20)

In accordance with the Public Sector Internal Audit Standards the Internal Audit Manager has prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources.

- 6 FACT - Update on progress. (Pages 21 - 24)

The purpose of this report is to provide members of the Corporate Governance Committee with an update on progress of recommendations made in the FACT report briefing note.

- 7 Update on the request made by the Corporate Governance Committee to the Chairman of the Overview and Scrutiny Panel. (Pages 25 - 28)

Following the Corporate Governance Committee meeting on 20 November 2018, a request was made to the Chairman of the Overview and Scrutiny Panel to consider the trading accounts for Markets, Ports, Offices and Factories as part of the Economic Development Member-Led Review. Members are to receive an update on the Review Group's findings in relation to these trading operations.

- 8 Items of Topical Interest

- 9 Items which the Chairman has under item 3 deemed urgent.

Friday, 8 March 2019

Members: Councillor J Clark (Chairman), Councillor Mrs F Newell (Vice-Chairman), Councillor G Booth, Councillor R Butcher, Councillor D Hodgson, Councillor P Murphy and Councillor Mrs J French

**CORPORATE  
GOVERNANCE  
COMMITTEE**

**TUESDAY, 5 FEBRUARY 2019 - 2.30 PM**



**PRESENT:** Councillor J Clark (Chairman), Councillor R Butcher, Councillor P Murphy, Councillor W Sutton and Councillor M Tanfield

**APOLOGIES:** Councillor Mrs F Newell (Vice-Chairman) and Councillor D Hodgson

**OFFICERS IN ATTENDANCE:** Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager), Sam Anthony (Head of HR and OD) and Linda Albon (Member Services & Governance Officer)

**ALSO ATTENDING:** Mark Hodgson and Vicky Chong (Ernst & Young)

**CGC23/18 PREVIOUS MINUTES**

The minutes of the meeting 20 November 2018 were confirmed and signed subject to the following:

- Cllr Sutton stated that at the end of item CGC20/18, it had been agreed that a letter would be sent to Councillor Buckton, Councillor Hay and Anna Goodall recommending that the Council pursue the options available in relation to an electronic claims system for member's expenses. He asked if this letter had been sent. Councillor Clark commented that he was unsure so would have this chased up.

**CGC24/18 APPOINTED AUDITOR - ANNUAL CERTIFICATION REPORT 2017-18**

Mark Hodgson from Ernst & Young (EY) introduced Vicky Chong to the Committee. Vicky has replaced Flo Barrett whilst Amalia Valdez Herrera remains as Team Leader. Vicky presented the Annual Certification Report 2017-18.

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

- Councillor Sutton commented that, having also made the point in previous years, he continues to be frustrated over the costs incurred in checking errors for a relatively small amount of money.

**The Corporate Governance Committee agreed to note the Annual Certification Report 2017-18.**

**CGC25/18 APPOINTED AUDITOR - EXTERNAL AUDIT PLAN 2018-19**

Mark Hodgson from EY presented the External Audit Plan report 2018-19. He commented that this was a relatively low risk audit in comparison to other local authorities around the country.

Councillor Clark thanked Mark Hodgson for the report.

## **CGC26/18 CORPORATE RISK REGISTER QUARTERLY REVIEW**

Members considered the Corporate Risk Register quarterly review report, presented by Sam Anthony.

Although there were no changes to the identified risks, there were some changes to the narrative as highlighted in green throughout the report. Sam Anthony also conveyed to the Committee some updates since the report was circulated, namely that the Ministry of Housing, Communities and Local Government (MHCLG) has now issued a local authority preparedness checklist in light of the risk caused by Brexit and the Chartered Institute of Public Finance and Accountancy (CIPFA) have also issued a Brexit strategy. Both are currently being looked at by the Corporate Brexit Project Group. Regular updates are also being collated on the impact associated with Brexit on a regional and national basis, which is being fed back to the East of England Local Government Association.

