

Agenda Item No:	9	
Committee:	Council	
Date:	19 July 2018	
Report Title:	Corporate Governance Committee Annual Report	

## 1 Purpose / Summary

To report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work from April 2017 to March 2018.

## 2 Key issues

- The Corporate Governance Committee considered its Annual Report at its meeting on 19th June 2018.
- For the first time, the Committee has completed a review of its effectiveness using a checklist compiled by CIPFA which was a recommendation made by the recent external assessment of Internal Audit.
- The Committee commends the report to Council.

## 3 Recommendations

- For Council to agree the Corporate Governance Committee Annual Report for 2017/18.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Councillor John Clark, Chairman of Corporate Governance Committee
<b>Report Originator(s)</b>	Carol Pilson – Corporate Director & Monitoring Officer Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Carol Pilson – Corporate Director & Monitoring Officer Kathy Woodward – Shared Internal Audit Manager Peter Carpenter - Corporate Director and S151 Officer
<b>Background Paper(s)</b>	

Agenda Item No:	<b>12</b>	
Committee:	<b>CORPORATE GOVERNANCE</b>	
Date:	<b>19 JUNE 2018</b>	
Report Title:	<b>CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT</b>	

## **1 Purpose / Summary**

To report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work from April 2017 to March 2018.

## **2 Key issues**

- 2.1 A good Corporate Governance framework helps the Council to deliver its Corporate Priorities.

The role of the Corporate Governance Committee includes:

- providing independent assurance of the adequacy of the risk management framework and the control environment, plus
- independently scrutinising the Authority's financial and non-financial performance, and overseeing the financial reporting process.

- 2.2 The Committee has taken action to ensure that its members are adequately informed on key themes of the Governance Framework via regular reports including:

- Governance;
- Internal control;
- Risk management;
- Anti-fraud & corruption;
- Accounts and policies;
- Treasury management;

- 2.3 Reports from the External Auditors affirmed continued maintenance of high financial management and control standards. The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given. The Committee supported a press release to reflect this achievement.

- 2.4 The Committee has been fundamental in the review and maintenance of the Council's Governance Framework.

- 2.5 In addition to the report attached the Internal Audit Manager has completed a review of the committee's effectiveness using a checklist compiled by CIPFA. This was a recommendation made by the recent external assessment and endorsed by Corporate Governance Committee in February 2018. The completed checklist is attached as Appendix A

### 3 Recommendations

It is recommended that Committee agree the Corporate Governance Committee Annual Report for 2017/18 to be forwarded to Full Council.

<b>Wards Affected</b>	All
<b>Forward Plan Ref</b>	Not applicable
<b>Portfolio Holder(s)</b>	Cllr John Clark - Chairman of Corporate Governance Committee
<b>Report Originator(s)</b>	Brendan Arnold – Corporate Director & Chief Finance Officer Carol Pilson – Corporate Director & Monitoring Officer Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Brendan Arnold – Corporate Director & Chief Finance Officer Carol Pilson – Corporate Director & Monitoring Officer Kathy Woodward– Shared Internal Audit Manager Mark Saunders - Chief Accountant Anna Goodall – Head of Governance & Legal Services Geoff Kent – Head of Customer Services
<b>Background Paper(s)</b>	Corporate Governance Committee minutes

## Appendix: Annual report

### Report of the Corporate Governance Committee

April 2017 - March 2018



## **1 What is corporate governance?**

- 1.1 Corporate Governance in Fenland District Council is an essential part of the Council's standards for transparent and informed management and decision-making. It provides assurance of the adequacy of the risk management framework and the control environment, independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process.

## **2 Responsibilities of the Committee**

- 2.1 The Corporate Governance Committee rules listed in Part 2 (rule 10), of Fenland District Council's Constitution, illustrates their role within their terms of reference:
- a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
  - b) Seek assurance that action is being taken on risk related issues identified by auditors and inspectors.
  - c) Be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and actions required to improve it.
  - d) Approve internal audit's strategy, plan and monitor performance.
  - e) Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
  - f) Receive the annual report of the Internal Audit Manager providing an opinion on the level of internal control.
  - g) Consider the reports of external audit and inspection agencies.
  - h) Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
  - i) Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to issues raised by external audit.

