

CORPORATE GOVERNANCE COMMITTEE

TUESDAY, 20 NOVEMBER 2018 - 2.30 PM



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

APOLOGIES: Councillor M Tanfield

OFFICERS IN ATTENDANCE: Anna Goodall (Head of Governance and Customer Services), Izzi Hurst (Member Services & Governance Officer), Neil Krajewski (Deputy Chief Accountant), Kamal Mehta (Corporate Director), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

OBSERVING: Councillor Mrs A Hay

CGC17/18 PREVIOUS MINUTES.

The minutes of the meeting 27 July 2018 were confirmed and signed subject to the following comments;

1. Councillor Booth said in relation to minute CGC13/18, the intention was that officers would report their findings on FACT back to the Corporate Governance Committee and not just the Chairman. Councillor Clark confirmed that there was an update for members that would be provided under 'Agenda Item 8 – Items of Topical Interest'.

CGC18/18 ANNUAL AUDIT LETTER 2017/18

Members considered the Annual Audit Letter 2017/18 report, presented by Kamal Mehta.

Councillor Clark introduced Mark Hodgson from Ernst & Young (EY) to members. Mark Hodgson confirmed that Neil Harris had moved to another area within the company and explained that he would now be the Council's External Auditor and will be attending future meetings. He said he was looking forward to working with members over the coming years.

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

1. Councillor Clark asked if Flo Barrett and Amalia Valdez Herrera from EY would still be assisting with the Council's audit. Mark Hodgson explained that Flo Barrett is relocating due to a career opportunity however Amalia Valdez Herrera would continue working on the Council's audit.
2. Councillor Hodgson asked if information should be included in the report in relation to the new Leisure Centre contract with Freedom Leisure. Mark Hodgson confirmed that the current audit reports a valuation of the Leisure Centres as of 31 March 2018 and as the transfer to Freedom Leisure will not take place until December 2018, this will form part of the audit plan for 2018/19.
3. Councillor Booth highlighted that the valuation of the Leisure Centres should remain fairly static as the Council are still retaining ownership of them. He added that Freedom Leisure

are intending to improve and invest in the Leisure Centres which may make a nominal difference to the valuation. Mark Hodgson agreed that this is EY's working assumption and the effect of this will depend on Freedom Leisure's capital input into the centres as to whether this will affect the value of the physical assets.

4. Councillor Clark asked if the Council's asset could increase in value if Freedom Leisure decides to improve the Leisure Centres. Mark Saunders said this would be dependent on the type of improvements they choose to undertake. Councillor Booth highlighted that this will depend on the agreement the Council have with Freedom Leisure in relation to the ownership of any new assets.
5. Kamal Mehta confirmed that any improvement on the physical structure of the Leisure Centres would be reported on the Council's balance sheets, as the Council have retained ownership.
6. Councillor Sutton asked for further information on the presentational and disclosure issues referenced on page 25 of the Agenda Pack. Mark Saunders highlighted that members were provided with an explanation regarding these at the Corporate Governance meeting on 27 July 2018. Councillor Booth added that as they were under the threshold for reporting it was not necessary to include them in the report.
7. Mark Hodgson confirmed that the reference in the Annual Audit Letter to presentational and disclosure issues which have been adjusted by management, not being detailed in EY's report related to non-monetary disclosures.
8. Councillor Booth asked if the audit fees charged by EY will change in light of the recent staffing changes. Mark Hodgson confirmed that the fees are set by the regulator and any staffing changes within EY will not affect the fee to the Council. Councillor Clark highlighted that the fees charged by EY have reduced.
9. Kamal Mehta clarified that if there is any additional work required by EY as a result of the Council not reporting something correctly, then discussions would take place in relation to the charges associated with the additional work they have undertaken. Kamal Mehta said that he was confident that this will not happen.
10. Councillor Clark thanked Kamal Mehta for the clarification and said he had complete confidence in Mark Saunders and his team.