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

- Councillor Clark asked if the four leisure centres are the only rest centres we now have, as he understood that we had also previously used venues such as church halls. Sam Anthony confirmed that the four leisure centres and also Fenland Hall are the designated rest centres, with specialist kits situated at each of these sites.
- Councillor Sutton asked if we are referring to the types of rest centre used during Operations Pheasant and Endeavour and, if so, how does that impact on the leisure centres? Sam Anthony confirmed this to be the case and in the event of emergency the sports halls, for example, would have to be closed, but this does form part of the contractual arrangements. Councillor Sutton asked if the leisure centres would have to be reimbursed for loss of income in these cases. Sam Anthony understood this not to be the case but would check with the Contracts Manager as income generation is important. Councillor Sutton stated that not only would closure affect income, but it would affect the public generally.
- Councillor Clark asked how we would cater for the villages in an emergency. Sam Anthony advised that there are some smaller nominated rest centres and agreed to circulate that list to all members at the next All Members Seminar.
- Councillor Butcher asked that as council elections take place on 2<sup>nd</sup> May and if there is a further election on 23<sup>rd</sup> May, will the parish councils or Fenland incur the costs of these elections. Mark Saunders confirmed that direct costs would be covered by the Electoral Commission but the cost to us would only be in terms of resource.
- Councillor Sutton asked if we had any idea what savings under 'Pipeline'/CSR2 might look like. Sam Anthony advised this was currently being collated.

**The Corporate Governance Committee agreed the Corporate Risk Register attached as Appendix A to the report.**

## **CGC27/18 INTERNAL AUDIT PROGRESS REPORT Q3**

Members considered the Internal Audit Plan 2018-2019 Progress Report Q3 presented by Kathy Woodward.

Kathy Woodward confirmed that the Internal Audit Team is on course to successfully deliver the audit plan for 2018-19. She stated that members were concerned at the last meeting about the high number of overdue recommendations but this report shows the progress made so to date there is only one recommendation overdue. This is being chased vigorously to ensure its completion as soon as possible.

As the Corporate Governance Committee has previously asked for a review of FACT, Kathy Woodward will submit a written progress report at the next meeting of the Committee. In the

meantime Kathy provided a verbal update, advising that the Council's Chief Executive and Monitoring Officer are both in discussions with representatives from the County Council. In respect of state aid it has been clarified that there are no implications for Fenland District Council. The new management team at FACT are liaising with our Transport Manager and they are currently working on a new service level agreement for 2019/20. The CSR2 process is underway. Councillor Clark asked for clarification that the Corporate Governance Committee has no decision making role in this other than to keep an eye on how money is spent to their satisfaction, to which Kathy Woodward agreed.

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

- Councillor Sutton noted that of the six audits completed during Q3, five were marked as substantial with one as adequate, being Sutton Bridge. He asked for an explanation of the difference and the reasoning behind this. Kathy Woodward explained the general rule is that the overall opinion depends on the significance of the recommendations that audit make in each case. If there is significant impact of those recommendations then that will determine how they view the service. In this instance, there were four recommendations made, one of which was high hence the opinion of adequate. However significant progress has been made since the report and this will be seen on the recommendations progress report at the next meeting.
- Councillor Butcher asked if the recommendation for Sutton Bridge involved a financial risk. Kathy Woodward confirmed there was no financial risk to Fenland District Council in this case.

The Chairman thanked Kathy Woodward for her hard work which is much appreciated.

### **The Corporate Governance Committee considered and noted the Internal Audit Plan 2018-19 Progress Report Q3.**

#### **CGC28/18 TREASURY MANAGEMENT STRATEGY STATEMENT, CAPITAL STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20**

Members considered the Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2019/20 presented by Mark Saunders.


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

- Councillor Sutton commented that around 2013, there was a discussion around how it was not viable to pay off £8million of debt because it was too costly. Although he understood the reasons why it was not paid off, he felt that if the debt had been paid then, this money would now be forgotten and we would be £500,000 better off in the revenue budget. Mark Saunders said that we would have needed to have funded the payment from reserves in the first place. He stated that Treasury Services, our advisors, regularly calculate what would happen if we paid off the debt, the savings that would be made and the premium charges, and this is done over the term of the remaining loan and they work out whether it is positive or negative to present value. Therefore the situation is always kept under review and if interest rates do rise over the next few years, there may be a possibility of it being prudent to pay it off but currently it is not attractive to do so.
- Councillor Clark asked what would be the VAT element in terms of the money spent on refurbishment of the Hudson Leisure Centre. Mark Saunders explained that the building belongs to Fenland District Council and because we are procuring and paying for the works, we can claim the VAT back.

