

CORPORATE GOVERNANCE COMMITTEE

19 JUNE 2018 - 2:30PM



PRESENT: Councillor J F Clark (Chairman), Councillor Mrs F S Newell(Vice-Chairman), Councillor D Hodgson, Councillor W Sutton and Councillor M Tanfield.

APOLOGIES: Councillor Booth, Councillor Butcher and Councillor Murphy.

OFFICERS IN ATTENDANCE: Linda Albon (Member Services) Sam Anthony (Head of HR), Brendan Arnold (Corporate Director and Section 151 Officer), Anna Goodall (Head of Governance and Legal), Izzi Hurst (Member Services), Neil Krajewski (Deputy Chief Accountant), Paul Medd (Chief Executive), Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager).

ALSO IN ATTENDANCE: Neil Harris and Flo Barrett (Ernst & Young)

OBSERVING: Councillor Mrs Hay

CGC1/18 APPOINTMENT OF CHAIRMAN FOR THE MUNICIPAL YEAR

Brendan Arnold requested a nomination for Chairman of the Corporate Governance Committee for the Municipal Year. It was proposed by Councillor Mrs Newell, seconded by Councillor Hodgson and resolved that Councillor J Clark be elected as Chairman of the Corporate Governance Committee for the Municipal Year.

CGC2/18 APPOINTMENT OF VICE-CHAIRMAN FOR THE MUNICIPAL YEAR

It was proposed by Councillor Sutton, seconded by Councillor Tanfield and resolved that Councillor Mrs Newell be elected as Vice-Chairman of the Corporate Governance Committee for the Municipal Year.

CGC3/18 PREVIOUS MINUTES

The minutes of the meeting of 19 March 2018 were confirmed and signed.

CGC4/18 INTERIM PROGRESS OF EXTERNAL AUDIT OF STATEMENT OF ACCOUNTS - ERNST & YOUNG

Members considered the Interim progress of external audit of statement of accounts report, presented by Neil Harris from Ernst & Young (EY) (The Council's External Auditor). He welcomed the new members of the Corporate Governance Committee and reminded the Committee, that this year was the first year of the new faster-closure deadline for the Council's accounts. He confirmed that EY will be carrying out their on-site audit of the Council next week and the outcome of this will be reported at the next Corporate Governance Committee meeting on 20 July 2018. He drew to member's attention; the risk noted in relation to NNDR Appeals Provision and explained that this year the Valuation Officer has released new rateable value listings, which can cause an increase in Business Rate appeals. Due to this, there is more of a significant risk than previous years. He thanked officers for their assistance and co-operation and said he was very pleased with the Council's position.

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

1. The Chairman asked for clarification on the following wording on page 9 of the Agenda Pack; 'we have therefore been unable to rebut the risk of fraud in revenue and expenditure recognition'. Neil Harris explained that there are two professional auditing standards auditors consider when assessing risk. He said there is always a presumed risk there will be management override on the accounts and analyses the risk of fraud. He explained that this is not necessarily fraud in the traditional sense but also fraudulent misreporting. He said whilst there is no evidence of this in the Council, the impact of Business Rate appeals does have an impact if they believe the provision is understated on the Council's income and expenditure prediction.

The Corporate Governance Committee NOTED the report.

CGC5/18 RESPONSE TO CORPORATE GOVERNANCE COMMITTEE MOTION

Members considered the Response to the Corporate Governance Committee Motion report, presented by Paul Medd.

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

1. Councillor Sutton asked Paul Medd how confident he was that this would not happen in the future. Paul Medd confirmed that as a result of the Motion, the opportunity to ensure member engagement is reinforced has arisen and gave assurance that the management team will ensure members in key positions are given the necessary information. He reiterated that measures are in place to safeguard against this happening in the future and confirmed that since this issue, no further concerns had been reported by the Leader or members of Cabinet. He said there are many ways in which the Council engages with members through Portfolio Holder briefings, All-Member briefings and seminars etc. He highlighted that compared to many Local Authorities, Fenland District Council has a robust process in place.
2. Councillor Sutton sought further clarification that the process will be applied consistently. He explained that a previous Portfolio Holder had requested that any disposals of land owned by the Council, be discussed with the relevant local Councillor however at the recent Cabinet meeting, a confidential item in relation to land disposal had not been discussed with the relevant member. Paul Medd confirmed that the report had listed assets for consideration and only when a sale is progressing, would the relevant member be informed.
3. Councillor Tanfield stated that during her time as a Portfolio Holder, she had encountered no issues with communication between officers and members. She raised an issue that officers may not have discussed the item in question with members due to it being a controversial issue. She added that whilst issues do occur, it is imperative that the Leader and members of Cabinet are kept fully informed. Paul Medd thanked Councillor Tanfield and confirmed that officers should have no concerns in briefing members on sensitive issues and said officers should seek to share as much information with members as possible. He hoped members could see how seriously officers had taken this Motion.

The Chairman thanked Paul Medd.

CGC6/18 STATEMENT OF ACCOUNTS 2017/18

Brendan Arnold presented the Statement of Accounts 2017/18 report to Members. He added that members had received an informal pre-briefing in relation to this item and hoped this had been useful to them. He confirmed that he had signed off the Statement of Accounts on 25 May 2018 and they were now with EY for their assessment.