## **3 Members commitment to corporate governance in 2017/18**

- 3.1 Meetings included development briefings, and items of topical interest, to maintain knowledge and awareness of the Council's Governance Framework. Examples were:
- the role of Corporate Governance, Officers and the annual work plan;
  - interpretation of Annual Financial Statements;
  - monitoring and proactive management of anti-fraud & corruption;
  - the role of internal audit in Local Government. This included a request for increased monitoring of internal audit activities. A quarterly update report on audits completed is now provided which includes the number of and theme of recommendations;
  - risk management;
  - reports from external audit; and
  - Cyber security updates

## 4 Work programme and outcomes

4.1 The Committee considered the matters in the table below as part of its work programme.

Programme	Outcome
Annual Governance Statement 2016/17	<p>The Authority has a statutory duty to publish a statement as to the level of effectiveness its governance and internal control framework.</p> <p>The Corporate Governance Committee was able to consider the sources of assurance and approve the content of the Statement prior to its publication with the Financial Accounts.</p> <p>The statement included an action plan which was reviewed during the year to ensure that governance and control framework weaknesses were addressed.</p> <p>This has helped the Council to proactively identify and manage governance and control risks that could affect Corporate Priorities. Examples include changes in legislation, finance and Government policy.</p>
Accounting Policies	<p>The Committee considered the accounting policies for use in producing the 2016/17 accounts. This helped ensure that the Council demonstrated compliance with the International Financial Reporting Standards (IFRS).</p> <p>The Committee endorsed the approach proposed to meet the revised Accounts and Audit regulations 2015. This included managing a condensed timetable for preparation, approval and publication of financial performance information in preparation for the imposed earlier statutory deadline.</p>
Statement of Accounts	<p>The Committee were able to approve the Council's Statement of Accounts for 2016/17, assisting the Council in achieving its publication deadline.</p>
Internal Audit work programme	<p>The Corporate Governance Committee received reports, from the Internal Audit Manager, for review of the:</p> <ul style="list-style-type: none"> <li>• Charter,</li> <li>• Risk based annual plan and strategy,</li> <li>• Performance Outturn 2016/17,</li> <li>• Internal Audit Manager's opinion on the overall adequacy and effectiveness of the Council's control environment, and</li> <li>• Progress updates on delivery of the annual plan</li> </ul> <p>These reports demonstrate that the Council has arrangements in place to comply with the Accounts and Audit Regulations, to maintain an adequate and effective internal audit and system of Internal Control.</p>

Programme	Outcome
<p>Review of effectiveness of Internal Audit and the External Assessment of the Internal Audit function</p>	<p>The Committee received assurances from the Corporate Director &amp; Chief Finance Officer, following a review of Internal Audit effectiveness for 2016/17.</p> <p>This confirmed that the Internal Audit Team is effective and follows professional quality standards such as the CIPFA “Local Government Application Note” for "Public Sector Internal Audit Standards" and the CIPFA “Statement on the role of the Head of Internal Audit”.</p> <p>In addition to this an external assessment of the Internal Audit function was completed during 2017/18 and the committee received assurance that the function 'generally conforms' to all of the standards.</p>
<p>Risk Management Framework</p>	<p>The Committee received regular updates on the Corporate Risk Register, discussed emerging risks, and completed an annual review of the Risk Management Strategy.</p> <p>This provided assurance that significant risks are identified and managed for the Council.</p> <p>In addition, Members requested an additional seminar on risk management which led to a number of recommendations and changes to the risk register which have been implemented.</p>
<p>Anti-fraud and corruption</p>	<p>The Committee received reports from the Council's Internal Audit Manager. This included a review of the Council's Anti-fraud and corruption policy, against best practice guidance from CIPFA and the Cabinet Office.</p> <p>This provided assurance that there is a strategic approach to proactively managing the risks of fraud and corruption.</p>
<p>Treasury Management</p>	<p>The Committee received reports throughout the year on the Treasury Management Strategy and financial performance.</p> <p>This provided assurance that the Council's assets are managed in accordance with the CIPFA Code of Practice on Treasury Management.</p>
<p>Regulation of Investigatory Powers Act</p>	<p>The Committee received a report that allowed it to review the Council's use of the Regulations of Investigatory Powers Act 2000 (RIPA), and understand its use as part of the Protection of Freedoms Act 2012. The Committee also reviewed the RIPA Policy following an inspection by the Investigatory Powers Commissioners Office (IPCO).</p>