**The Corporate Governance Committee agreed to endorse the strategy detailed in the report to be included in the final budget report for 2019/20.**

3.31 pm

Chairman

Agenda Item No:	<b>5</b>	
Committee:	<b>Corporate Governance</b>	
Date:	<b>19/03/2019</b>	
Report Title:	<b>Risk based Internal Audit Plan 2019/20</b>	

## 1 Purpose / Summary

In accordance with the Public Sector Internal Audit Standards the Internal Audit Manager has prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources.

## 2 Key issues

- The Council's Internal Audit work plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.
- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. The PSIAS were revised and came into effect in April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Following on from the External Assessment completed in December 2017 the Audit plan now includes cross referencing to the Corporate Priorities, which was a suggested improvement made by the assessor.
- There are a total of 337 budgeted productive days for 2019/20.
  - 293 days are allocated to operational audit work. This resource is used to calculate the risk based audit plan. This work contributes to the annual opinion on the effectiveness of the system of internal control, which is reported to the Committee.
  - 44 days are allocated for other productive assurance work. This includes proactive anti-fraud and error work such as the National Fraud Initiative, project based assurance, a contingency for responsive work and following up previous recommendations.
- The risk based plan assumes that the team comprises 2.1 FTE. This level of capacity is sufficient to provide continued internal audit coverage of all key control systems over a 3 year cycle. Some low risk systems may be audited less frequently in favour of systems with new or changing risks, subject to an ongoing risk evaluation.
  - The audit plan for 2019/20 is attached at Appendix A.
  - The Assurance rating classification is included at Appendix B.
  - The 'fundamental systems' audit reviews over the next 5 years is included at Appendix C

- The Council has 10 key financial systems, known as 'Fundamental' systems, due to their significance and materiality. Detailed testing provides assurance to the Council's External Auditors in preparation for final accounts compliance. Following repeated years of positive assurance the Committee and the External Auditors agreed an approach that would maximise assurance with the most effective use of resources. This approach will continue to be discussed with the External Auditors, reflecting any changes to the level of risk for these systems.
- This is illustrated in Appendix C which shows that the Payroll system is reviewed annually, and with the introduction of the new auditing arrangements with ARP, the Council Tax, Business Rates and Housing Benefits are also reviewed annually. The remaining systems will be audited over a three year cycle.

### 3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and note the attached Internal Audit Plan for 2019/20.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Anne Hay
<b>Report Originator(s)</b>	Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Shared Internal Audit Manager
<b>Background Paper(s)</b>	Accounts and Audit Regulations 2015 Public Sector Internal Audit Standards 2016 CIPFA Local Government Application Note 2013 Fenland District Council Corporate Plan Internal Audit Charter



Risk based Internal Audit plan



## **1 Introduction**

- 1.1 This document sets out the Internal Audit risk based plan. It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:
- providing the Chief Executive, Section 151 Officer and Corporate Governance Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements;
  - preparing audit plans that give suitable priority to the Council's priorities and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
  - providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified;
  - identifying the audit resources required to deliver an audit service that meets required professional standards; and
  - complying with professional standards.
- 1.2 The plan is risk based and covers the organisations existing operations, while adding value by responding to emerging risks and promoting good governance.
- 1.3 The plan will be reviewed at least annually to ensure its continued relevance, both in terms of supporting the council's aims and corporate objectives, and in achieving a professional, modern audit service.
- 1.4 The strategic aims for Internal Audit in 2019/20 are to:
- prepare, maintain and deliver the risk based internal audit plan;
  - proactively promote understanding of risk and control;
  - recommend actions that help systems meet at least adequate levels of control;
  - facilitate provision of assurance for the Annual Governance Statement;
- 1.5 The plan is supported by the teams Service Plan, which is aligned to the Council's Corporate Priorities, and is agreed with the Internal Audit team through the Council's Springboard process.

## **2 Role of Internal Audit**

- 2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.2 Fenland District Council has responsibility for ensuring that statutory internal audit arrangements are in place to the Corporate Director & Chief Finance Officer. These arrangements form a key element of the District Council's framework for corporate governance.
- 2.3 The Shared Internal Audit Manager oversees internal audit provision to the District Council on behalf of the Corporate Director & Chief Finance Officer, and the Corporate Director responsible for day to day management.
- 2.4 The objectives, scope and definitions of Internal Audit are detailed in the Internal Audit Charter.