Councillor Clark thanked Mark Hodgson for his attendance at today's meeting.

The Corporate Governance Committee considered and noted the Annual Audit Letter 2017/18.

CGC19/18 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW 2018/19

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2018/19 report, presented by Kamal Mehta.

In relation to the Council not meeting the Debt/Operational Boundary indicator as highlighted in the report, Kamal Mehta explained that this is because the Council would incur a significant cost if they were to redeem the debt which would not be advantageous. He confirmed that EY are aware of this and the Treasury Management Consultants keep this under-review at all times. If the opportunity arises to repay this at a competitive cost and the Council have the resources to do this however looking at the market rates currently, this is unlikely in the near future.

Kamal Mehta confirmed that overall the Council is performing well and is working hard to achieve as high an interest rate as possible on deposits. He confirmed that the Council is on target to achieve the Budget in relation to this.

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

1. Councillor Clark asked for further information in relation to 6.2 on page 48 of the Agenda Pack. Kamal Mehta explained that as part of the capital programme requirements, the Council was required to fund a certain level of the capital programme from borrowing, as the Council's own resources could not be used. This amounted to £1.003m of borrowing and the use of lease facilities totalling £0.336m to support capital investment in 2018/19. These decisions are made during the assessment of the Council's funding arrangements at the end of the financial year when all capital expenditure is considered. He explained that this is the responsibility of the Council's Section 151 officer and they consider the best optimal mix of funding and financing of the Capital Programme to ensure the optimisation of the Council's resources is correct.
2. Councillor Clark asked for further information on the lease facilities discussed in 6.2 of the report. Kamal Mehta explained that this is when the Council purchase a piece of equipment and decide to fund it through a lease arrangement with an external funder as oppose to purchasing the equipment outright. Mark Saunders confirmed that when this situation arises, a full assessment is carried out to ensure that leasing the equipment is the best option for the Council.
3. Councillor Murphy agreed and said consideration is given to each case as to whether it is best for the Council to purchase a piece of equipment or lease it.

The Corporate Governance Committee noted the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2018/19 report.

(Councillor Booth declared an interest as the Council hold investments with building societies and he is an employee of the Yorkshire Building Society. Councillor Booth left the room for the duration of this Item)

CGC20/18 INTERNAL AUDIT PLAN 2018-19 PROGRESS REPORT Q2

Members considered the Internal Audit Plan 2018-19 Progress Report Q2 presented by Kathy Woodward.

Kathy Woodward explained that the overdue recommendations shown in Appendix B on page 58 of the Agenda Pack may look high however the figures include audits carried out on behalf of Anglia Revenues Partnership (ARP) as a collective audit of seven local authorities. One of the high outstanding recommendations relate to the ARP audits and fifteen of the medium recommendations too. In relation to Fenland District Council, there was one high recommendation and nine medium recommendations outstanding however as of today, there are now only two overdue medium recommendations. She confirmed that these would be reflected in the next progress report.

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

1. Councillor Booth asked for further information on the 'Street Scene – Enforcement' audit and the 'Corporate Assurance – Transparency' audit referenced in Appendix A on page 55 of the Agenda Pack. Kathy Woodward confirmed that the medium enforcement recommendation relates to the monitoring and flow of information the Council has with their Contractor. Work is ongoing in ensuring procedures are in place for this. In regards to the recommendation on transparency, this relates to responsibility and ownership of keeping information on the website up to date.
2. Councillor Booth asked if the outdated information found on the website was information that the Council has a statutory duty to publish. Kathy Woodward confirmed that it related to statistics the Council must publish and these have now been reviewed and updated.
3. Councillor Booth asked if Kathy Woodward was confident that a governance process was in place to ensure the website is updated regularly and to avoid this issue happening again. Kathy Woodward said that one of the recommendations made was to ensure ownership is

taken of this task and confirmed that this is now in place.