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

1. The Chairman thanked Mark Saunders and Brendan Arnold for the comprehensive pre-briefing prior to this meeting.
2. Councillor Tanfield asked if further information could be circulated to members in relation to the pension deficit. Whilst she understands there is no issue presently, she is keen to ensure this does not become an issue in the future. Brendan Arnold agreed to this and explained that the Council will soon receive the conclusion of the Fair Funding Review and the Government's intention for Business Rates Retention. Once these are received, the Council will be in a much better position to understand how a recovery plan can be optimised over the next 20-30 years to deal with the issue.
3. Councillor Hodgson offered thanks to Mark Saunders and Brendan Arnold for the presentation members received prior to the meeting. He said the report mentions that the public can accuse Local Authorities of unlawful spending and asked if this was common. Brendan Arnold confirmed that he had not encountered this during his career. He explained that the accounts of Local Authorities are rigorously prepared and the key role of the Section 151 Officer and Monitoring Officer is to prevent Councils from engaging in unlawful expenditure and implementing systems to prevent this. He added that external audits also add further protection to Councils. Mark Saunders confirmed that he had never experienced this issue at Fenland District Council.

The Corporate Governance Committee NOTED the report.

CGC7/18 ANNUAL GOVERNANCE STATEMENT 2017/18

Members considered the Annual Governance Statement 2017/18 report, presented by Anna Goodall. She highlighted that there had been a reduction in 'Governance Issues' compared to last year's report, as a number of issues had now been completed and removed.

The Chairman thanked Anna Goodall for the report.

The Corporate Governance Committee considered the Annual Governance Statement and APPROVED its content for inclusion in the Council's published statement of accounts 2017/18.

CGC8/18 INTERNAL AUDIT OUTTURN AND QUALITY ASSURANCE REVIEW

Members considered the Internal Audit Outturn and Quality Assurance Review, presented by Kathy Woodward. She asked members to note that the increase in recommendations listed in Appendix B of the report, is due to the shared auditing arrangements with Anglia Revenues Partnership (ARP) and do not relate solely to Fenland District Council. She said most of the recommendations in Appendix B have now been completed and confirmed that she would provide a progress report at the next Corporate Governance Committee meeting.

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

1. Councillor Sutton asked if Kathy Woodward could provide members with an update as there had been changes to the Committee since the last update in December. Kathy Woodward agreed and explained that an external assessor from CIPFA had visited the Council and spent three days assessing all aspects of the audit process, including interviews with the Section 151 officer and the previous Chairman of the Corporate Governance Committee. She confirmed that the report had been positive and confirmed that all recommendations from the assessment have now been completed.
2. Councillor Hodgson asked for clarification on Appendix C of the report and asked why no

comments had been made. Kathy Woodward confirmed that the appendix shows that the Council is compliant in all categories listed and therefore there are no further comments to make.

3. The Chairman asked how this review compares with other Local Authorities and asked if we benchmark against other Councils. Kathy Woodward explained that we do not benchmark directly however as she is shared with Kings Lynn Borough Council, she is able to draw comparison between both Councils. In addition she is also a member of Audit Managers Network Groups and works alongside the other partners of ARP, which benefits the Council by giving invaluable support and networking opportunities.

The Corporate Governance Committee NOTED;

- **The outturn for Internal Audit for 2017/18, which states all Audits were completed as per the agreed Internal Audit Plan 2017/18 and their associated assurance ratings.**
- **The Internal Audit Manager's opinion on the 'adequacy' of Internal Control.**
- **The positive outcome of the independent quality assurance review.**

CGC9/18 CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT

Members considered the Corporate Governance Committee Annual Report, presented by Kathy Woodward. She drew member's attention to the 'Partially Compliant' points in Appendix 1 of the report. In relation to point 1.13, she explained that whilst periodic training courses do not take place, members benefit from pre-briefings which cover particular areas of training and can request specific training as they feel necessary. In reference to point 4.6, she explained that EY do not rely on the Council's internal audit reports and instead take a substantive approach. Neil Harris added that there is no concern in relation to working this way; it simply means that EY do not place direct reliance on the work of the Council's internal audit team. Kathy Woodward explained that in relation to point 6.4 of Appendix 1, Items of Topical Interest is a standing item on the Corporate Governance Committee agenda and therefore items are not added in advance of meetings. She clarified that in relation to 6.6, the report used for the Corporate Governance Committee is a standard corporate template and therefore the Committee does not have its own format.

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

1. Councillor Mrs Newell asked for clarification on point 6.6. Kathy Woodward confirmed that it relates to the report template used for the Committee and is of no concern.
2. Councillor Hodgson said it was pleasing to see so few 'Partially Compliant' points in Appendix 1. He asked for clarification on point 3.2. Kathy Woodward confirmed that an updated addendum had been circulated to members prior to the meeting with clarification on point 3.2.
3. Councillor Sutton suggested members would benefit from training on the Council's pension deficit.

The Corporate Governance Committee AGREED that the Corporate Governance Committee Annual Report for 2017/18 be forwarded to Full Council.

CGC10/18 CORPORATE RISK REGISTER QUARTERLY REVIEW

Sam Anthony presented the Corporate Risk Register quarterly review to members. She informed members that there had been some changes to the Corporate Risk Register, which are reflected in the report.

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

1. Councillor Sutton highlighted a couple of typographical errors in the report. Sam Anthony

agreed to amend these and recirculate to members.

The Chairman welcomed Sam Anthony to the Committee and thanked her for the report.

The Corporate Governance Committee AGREED the latest Corporate Risk Register.

CGC11/18 ITEMS OF TOPICAL INTEREST

1. Brendan Arnold informed members that a payment of £1,567 had been made to EY for auditing the statutory harbour accounts for 2016/17 for the port of Wisbech.
2. Councillor Sutton asked if consideration could be given to combine the Corporate Governance Committee and the Conduct Committee. He said several other Local Authorities have taken this move and allowed the Corporate Governance Committee to undertake the work of the Conduct Committee and asked officers to consider this.

3:28PM

Chairman