### 3 Risk assessment

3.1 The Council's audit plan is based on a risk assessment of all the Council's major systems and other auditable areas. This allows us to prioritise those areas and systems to be included within the plan. Key risk assessment factors include:

<u>Factor</u>	<u>Description</u>
Materiality – Value	The value of annual direct income / expenditure associated with the system / activities
Materiality – Volume	An estimate of the number of transactions processed by the systems / activities per annum
Significance / Profile	The significance of the system to the activities of the Council.
Complexity	The complexity of the systems / activities in terms of their operation and auditability
Change	Recent changes to the system or the likelihood of change to the systems in the audit period planned
Regulatory / Contractual	Extent to which the system / activity is subject to regulation or contractual obligation
External Monitoring	The extent to which a service / activity is monitored or audited by an external body
Prior Audits	Overall rating of last audit and result of follow up.
Susceptibility to fraud and corruption	Opportunity within the system / activity for fraud and corruption to occur.
Staff Turnover	The turnover of staff, especially with key skills.

3.2 The risk assessment, and update of the annual plan, is informed by consultation with key stakeholders, including:

- the Corporate Director & Chief Finance Officer;
- the Corporate Director & Monitoring Officer;
- the Corporate Management Team;
- the Council's team managers;
- the Council's external auditors;
- the Corporate Governance Committee.

3.3 Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the plan. Where possible External Audit will place reliance on the work of internal audit, and other external providers of assurance will be referred to help formulate the annual audit opinion. This helps ensure that resources are used to the best effect, and duplication is avoided.

3.4 The plan is also informed by key corporate documents such as:

- Business Plan;
- Medium Term Financial Strategy; and
- the Council's risk registers.

## 4 Key themes

The key themes, which have driven our assessment of risk and strategic aims are:

Area	Comment
Financial excellence	There is a continued need to ensure value for money is achieved, including financial resilience and the ability to prioritise resources within increasing financial constraints and a changing control environment.
Corporate Governance arrangements	The Internal Audit Manager will independently review and give an opinion on the Council's arrangements for both corporate governance and risk management, to support the production of an annual governance statement to accompany the statement of accounts. The team will maintain an awareness of emerging risks to help provide advice on effective internal controls.
Assurance mapping	Where other well-developed assurance processes exist (e.g. documented Control Risk Self-Assessment reviews, quality management audits, the work of other review or inspection teams) the internal audit team will quality assure these processes and consider how they can deliver a significant contribution to the overall audit opinion of internal control.
Improving information governance	As part of the planned audits the team will help to promote good information and data management practice throughout the organisation.
Risk management	Internal Audit will continue to assist teams identify business risks as part of audits. This will engage our customers in the management and maintenance of their risks and controls at an operational level, and also help identify and escalate concerns to the corporate risk register.
Minimising fraud and error	<p>The Internal Audit team will ensure that the Anti-fraud &amp; corruption policy &amp; strategy reflects best practice and will appraise fraud risks during audits.</p> <p>Internal controls will continue to be tested for effectiveness and the team will participate in data matching exercises, as provided by the National Fraud Initiative, to proactively identify fraud and error.</p>
Corporate priorities	The Corporate plan, and the Council priorities, informs the audit strategy. The annual plan is based on the risk profile of activities supporting the Corporate Plan, and will continuously be revised to reflect any emerging changes to corporate risk.

## **5 Audit needs and resources**

- 5.1 The risk assessment process identifies auditable systems, and helps to prioritise the audit plan in consultation with key stakeholders.
- 5.2 Systems assessed as below adequate assurance, during the previous financial year, which are not subject to a planned audit will be considered for a follow up review to assess the effective implementation by management of agreed audit recommendations.
- 5.3 Where common areas of risk are identified across several teams then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources.
- 5.4 Both the resources and capacity of the Internal Audit Team is considered annually whilst setting the annual plan. The Internal Audit Team has 2.1 full time equivalents.
- 5.5 Unproductive days, such as training and annual leave, are deducted from the total resource to calculate the total number of planned productive days.
- 5.6 Internal Audit team resources will enable all services of the Council to receive audit coverage over a three year period, although realistically some may be considered of such low priority in relation to other areas that they may only be covered in five years.
- 5.7 This Internal Audit plan is produced and provides details for a 12 month period. The Shared Internal Audit Manager will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Where work in progress occurs it will be carried forward for completion within resources available in the next year.