4. In relation to the Conduct Hearing on 31 October 2018, Councillor Booth asked for confirmation that the internal audit team had no concerns or recommendations in relation to Members Expenses and asked how members can be assured that this issue will not happen again. Kathy Woodward said that in light of the Conduct Hearing and the press surrounding this, she had extended the sampling size when she audited this area and confirmed that sufficient processes are in place to prevent this issue reoccurring in the future. She added that the test samples had satisfied her criteria and is confident that the procedures in place are being strictly adhered to by officers processing claims.
5. Councillor Booth asked if Kathy Woodward believed that the complaint dealt with at the Conduct Hearing on 31 October 2018 was an isolated incident. Kathy Woodward confirmed that she did.
6. Anna Goodall explained that it is each member's responsibility to ensure the accuracy of the claims submitted to Member Services for processing however, in light of recent events the process has had to change and a more proactive stance has been taken in challenging and advising members upfront with any questions officers may have about their claims. In addition, she explained that the Council is exploring software systems that would allow members to submit their expenses electronically with mileage pre-set for certain journeys to avoid discrepancies in the future.
7. Councillor Clark said it was important to show the public that the process has been improved since the Conduct Hearing complaint and asked members to consider how this could be done.
8. Councillor Butcher highlighted that other local authorities have introduced systems to submit electronic mileage claims and have experienced issues. He said care must be taken to ensure this will not happen, if the Council do decide to consider this.
9. Councillor Butcher asked if officers had taken a less proactive approach to processing member's claims over recent years. Anna Goodall said the current member's claim form contains very clear wording that states that members are responsible for ensuring the accuracy of their claims. As a result of recent events, a more proactive stance has been taken by officers with additional procedures and checks being implemented and a more robust approach being taken. She added that the procedure of claiming would form part of the future induction programme for newly elected members next year.
10. Councillor Booth asked if historical members' claims had been audited. Councillor Clark highlighted past expenses and claims are irrelevant as members must demonstrate how the Council will deal with this in the future and prevent it from happening again.
11. Councillor Booth suggested a press release assuring the public that additional procedures have been implemented since the recent Conduct Hearing. Kathy Woodward said that the report being considered today highlights that there have been changes in procedures and states that there are no further concerns from an internal audit perspective. She added that this discussion will be documented in the minutes of the meeting too.
12. Councillor Clark said the Council must highlight to the public that they have learnt from this complaint and improvements have been made to prevent it happening again. Councillor Mrs Newell reiterated that the minutes will reflect the discussion members have had today which will provide assurance to the public.
13. Councillor Clark asked if this can be reflected in Council policy in any other way and asked whether the Corporate Governance Committee could recommend an action to another Committee. Councillor Booth reminded members that the Member Allowances Review takes place periodically and could not see the benefit in reviewing this before the one scheduled to take place next year.
14. Anna Goodall explained that the terms of reference for the Member Allowances Review will be brought to Annual Council and officers can capture the Corporate Governance's Committee recommendation that any lessons learnt from the recent Conduct Hearing is addressed proactively through the review process.
15. Councillor Booth agreed with this and said as the review will take place next year; it should be included in next year's Internal Audit Plan too.