Programme	Outcome
External Audit Assurance	<p>The Committee received reports from the Audit Commission's appointed auditor, Ernst and Young. These included:</p> <ul style="list-style-type: none"> <li>• Annual work plan;</li> <li>• Annual grant certification report;</li> <li>• Annual report to those charged with governance (ISA 260) summarising the work of the external audits completed;</li> <li>• Annual Audit and Inspection letter</li> </ul> <p>The reports affirmed continued maintenance of high financial management and control standards.</p> <p>The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given.</p> <p>The Committee also received updates on the future arrangements for appointing the Council's External Auditors</p>



**APPENDIX 1**

**Fenland District Council  
Corporate Governance Committee Self-Assessment Exercise**

**For the year 2017-18**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
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**1. ESTABLISHMENT, OPERATION AND DUTIES**

**Role and Remit**

1.1	Does the corporate governance committee have written Terms of Reference?	Y			The Terms of Reference are included at Rule 10 in the Council Constitution. These were approved in 2012.	
1.2	Do the Terms of Reference cover the core functions of an corporate governance committee as identified in the CIPFA guidance?	Y				
1.3	Are the Terms of Reference approved by the council and reviewed periodically?	Y			The next review is due in May 2019.	
1.4	Can the corporate governance committee access other committees and full council as necessary?	Y			All Members attend Full Council and can attend any other Committee meeting.	
1.5	Does the authority's Annual Governance Statement include a description of the corporate governance committee's establishment and activities?	Y			Section 4 'Review of Effectiveness' includes a description of the Corporate Governance Committee's function.	
1.6	Does the corporate governance committee periodically assess its own effectiveness?	Y			An annual review is carried out using this checklist.	

**Membership, Induction and Training**

1.9	Has the membership of the corporate governance committee been formally agreed and a quorum set?	Y			Formally appointed by Council. Quorum set through Council Procedure Rules at part 4 of the Constitution	
1.10	Is the chair independent of the executive function?	Y				
1.11	Has the corporate governance committee chair previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			The Chairman has attended all training offered to the Committee, which included Financial training. The current Committee Chairman is a past Finance Portfolio Holder.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.12	Are new corporate governance committee members provided with appropriate induction?	Y			Training is offered to all Members by Member Services on a topic by topic basis. CGC Members receive appropriate training carried out prior to the start of a meeting to maximise participation on relevant topics.	
1.13	Have all member's skills and experiences been assessed and training given for identified gaps?		P		An analysis of skills and experiences is not carried out. However, a training programme has been designed to cover all previously identified training needs and Members can request specific training if necessary.	
1.14	Has each member declared his or her business interests?	Y			Records of interests are kept by Member Services. A standing item of each agenda requires Members to declare any relevant interests.	
1.15	Are members sufficiently independent of other key committees of the council?	Y				
<b>Meetings</b>						
1.16	Does the committee meet regularly?	Y			5 meetings were held in 2017-18. The programme for 2018-19 includes 5 planned meetings.	
1.17	Do the Terms of Reference set out the frequency of meetings?	Y			Maximum of 6 per year.	
1.18	Does the corporate governance committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			A calendar of meetings is published for each year and dates are co-ordinated with Cabinet and specific key events.	
1.19	Are members attending meetings on a regular basis and if not, is appropriate action taken?	Y			A record of attendance is kept by Member Services. Any persistent non-attendance is brought to the attention of the relevant party leader.	
1.20	Are members free and open without political influences being displayed?	Y				
1.21	Does the authority's s151 officer or deputy attend all meetings?	Y			All meetings were attended by the Corporate Director of Finance (S151 Officer).	
1.22	Does the corporate governance committee have the benefit of attendance of appropriate officers at its meetings?	Y			Relevant officers attend to present the reports and answer questions.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.23	Are decisions reached promptly?	Y			A decision is made at the end of each item on the agenda.	

