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13 May 2019

Dear Vicky,

### **Understanding how the Corporate Governance Committee Gains Assurance from Management**

Further to your letter of 25 March 2019 regarding how the Corporate Governance Committee, and myself as Chairman, gains assurance from management, please see my responses below.

1. **How does the Committee, as ‘those charged with governance’ at the Authority, exercise oversight of management’s processes in relation to:**
  - a. **Undertaking an as assessment of the risk that the financial statements may be materially misstated due to fraud and error (including the nature, extent and frequency of these assessments);**

*Response:*

I am reliably informed by the S151 Officer that the statements are prepared by the Deputy Chief Accountant and his Accountancy team and then reviewed by the Chief Accountant. The staff involved in the preparation of the accounts hold relevant professional qualifications and have ongoing access to relevant training and support. Prior to being approved by the Committee at its meeting in July, the Committee will review the draft statement of accounts. In preparation for their review members of the Committee receive training to ensure they have sufficient understanding of the financial reporting framework underpinning production of the accounts.

- b. Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**

*Response:*

Arrangements are in place to brief the Committee in the event of fraud and to appraise the Chairman of any ongoing investigations. The Committee receives regular training sessions on anti-fraud and corruption. This includes topical examples of fraud risks which could be a threat to the Council. The Committee also receives regular updates on the risk register which would include any risk of fraud identified by management.

**c. Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the code of conduct);**

*Response:*

Good business practice and ethical behaviour is part of the overall governance framework, which is documented in the Local Code of Governance.

Each year an Annual Governance Statement is produced and approved by the Committee. This document assesses the extent to which the Council can demonstrate its compliance during the year with the governance framework set out in the Council's Local Code of Governance. This Statement includes "Governance Issues" arising in the year and an action plan to address those issues. The Committee also oversees and approves the Anti-Fraud and Corruption policies. The Corporate Directors work with the managers who report to them to obtain the evidence which feeds into the production of the Annual Governance Statement.

The Code of Conduct for both officers and members is part of the Council's Constitution, which is updated through Council. An audit of ethical culture is undertaken by the Internal Audit team on a three yearly cycle to ensure compliance of staff and member conduct policies. The outcome of this report is presented to Committee through Internal Audit progress reports throughout the year.

**d. Encouraging employees to report their concerns about fraud; and**

*Response:*

The Committee approves the Anti-Fraud and Corruption Policy and Strategy at least annually. This includes the Council's policy on reporting concerns and the arrangements for whistleblowing.

**e. Communicating to you the processes for identifying and responding to fraud and error**

*Response:*

The Committee approves the Anti-Fraud and Corruption Policy and Strategy at least annually. This includes the processes for identifying and responding to fraud and error. The Committee is also informed of anti-fraud work such as the National Fraud Initiative and the work of the Anglia Revenues Partnership fraud team.

**2. How does the Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control**

*Response:*

The Committee approves the Anti-Fraud and Corruption Policy and Strategy.

The Committee also approves the Internal Audit plan which reflects potential fraud and internal control risks. Regular updates on the work of Internal Audit are presented to meetings of the Committee and discussed.

**3. Is the Committee aware of any:**  
**a. Breaches of, or deficiencies in internal control; and**  
**b. Actual, suspected or alleged frauds during 2018/19?**

*Response:*

- a. Nothing of significance that I am aware of. An annual programme of Internal Audits is carried out and the Committee receives quarterly reports on the work completed by the Audit Manager and her team. When action points arise from Internal Audit's work and recommendations are made to management the Committee receives reports from Internal Audit which provide assurance that recommendations have been implemented.
- b. As far as I am aware there are no actual or suspected or alleged instances of fraud. At its meeting in November 2018 the Committee discussed an item relating to a member conduct issue in respect of expense claims deemed not to comply with the published policy. This has led to a further tightening of the policy and a review of the claims process potentially leading to a more electronic based system being introduced in the near future. The Committee is also aware that the fraud team proactively monitors Council Tax / NNDR fraud and error.

**4. Is the Committee aware of any organisational or management pressure to meet financial or operating targets?**

*Response:*

The Committee is aware of the organisation's statutory obligation to deliver and approve a balanced budget. I am not aware of any concerns being raised by staff in relation to the application of pressure to achieve financial or operational targets.

**5. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19?**

*Response:*

The Monitoring Officer, alongside the two other statutory officers (Head of Paid Service and Section 151 Officer) are in place to ensure all relevant laws and regulations are complied with. In addition, this is also captured in each Corporate Director's annual governance survey. The Monitoring Officer is also responsible for reporting non-compliance. I am not aware of any instances of non-compliance during 2018-19.

**6. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?**

*Response:*

As Chair I am not aware of any such instances.

**7. How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?**

*Response:*

The Council has a statutory requirement to approve a balanced budget. The budget is underpinned by Medium Term Financial Strategy approved by full Council. The Council has in place an Efficiency Plan which identifies the savings required over the next three years to deliver balanced budgets. Having these documents in place, which are subject to regular review and updated to confirm the underlying assumptions remain appropriate, ensures the Council is a going concern. This enables the accounts to be prepared on a going concern basis.

The Committee also receives training throughout the year in relation to the financial statements and raises questions at Committee meetings including, where necessary, with the external auditors. This helps members to assure themselves that preparing the accounts on a going concern basis remains appropriate.

Finally, it would be useful to have sight of this letter earlier as this would enable a full discussion to be held at the March committee meeting. This would help focus our minds on the assurances required and would be a useful guide to setting out the agenda for the committee throughout the year. It is our intention to add this to the induction training for the new committee scheduled to be in place after Full Council on the 23<sup>rd</sup> May 2019.

I trust this covers all of the questions you have raised, however if you do have any further questions please do not hesitate to contact me.

Yours sincerely

Cllr John Clark  
Chairman of Corporate Governance Committee