## **6 Audit delivery**

- 6.1 The approach of internal audit is to use risk based reviews, supplemented in some areas by the use of system-based audits and themed reviews. All audits have regard to management's arrangements for: -
- securing the proper, economic, efficient and effective use of resources;
  - achieving key performance indicators, where appropriate;
  - preventing fraud and irregularity.
- 6.2 The internal control system contains 10 key systems known as 'Fundamental' audits. A compliance approach is applied, as there is pre-existing confidence that controls are well designed, but the effective operation of the controls is a material concern. Testing for the effective operation of these controls is completed over a planned three year cycle, although can be audited more frequently if assurance is required. The new ARP auditing arrangements have allowed us to gain assurances on an annual basis for Council Tax, Business rates and Housing Benefits. The 'Payroll' system will be reviewed annually to reflect the potential risk of the system. A continuous auditing approach is adopted that spreads the testing throughout the year. This helps to ensure that the work is delivered, and reduces the burden on the customer.
- 6.3 The remainder of the systems are prioritised by their risk based assessment. The approach to each audit is agreed, with the customer, during the planning stage of the audit.
- 6.4 In addition to these planned audits the team will complete other assurance work which adds value to the organisation. Examples include proactive anti-fraud and error work such as fraud risk education and data matching, project based assurance, contingency for responsive work, and following up previous audit recommendations
- 6.5 The PSIAS states that the Internal Audit Manager should consider accepting consulting engagements based on the potential to improve management of risks, add value and improve the organisation's operations. The team will participate in corporate projects that add value by improving governance and controls throughout the Council.
- 6.6 Requests for unplanned work will be considered against capacity to ensure internal audit's independence, and the resource required to provide the annual audit opinion, is not compromised. Any significant additional consulting activities, which impact delivery of the plan, will be communicated to the Committee.
- 6.7 The output of audits completed during the year will inform the annual audit opinion. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This will be reported through the annual Internal Audit Outturn report which is a key source of assurance for the Annual Governance Statement.

## **7 Quality and performance**

- 7.1 The Internal Audit Service maintains a manual, which sets out the standards to which all audit assignments are completed. It is reviewed and updated to reflect the best practice and professional standards.
- 7.2 The performance of Internal Audit is measured against targets and objectives set out in the Team Service Plan.
- 7.3 At a detailed level each audit assignment is monitored and customer feedback sought.
- 7.4 There is ongoing performance appraisal and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.
- 7.5 The Corporate Director & Chief Finance Officer shall in accordance with the Accounts and Audit regulations 2015 arrange for an assessment of quality independently of the Internal Audit service. Additionally an external review of the Internal Audit Service is completed by external assessors every 5 years.
- 7.6 The Internal Audit Service will continue to liaise closely with other internal audit services through the shared Internal Audit Manager arrangements with Borough Council Kings Lynn and West Norfolk, Cambridgeshire Audit Group, the Chartered Institute of Public Finance Accountants and the Institute of Internal Auditors in order to share knowledge of best practice.