## 2. INTERNAL CONTROL

2.1	Does the corporate governance committee consider the findings of the annual review of effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Audit Manager's Annual Report for 2016-17 was presented on 13 July 2017, which included an assessment of the effectiveness of Internal Audit. This is completed on an annual basis.	
2.2	Does the corporate governance committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Y			AGS presented 13 July 2017 as a separate report from the Statement of Accounts 2016-17. This is completed on an annual basis.	
2.3	Does the corporate governance committee consider how meaningful the Annual Governance Statement is?	Y			Yes, the Committee receive a 6 monthly update on actions in the AGS to ensure appropriate oversight	
2.4	Does the corporate governance committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Various reports are presented to the Committee throughout the year relating to internal audit, external audit, finance, fraud, corporate governance and risk which provides the opportunity for the Committee to satisfy itself. Feedback on these reports is incorporated to provide greater levels of assurance.	
2.5	Has the corporate governance committee considered how it integrates with other committees that may have responsibility for risk management?	Y			CGC have responsibility for the strategic framework for risk management. Risk is considered as a part of committee reports on a project by project basis.	
2.6	Is the corporate governance committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			The report setting the Internal Audit Plan each year contains an explanation of the consideration of risk management in the planning process.	
2.7	Does the corporate governance committee review the authority's strategic risk register at least annually?	Y			Update reports were presented quarterly throughout 2017/18.	
2.8	Does the corporate governance committee monitor how the authority assesses risk?	Y			Included in the progress reports. Updates to the Risk Management Policy and Strategy are reviewed and approved by the Corporate Governance committee.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
2.9	Do the corporate governance committee's Terms of Reference include oversight of the risk management processes?	Y			Constitution Rule 10 refers.	
2.10	Does the corporate governance committee take a role in overseeing anti-fraud and whistleblowing arrangements?	Y			Constitution Rule 10 refers. This is completed on an annual basis.	

### 3. FINANCIAL REPORTING & REGULATORY MATTERS

3.1	Is the corporate governance committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			Constitution Rule 10 refers. The timetable of meetings includes provision for meetings in May and July to consider the Statement of Accounts. A training session is included ahead of the May meeting.	
3.2	Does the corporate governance committee consider specifically: <ul style="list-style-type: none"> <li>The suitability of accounting policies and treatments</li> <li>Major judgements made</li> <li>Large write-offs</li> <li>Changes in accounting treatment</li> <li>The reasonableness of accounting estimates</li> <li>The narrative aspects of reporting?</li> </ul>	Y			The Members of the Corporate Governance Committee receive a detailed briefing on all aspects of the Annual Statement of Accounts and the Committee receives the draft Statement for debate at the time the Statement is signed off for the Annual Audit to commence. Further, the Committee approves the Annual Governance Statement at the same time in the Committee cycle.	
3.3	Is a corporate governance committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			Meeting in July every year.	
3.4	Does the corporate governance committee review management's letter of representation?	Y			Management responses are included in the covering report to the external auditors report. The responses are also discussed at the meeting.	
3.5	Does the corporate governance committee annually review the accounting policies of the authority?	Y			Included in the Statement of Accounts report.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
3.6	Does the corporate governance committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			The Corporate Director of Finance (s151 Officer) and Chief Accountant attended the relevant meetings to present the report and answer questions relating to the preparation of accounts. Training on the Closedown of Accounts is also provided immediately prior to the meeting.	
3.7	Does the corporate governance committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			'Members Bulletin' is circulated to all Members, which contains general updates and circulars when they occur. For issues specifically relevant to the Committee, a report is presented or covered under the standing item – Items of Topical Interest on the CGC agenda.	