16. Kamal Mehta asked Anna Goodall if she could circulate instructions to members clarifying the claims process. Izzi Hurst confirmed that the Conduct Hearing Panel had recommended that this would form part of the member's induction process and guidance documents will accompany this.
17. Councillor Booth said there appeared to be ambiguity surrounding allowable claims.
18. Councillor Clark confirmed that he was happy for officers to include the Corporate Governance Committee's comments in the terms of reference that will inform the scope of the Member Allowances review at Annual Council in May 2019.
19. Councillor Booth asked for a timescale on the potential electronic claims submission system. Anna Goodall confirmed that officers were researching this currently.
20. Councillor Sutton agreed and said he had wanted an electronic system for a number of years as there will be no discrepancies in the pre-set miles for particular journeys and will be easier for both members and officers to confirm members' attendance at meetings. He said that consideration will need to be given to recording member's attendance to outside body meetings.
21. Councillor Clark asked which officer was responsible for deciding whether a new claims system would be introduced. Anna Goodall explained that previously, the internal audit team had raised concerns about electronic mileage claims as they remove the need for a 'wet signature' on a member's claim form which is currently used to link a member to a particular claim. However, the Council now has a new Committee Management software system that has the ability to process claims electronically and many other local authorities are successfully processing their member's claims this way.
22. Councillor Clark asked who the Committee can make a recommendation to in order to ensure that the option of electronic claims is pursued further. Anna Goodall confirmed it would be herself and assured members that research was already taking place. She added that Councillor Buckton was the Portfolio Holder for ICT too.
23. Councillor Sutton agreed and said he believes that the removal of 'wet signatures' on claims forms would make the process smoother for members. Councillor Clark said officers should consider other local authorities approach to electronic claims systems in order to ensure the process is as successful as possible.
24. Councillor Butcher said members must consider the cost implications of a new system. He explained that other local authorities had experienced issues when members had attempted to claim for journeys between Council meetings, as this appeared outside of the set system parameters. He asked that officers consider this during their investigations.
25. Councillor Booth said he was surprised to see such a high amount of outstanding recommendations on page 58 of the Agenda Pack. He said the figure is much higher than previous progress reports and asked if a note could be sent from the Corporate Governance Committee to the Chief Executive raising their concerns about this. Councillor Clark said that Kathy Woodward had provided members with a suitable explanation for the outstanding recommendations.
26. Kathy Woodward explained that a number of the recommendations outstanding were under the service area responsible for the new leisure contract. Due to the vast amount of time and work spent on the leisure contract, this was a justifiable reason as to why some of the audit work was overdue in this service area. She confirmed that as soon as the work had been completed on the leisure contract, the officer had completed the work required by the internal audit team.
27. Kamal Mehta reassured members that as Corporate Director, he is closely monitoring the outstanding recommendations and is having regular meetings with Kathy Woodward to ensure these are being dealt with as a priority. He confirmed that the issue has been discussed at Management Team meetings and the Corporate Management Team has arranged 1-1's with Service Managers to discuss this work.
28. Councillor Clark said the Committee have noted the number of outstanding recommendations and accepted the reasons provided for these, however would be disappointed to see as many outstanding recommendations in future reports. He asked Kamal Mehta to ensure that the new Section 151 officer is made aware of this when he

begins his role next year. Kamal Mehta confirmed this.

29. Councillor Booth said annual objectives need to be given to officers to ensure ownership is taken of audit work in the future.
30. Councillor Booth highlighted that there could potentially be issues on the quality of work submitted after the deadline as officers may have rushed to complete these tasks. He asked for confirmation that the internal audit team monitor this. Kathy Woodward confirmed that the team check any overdue work submitted to ensure it is completed to a satisfactory standard.

The Corporate Governance Committee considered and noted the Internal Audit Plan 2018-19 Progress Report Q2.

The Corporate Governance agreed that a letter would be sent to Councillor Buckton (Portfolio Holder for ICT), Councillor Mrs Hay (Portfolio Holder for Finance) and Anna Goodall (Head of Governance and Customer Services) recommending that the Council pursue the options available to them in relation to an electronic claims system for member's expenses.

CGC21/18 CORPORATE RISK REGISTER QUARTERLY REVIEW

Members considered the Corporate Risk Register quarterly review report, presented by Anna Goodall.

Anna Goodall highlighted to members that there are no new risks to report however provided information on a number of comments and progress actions that have changed within the report.

Anna Goodall explained that in relation to Risk 2 – Brexit (page 65 of the Agenda Pack); there is still a large amount of uncertainty surrounding the risk Brexit may bring to the Council. She confirmed that the Council are working as part of a Cambridgeshire-wide group assessing the impact of a 'no deal' Brexit on the district. She explained that the group's lead authority is the Fire Service and members would be provided with updates on their findings accordingly. She informed members that the Council's Interim Monitoring Officer is currently working on a document that will explain the key issues Brexit may affect within the Fenland area.