## Appendix A: Internal Audit plan

Audit Title	Risk Rating	Last Audit	Last Audit results	2019/20
<b>Communities</b>				
Sport Development	Low	2010/11	Adequate	6
Travellers Sites Rents and Repairs	Medium	2016/17	Ongoing	12
Housing Options	Medium	2016/17	Substantial	8
Contract Monitoring – Freedom Leisure	Medium	New		6
<b>Economy</b>				
Development – Delivery Performance	Medium	2015/16	Substantial	8
Trading Operations – Estates	Medium	2016/17	Substantial	8
Economic Development – Business	Medium	2016/17	Substantial	6
Trading Operations – Partner Leases	Medium	2016/17	Substantial	6
<b>Environment</b>				
Trading Operations – Markets	Medium	2016/17	Adequate	8
Trading Operations – Cemetery Income	Medium	2016/17	Substantial	6
Trading Operations – Trade Waste	Medium	2016/17	Adequate	8
Licences – Environmental	Medium	2016/17	Substantial	8
Energy Efficiency Guarantee	Medium	New		6
Environmental Support Team – New Procedures	Medium	2017/18	Ongoing	8
<b>Quality Organisation</b>				
Partnership Governance - ARP	Low	2015/16	Substantial	6
Partnership Governance – BBC (Payroll)	Low	2016/17	Substantial	5
Partnership Governance – CNC Building Control	Low	2016/17	Substantial	6
ARP – Anti Fraud and Error	Medium	2016/17	Substantial	6
ARP Enforcement	Medium	2017/18	Adequate	12
Council Tax (Fundamental)	Medium	2017/18	Adequate	1*
Housing Benefits (Fundamental)	Medium	2017/18	Adequate	*
Housing Benefits – Overpayments	Medium	2017/18	Adequate	*
Business Rates (Fundamental)	Medium	2017/18	Adequate	*
Corporate Assurance – Risk Management	Low	2016/17	Adequate	6
Corporate Assurance – Anti Fraud and Corruption	Medium	2018/19	Ongoing	5
Corporate Assurance – Health & Safety	Low	2016/17	Substantial	6
Property – Building Security	Medium	2016/17	Adequate	6
Post, Print and Scanning	Medium	2016/17	Adequate	6
GIS & LLPG System Maintenance	Medium	2016/17	Substantial	6
Land Charges	Medium	2016/17	Substantial	6
Legal Services	Medium	2016/17	Substantial	6
Corporate Projects	Continuous support			10
Payroll (Fundamental)	High	2017/18	Substantial	10
Customer Services – Fenland@yourservice	Medium	2016/17	Substantial	10
Customer Services – Service requests	Medium	2016/17	Adequate	10
ICT Cloud Storage	Medium	2016/17	Adequate	6
ICT Security & Network Controls	Medium	2016/17	Substantial	6
ICT Disaster Recovery	Medium	2016/17	Substantial	6
Cash Collection – Web Payments	Medium	2016/17	Substantial	6
Cash & Treasury Management (Fundamental)	Medium	2016/17	Substantial	11



Corporate Finance – Budgetary Control (Fundamental)	Medium	2016/17	Substantial	8
Corporate Finance – Management Accounting System (Fundamental)	Medium	2016/17	Substantial	10
Emergency Planning	Medium	2016/17	Substantial	8
<b>Total Risk Based Audits</b>				<b>288</b>
<b>External Audits and Other Work</b>				
FACT – Validation of Process	High	New		5
Fraud Work – Investigations and NFI				14
Follow ups				11
Contingency				19
<b>Subtotal External and Other Work</b>				<b>49</b>
<b>Grand Total</b>				<b>337</b>

- \* These audits are conducted by our ARP partner authorities, which are reviewed by the Shared Internal Audit Manager of FDC before final reports are issued.

## Appendix B: Assurance Ratings:

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment. The text below is an indication of the different assurance ratings used:

Assurance	Description
Full	There is a sound system of control designed to proactively manage risks to objectives.
Substantial	There is a sound system of control, with further opportunity to improve controls which mitigate minor risks.
Adequate	There is a sound system of control, with further opportunity to improve controls which mitigate moderate risks.
Limited	There are risks without effective controls, which put objectives at risk.
None	There are significant risks without effective controls, which put the objectives at risk. Fraud and/or error are likely to exist


## Appendix C: Fundamental audit plan

This is the proposed plan for internal audit reviews of controls considered fundamental to the Council

System Name	2019/20	2020/21	2021/22	2022/23	2023/24	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Adequate
Council Tax *	✓	✓	✓	✓	✓	Adequate
Business Rates *	✓	✓	✓	✓	✓	Adequate
Capital Finance Planning & Asset Register			✓			Substantial
Debtors and Collection Agency			✓			Substantial
Creditors			✓			Substantial
Corporate Finance - Budgetary Control	✓			✓		Substantial
Cash & Treasury Management	✓			✓		Substantial
Corporate Finance - Management Accounting System	✓			✓		Substantial
Payroll	✓	✓	✓	✓	✓	Substantial

\* ARP Auditing arrangements in place allow for an audit to be undertaken every year on these services by our ARP Partner authorities.

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Agenda Item No:	<b>6</b>	
Committee:	<b>Corporate Governance Committee</b>	
Date:	<b>19 March 2019</b>	
Report Title:	<b>FACT Report - Progress Update</b>	

## Cover sheet:

### 1 Purpose / Summary

The purpose of this report is to provide members of the Corporate Governance Committee with an update on progress of recommendations made in the FACT report briefing note.

### 2 Key issues

- The briefing note presented to members of the Corporate Governance Committee included 6 recommendations for officers of the Council to action.
- None of those recommendations made are due for implementation as of the date of this committee.
- Four recommendations are due by the end of March 2019. One is due by the end of June 2019 and one is due by the end of March 2020.
- Corporate Governance Committee requested an update on progress made so far at the meeting of 5 February 2019.