#### 4. INTERNAL AUDIT

4.1	Does the corporate governance committee approve annually, and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			The Internal Audit Strategic Plan is presented in March each year for approval. Details of how the plan is compiled are included in the covering report. For the year 2017-18 the Plan was presented on 19 <sup>th</sup> March 2018.	
4.2	Does internal audit have an appropriate reporting line to the corporate governance committee?	Y			The Internal Audit Manager attends every Corporate Governance Committee as well as pre-meetings with the Chairman and Vice-Chairman. The Internal Audit Manager is available should the Committee wish to raise any matters with her.	
4.3	Does the corporate governance committee receive periodic reports from the internal audit service including an annual report from the Audit Manager?	Y			The Committee receives quarterly reports on progress against the Audit Plan, and the Audit Manager presents the Annual Report in June.	
4.4	Are follow-up audits by Internal Audit monitored by the corporate governance committee and does the committee consider the adequacy of implementation of recommendations?	Y			Corporate Governance Committee receive and monitor recommendations associated with audit reports and receive assurance from the Internal Audit Manager as to the effectiveness of the implementation of recommendations.	
4.5	Does the corporate governance committee hold periodic private discussions with the Audit Manager?	Y			The facility is available if required. No meetings were required during 2017/18.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
4.6	Is there appropriate co-operation between the internal and external auditors?		P		Ernst and Young adopt a substantive audit approach and perform their own tests. However, if required there would always be appropriate co-operation.	
4.7	Does the corporate governance committee review the adequacy of internal audit staffing and other resources?	Y			Included in the Audit Plan report and Charter.	
4.8	Has the corporate governance committee evaluated whether its internal audit service complies with Public Sector Internal Audit Standards (PSIAS)?	Y			An external quality assessment was completed in Nov 2017 by the Chartered Institute of Public Finance and Accountancy and the resulting report was presented to the Committee in December 2017. In intervening years an internal self-assessment is completed and made available to Members of the Corporate Governance committee.	
4.9	Are internal audit performance measures monitored by the corporate governance committee?	Y			Recommendations are monitored in the progress reports.	
4.10	Has the corporate governance committee considered the information it wishes to receive from internal audit?	Y			In 2016/17, Members requested more frequent progress reports in relation to internal audit therefore the Committee now receives a quarterly performance report as to progress against achieving the audit plan and any recommendations arising from it.	

#### 5. EXTERNAL AUDIT

5.1	Do the external auditors present and discuss their audit plans and strategy with the corporate governance committee (recognising the statutory duties of external audit)?	Y			Ernst Young attend meetings to present their reports and answer questions.	
5.2	Does the corporate governance committee hold periodic private discussions with the external auditor?	Y			The facility is available if required. No meetings were required during 2017/18.	
5.3	Does the corporate governance committee review the external auditor's annual report to those charged with governance?	Y			Report is presented at the meeting in July.	
5.4	Does the corporate governance committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			Recommendations are taken into account when preparing the Internal Audit Strategic Plan.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the annual audit inspection letter?	Y			Report to those charged with governance (ISA260) – 27 September 2017 Annual Audit Letter – 4 December 2017 Audit Plan 2017/18 – 19 March 2018 Certification of Claims and Returns Annual Report 2016/17 – 7 February 2018.	
5.6	Does the corporate governance committee assess the performance of external audit?	Y			Considered as reports are presented.	

## 6. ADMINISTRATION

### Agenda Administration

6.1	Does the corporate governance committee have a delegated secretary from Committee/Member Services?	Y			Izzi Hurst, Member Services.	
6.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by corporate governance committee members?	Y			A timetable is set for the year detailing meeting dates and deadlines for reports to be submitted which meet statutory deadlines	
6.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Included in the timetable for the year and the Annual Plan.	
6.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?		P		'Items of Topical Interest' is an agenda item.	.

### Papers

6.5	Do reports to the corporate governance committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			The timetable is designed to ensure the timing and frequency of routine reports is appropriate. Ad hoc reports are presented as they arise and also in line with Cabinet requirements if necessary. Members feedback to officers regarding the effectiveness of the information presented and this is incorporated in to future drafts.	
6.6	Does the corporate governance committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?			N	The format is a corporate template.	

No	Issue	Y	P	N	Evidence/ Comment	Action Required
<b>Actions Arising</b>						
6.7	Are minutes prepared and circulated promptly to the appropriate people?	Y			Draft minutes are produced within a week of the meeting and published to the Council's website.	
6.8	Do action points indicate who is to perform what and by when?	Y			If action is required then this is detailed in the minutes and will be followed up at the next meeting.	