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

1. Councillor Booth said whilst he was pleased with the format of the report, there still appears to be confusion surrounding the difference between actions and mitigation. Anna Goodall noted this.
2. Councillor Booth asked what the abbreviation MTSP meant as shown on page 81 of the Agenda Pack. Anna Goodall explained that this referred to Management, Trade Union & Staff Partnership which has replaced Staff Side within the Council.
3. Councillor Sutton asked if the list provided (page 65 of the Agenda Pack) is a full list of the risks within the Council. Anna Goodall confirmed that this was a complete list of the risks at a corporate level. Councillor Booth confirmed that the lower risks within the Council, do not feed in to this report.
4. Councillor Sutton asked for further information on how risks are assessed within individual service areas. For example, within the Planning service there is a financial risk to the Council in relation to decisions made by the Planning Inspectorate and asked how this would this be assessed and monitored. Anna Goodall confirmed that all service areas have their own service plan and associated Risk Register therefore, in this instance; this risk would be captured in these documents.
5. Kamal Mehta explained that in reference to Councillor Sutton's point, fines issued by the Planning Inspectorate can sometimes be a result of members of the Planning Committee going against officer's recommendation. To prevent this, the Council provides planning

training to members to give clear guidance and advice in relation to this and the financial implications to the Council.

6. Councillor Booth asked why the Fire Service was the lead authority for the area's Brexit focus group. Kamal Mehta confirmed that this had been initiated by Central Government to ensure that suitable arrangements are in place within the Emergency Services if a 'no deal' Brexit causes civil unrest within the UK.
7. Councillor Booth asked if there have been any changes in Local Government Legislation or advice released on the impact of Brexit. Kamal Mehta confirmed that the Council are monitoring the Local Government Association and any information released. He reiterated that the Council's Interim Monitoring Officer is the lead officer for this work.

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

CGC22/18 ITEMS OF TOPICAL INTEREST

At the 27 July 2018 Corporate Governance meeting, members had asked questions surrounding assurances that needed to be provided in relation to the payments the Council make to FACT, following on from the Cambridgeshire County Council review.

The meeting was adjourned at 3:47 PM to allow members to read the report.

The meeting reconvened at 3.59 PM.

Kathy Woodward presented members with a report updating them on work undertaken by the Council in relation to their concerns. She explained that the report released by Cambridgeshire County Council (CCC) had been reviewed by the Chief Executive, Corporate Director, Section 151 officer, Internal Audit Manager, Head of Legal Services and Transport Manager. The group focused on the outcome of the PKF investigation commissioned by CCC and the implications to Fenland District Council and as a result, conducted a review of certain elements as documented in the report. She confirmed that the Council's Management Team had agreed with the recommendations made in the report.

Councillor Clark thanked Kathy Woodward and officers for their work on this.

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

1. Councillor Booth stated that there are other car-share schemes and providers available locally. Kathy Woodward clarified that car-share schemes are classed as social travel which is different to the Dial-A-Ride scheme therefore FACT are the only provider of this in the district.
2. Councillor Booth asked if the Council are paying for legal advice in relation to this matter. Kathy Woodward confirmed that they are not.
3. Councillor Booth stated that a review of this should not take place as part of the next Comprehensive Spending Review (CSR) as this may not take place soon enough. He asked if the review could take place after the Service Level Agreement (SLA) review next year. Councillor Clark agreed with Councillor Booth.
4. Councillor Sutton agreed and highlighted that there may not be a CSR next year and requested that a standalone review is carried out on this item. Kathy Woodward confirmed that the SLA review is due to take place after 31 March 2019.
5. Councillor Murphy agreed, as waiting for the next CSR may take too long.
6. Councillor Booth asked if the Council's Internal Audit team could verify the accuracy of the journeys FACT claim for, with the individual users of the service. Kathy Woodward explained that contacting the individual users would be outside of the Internal Audit Team's normal remit.