### 3 Recommendations

- It is recommended that the committee consider the progress made to date.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Anne Hay
<b>Report Originator(s)</b>	Kathy Woodward - Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole - Corporate Director & Chief Finance Officer Kathy Woodward - Shared Internal Audit Manager
<b>Background Paper(s)</b>	Corporate Governance Committee minutes item CGC/13/18 Corporate Governance Committee minutes item CGC/22/18 FACT review November 2018 Briefing Note to Councillor Clark

## **4 Background / introduction**

- 4.1 At the July 2018 Corporate Governance Committee, the Chairman asked questions under the agenda item for Audit Results Report (ISA 260), surrounding assurances that need to be provided regarding payments FDC make to FACT following on from the Cambridgeshire County Council review of Community Transport Schemes. The review was undertaken by PKF Littlejohn.
- 4.2 The Shared Internal Audit Manager conducted a review at the Chairman's request, to provide the committee with assurances as requested at the July meeting.
- 4.3 The review was provided to the Chairman in a briefing report. The Chairman shared the briefing note with the Corporate Governance Committee at the meeting on 20 November 2018.
- 4.4 The FACT Review made a total of 6 recommendations which had all been accepted by the Management Team of the Council.

## **5 Considerations**

### **5.1 Recommendation 1:**

*That the policy for support towards concessionary travel should be reviewed at least every three years to consider if the scheme is still achieving the desired outcomes in relation to our council objectives, the level of funding is still correct and that the scheme is fit for purpose and providing value for money. It would be appropriate for this review to commence at the next Comprehensive Spending Review (tba).*

Council officers are currently undertaking preparatory work on the Transformation and Efficiency review (CSR2), which will be considered by councillors post-election.

### **5.2 Recommendation 2:**

*The invoice authorisation processes could be strengthened by having an independent validation / verification audit every year to review the invoicing process of FACT. This should be undertaken by the council's internal audit team.*

The Internal Audit Plan for 2019/20 includes a review of the FACT invoicing process. This process will be undertaken during April.

### **5.3 Recommendation 3:**

*I recommend that FACT provide us with an annual declaration, signed by the Manager and Chair of the Board of FACT, stating that 'dial a ride services to which FDC support users on eligible journeys, has been provided by FACT on a not for profit basis'. This should be accompanied by accounts clearly demonstrating this. This should be outlined within the SLA document and a further discussion with CCC should be held to ensure consistency across both Councils.*

The SLA document is currently being developed by the Transport Manager and the Corporate Director – Growth and Infrastructure.

### **5.4 Recommendation 4:**

*In addition to the audit and inspection processes already outlined in the SLA I recommend that the annual independent internal audit verification process be included within the SLA document.*

The SLA document is currently being developed by the Transport Manager and the Corporate Director – Growth and Infrastructure.

5.5 Recommendation 5:

*I also recommend that the SLA is reviewed by the Corporate Director - Growth and Infrastructure and the Legal Services Manager prior to being put in place for 2019/20.*

The SLA document is currently being developed by the Transport Manager and the Corporate Director – Growth and Infrastructure.

5.6 Recommendation 6:

*FDC liaise with CCC, following on from the opinion they have received from Counsel Advice, to clarify the official legal position with regard to state aid.*

CCC is still seeking advice from Counsel regarding State Aid. FDC have liaised with CCC to clarify our position with regards to the subsidy we pay for users of the Dial-A-Ride service. This has been done to ensure that any advice given is not given collectively to all councils where there is a difference in the schemes each council operate.

**6 Conclusions**

- 6.1 Satisfactory progress is being made on the recommendations and it is anticipated that they will be completed within the expected timeframe.

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## 5 **Review Conclusions and Recommendations**

5.1 The Review Team concluded that the review has been extremely positive, with many opportunities identified for Fenland in which will have a beneficial impact on local residents.

The resulting recommendations arising from the Review of Economic Development are as follows;

- Whilst it is accepted that at the outset of the Review the emphasis was on Economic Development, however as the Review has progressed and the Review Group have received evidence from a number of sources it has become increasingly evident that the organisation should have a greater focus and emphasis on Economic Growth across the district as opposed to Economic Development. Evidence obtained as part of this review has clearly indicated that there is more added value to be gained within Fenland from focussing more on intrinsic economic growth from our current position. Such an approach can align to the delivery of housing and infrastructure along with jobs/skills creation therefore taking a more proactive approach to improving economic prosperity in the district. Intrinsic Economic Growth can be led from within Fenland District Council by utilising an appropriate Investment Strategy, which needs to align with the wider Economic Growth ambition for the area.
- The Investment strategy could benefit from two approaches namely a purely commercial element focussed on raising revenue for the Council, with the second element having a greater focus on regeneration therefore having a positive impact on the local community that a public sector organisation can leverage as opposed to a purely commercial focussed business.
- The Review Team acknowledge that the emergence of the CPCA has the capacity to bring with it significant opportunities for the area not least because of the scale, capability and significant funding streams available. It is vital therefore that Fenland proactively influence the development of

the Local Industrial Strategy (LIS), Skills Strategy, Mayoral Development Corporation and Growth Fund to maximise the potential benefits for the area.

- The Council needs to align any future Economic Growth Service with the CPCA to ensure the realisation of any mutual benefits in addition to the avoidance of any duplication of effort.
- The Review Team recommends that future structures for the delivery of an Economic Growth Service should be explored including consideration of a closer alignment with the planning team to ensure a greater focus on Economic Growth.
- The CPIER Report provides a shared common understanding of the position from which to work in promoting Economic Growth in Fenland.
- Whilst the CPIER Report highlights the difference between the economic drivers in Whittlesey and those in the rest of the District, it is important to recognise that all parts of the District are distinct and that a "one size fits all" approach to Economic Growth in Fenland would be sub-optimal and potentially counter-productive. The Council should engage with local partners to help inform the solutions to ensure a non-standard approach reflective of each area is achieved
- The Review Group recognises that the impending review of the Local Plan is of crucial importance in fostering medium and long term Economic Growth in Fenland as the extension of the current economic base will involve land that is not currently used for industry or homes.
- The Review Group is aware that there is advantage to the Council and district of having larger-scale commercial developments within the area as they have the scope to contribute significantly to Economic Growth across Fenland whilst also supporting the financial security of the Council.
- The Review Group understands that there are few if any medium sized office space within the district therefore providing less opportunity for small office-based businesses in Fenland to expand without moving away. There are opportunities to include this consideration within the Investment Strategy.

- A future Economic Growth Service could more actively target, encourage and support initiatives in agriculture-related industries, including processing, manufacture and transport being the leading sector in the district.
- Fenland can benefit from its geographical proximity to the growth area of Peterborough with its industrial base and the evolving University. Whilst the district is further away from the growth area around Cambridge, the much greater quantity of Economic Growth in Cambridge with the problems associated with 'over heating' which have arisen provides opportunities in Fenland, which should be exploited in terms of business relocation, skills and homes.
- In relation to the matter raised by the Chairman of the Corporate Governance Committee in relation to the Trading Accounts regarding Markets, The Port, Economic Estates as well as The Light Industrial Units and Business Centres, The Review Team recognises that because the Trading Account disclosures in the financial statements are prepared in accordance with accounting standards, the figures shown will differ from those included in the Council budget and internal in-year reporting. This is principally because the financial statements include charges for depreciation and some of the movements in the value of land and property used to deliver those services associated with each Trading Account. In Local Authority accounts legislation requires that such charges are reversed out at the year-end so that they do not impact on the Council's General Fund balance or the Council Taxpayer.
- The Review Team considers that the support costs attributed to the Markets, Light Industrial Units and Business Centres appears high and therefore a review of how support costs are attributed should be undertaken by Officers to inform decision making in 2020/2021 onwards.
- The Review Team accept that further options in relation to the Port will be presented to Cabinet later this calendar year.
- The provision of the Markets service represents an economic opportunity and as such should be considered by the Council and our partners and

included within the scope of the future Transformation and Efficiency Plan (TEP) regarding the future provision of the service

## **6 Next Steps**

The Chairman of the Review group is keen that the review findings are circulated to all members, to ensure members have the opportunity to comment on the review findings before being considered by the wider Overview and Scrutiny Panel and any subsequent Cabinet considerations and decision making.

Review findings circulated to all Members	15 March 2019
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Review Considered by the wider Overview and Scrutiny Panel	18 March 2019
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Final Review report to be considered by Cabinet	April 2019
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If endorsed by Cabinet the review recommendations will then be reflected the future Investment Strategy and Business Plan