7. Councillor Butcher said the Dial-A-Ride journeys are not recorded in the same way as journeys requiring bus passes. Councillor Booth said the journeys must be recorded as users are required to call and book them with FACT and FACT claim the money back via the Council.
8. Councillor Booth said members require an added level of assurance that the journeys being claimed for by FACT are genuine. Kathy Woodward explained that she had considered attempting to validate these figures by observing actual journeys taking place on buses however this would take up the Council's internal audit time.
9. Councillor Murphy said in order to investigate every single claim, the Council would be required to monitor FACT at all times which would not be the correct use of the internal audit team's time. Councillor Booth said a sample could be checked to verify these journeys.
10. Kamal Mehta said approaching the users of the service would not be appropriate as members of the public may feel like they are being investigated and deter them away from using the service. He reiterated that the subsidy paid is not a grant paid to FACT; it is reimbursing FACT for half of the fare foregone for these users. Effectively the Council are supporting the individual in being able to undertake these journeys.
11. Councillor Booth agreed but as FACT submits the invoices on behalf of the individuals, the Council must ensure that this is being done correctly.
12. Councillor Clark said members must remember that the management structure of FACT has changed dramatically since the investigation and Kathy Woodward has demonstrated that a robust process is in place to assure members.
13. Councillor Clark asked members to agree the report and suggested that this approval is sent on to the Corporate Management Team, the Leader and Cabinet.
14. Councillor Booth agreed with Councillor Clark however asked that officers liaise closely with CCC in relation to their own investigation into FACT. Councillor Clark agreed that a recommendation is added to the report that states any action taken by CCC should trigger a review of Fenland District Council's own position.
15. Kathy Woodward confirmed that the Council are working alongside CCC in relation to this already. Councillor Booth asked that this work is included in the SLA.
16. Kamal Mehta stated that CCC is willing to work with Fenland District Council to ensure a common approach is taken to the monitoring of FACT. He reminded members that CCC do however have a larger number of contracts with FACT and therefore their SLA may be different to Fenland District Councils.
17. Councillor Butcher agreed that we must work alongside CCC and added that a lot of changes and improvements are taking place within FACT.

Councillor Clark thanked Kathy Woodward for her work on this report.

The Corporate Governance Committee agreed to the recommendations noted in the report and agreed to circulate their approval to the Corporate Management Team, the Leader and Cabinet. Members asked that Fenland District Council work closely with Cambridgeshire County Council to ensure each Council's findings are aligned with one another.

(Councillor Butcher declared an interest by virtue of the fact that he is a board member of FACT.)

Councillor Sutton stated that at the Corporate Governance Committee meeting on 27 July 2018, members had raised concerns in relation to the figures provided under the Statement of Accounts relating to Markets, Ports, Office Units & Factories and Estates. Councillor Sutton proposed that the Corporate Governance Committee write a letter to the Chairman of the Overview and Scrutiny Panel asking them to review these areas.

Councillor Booth agreed with Councillor Sutton.

Kamal Mehta explained that the matter had been raised with the Corporate Management Team by

Carol Pilson (Monitoring Officer) and the relevant Corporate Director's findings will be reported back to the Corporate Governance Committee in due course.

Councillor Booth thanked Kamal Mehta but said he believed the matter should be referred to the Overview & Scrutiny Panel instead, as they consider the Council's Fees and Charges as part of their work programme.

The Corporate Governance Committee agreed that the Chairman of the Corporate Governance Committee write a letter to the Chairman of the Overview & Scrutiny Panel raising his concerns in relation to the performance of Markets, Ports, Office Units & Factories and Estates, as per the Statement of Accounts.

4.36 pm

Chairman