

Agenda Item No:	8	
Committee:	Council	
Date:	8 September 2020	
Report Title:	Corporate Governance Committee Annual Report 2019/20	

## 1 Purpose / Summary

To Report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work from April 2019 to March 2020.

## 2 Key issues

- The Corporate Governance Committee considered its Annual Report at its meeting on 17th August 2020
- The Committee has completed a review of its effectiveness using a checklist compiled by CIPFA which was a recommendation made by the external assessment of Internal Audit.
- The Committee recommends the report be presented to Council.

## 3 Recommendations

**That full Council acknowledges the work of the Corporate Governance Committee and it's compliance with CIPFA's annual checklist for 2019/20.**

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr John Clark, Chairman of Corporate Governance Committee
<b>Report Originator(s)</b>	Peter Catchpole – Corporate Director and Chief Finance Officer Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director and Chief Finance Officer Kathy Woodward – Shared Internal Audit Manager
<b>Background Paper(s)</b>	Corporate Governance Committee agendas and minutes 2019/20 Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2018)

## Appendix: Annual report

### Report of the Corporate Governance Committee

April 2019 - March 2020



## **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 2019/20**

- 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;
  - the role of internal audit in Local Government. A quarterly update report on audits completed is provided which includes the number of and theme of recommendations;
  - risk management;
  - reports on the Regulation of Investigatory Powers Act
  - reports from external audit; and
  - Data Protection updates

3.2 The Chairman of Corporate Governance Committee also attended external courses provided by the Public Sector Auditor Appointments (PSAA), which covered topics such as:

- Update on Local Audit (External Audit provision and delays in 2018/19 accounts)
- Update from the LGA on support for Audit Committees
- Getting assurance on difficult issues (ICAEW)
- What is the Audit Committee role in relation to developments such as commercialism and groups?
- Code of Audit Practice - update on development

#### 4 Work programme and outcomes

4.1 The Committee considered the matters in the table below as part of its work programme for 2019/20

Programme	Outcome
Annual Governance Statement 2018/19	<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 2018/19 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 2018/19, assisting the Council in achieving its publication deadline.</p>

Programme	Outcome
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>• Risk based annual plan and strategy,</li> <li>• Performance Outturn 2018/19,</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>
Review of effectiveness of Internal Audit	<p>The Committee received assurances from the Corporate Director &amp; Chief Finance Officer, following a review of Internal Audit effectiveness for 2018/19.</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>
Risk Management Framework	<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 additional items to be considered which led to some changes to the risk register which have been implemented.</p>
Treasury Management	<p>The Committee received reports throughout the year on the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision Policy, Annual Investment 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>

Programme	Outcome
Data Protection Policy	<p>The committee received reports on the Council's Data Protection Policies that included updates on:</p> <p>Data Protection Policy</p> <p>Information Security Policy</p> <p>Reporting Data Breaches Policy and Procedures</p> <p>These provide assurance that the Council collectively and proactively demonstrate the commitment to protecting individuals' privacy whilst also fulfilling our obligations under data protection legislation.</p>
Regulation of Investigatory Powers Act	<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>
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 2019-20**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
<b>AUDIT COMMITTEE PURPOSE AND GOVERNANCE</b>						
1	Does the authority have a dedicated audit committee?	Y			Referred to as Corporate Governance Committee	
2	Does the audit committee report directly to full council? (applicable to local government only)	Y				.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		P		The Corporate Governance Committee have a Terms of Reference that broadly cover the purpose as outlines in CIPFA's Position Statement. The current Terms of Reference are out of date and would benefit from a review.	Update / review the current Terms of Reference
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			The committee's Terms of Reference are documented on the council's website where officers and members can access relevant documentation.	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			The committee supports the authority by following the Nolan Principles adopted by the authority, and ensuring to the best of their ability that the corporate plan and strategic goals of the authority are adhered to.	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			The Corporate Governance Committee report to Council and provide an annual report to Council. Throughout the year other members of the Council may request to attend meetings.	
<b>FUNCTIONS OF THE COMMITTEE</b>						
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		P		The majority of the core areas are covered in the current Terms of Reference, these would benefit from a review.	Update / review the current Terms of Reference
	good governance			N		<i>Update / review the current Terms of Reference</i>

	assurance framework, including partnerships and collaboration arrangements			N		Update / review the current Terms of Reference
	internal audit	Y				
	external audit	Y				
	financial reporting	Y				
	risk management	Y				
	value for money or best value			N		Update / review the current Terms of Reference
	counter fraud and corruption	Y				
	supporting the ethical framework			N		Update / review the current Terms of Reference
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			The Audit Committee completes an annual report, which encompasses this review. The committee also considers as part of its annual work the Annual Governance Statement and Risk Register. The committee regularly receives reports from Internal Audit, External Audit and reviews the financial statements.	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee reviews treasury management reports and has oversight of the annual report.  Additional wider areas could be considered during the review of the committee's Terms of Reference.	Additional wider areas could be considered during the review of the committee's Terms of Reference.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y			A review of the Terms of Reference is recommended.	Update / review the current Terms of Reference.



11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Corporate Governance Committee maintains its independence by adhering to being a non-decision making committee.	
<b>MEMBERSHIP AND SUPPORT</b>						
12	Has an effective audit committee structure and composition of the committee been selected?  This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>	Y			<p>The current committee is separate from the executive, the current membership has an appropriate mix of knowledge and skills, and the size is not unwieldy. The mix of members from each political party is in line with current policies.</p> <p>The consideration to include an independent member took place at the Corporate Governance meeting of 17 August 2020. The committee decided it may be something they wish to pursue in the future.</p>	Add the action to review the position of an independent member in 12 months' time to the committee action plan.
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?				Subject to whether an independent member is to be appointed or not.	See 12 above
14	Does the chair of the committee have appropriate knowledge and skills?	Y			<p>The current chair of the committee has the appropriate subject knowledge for the position. Members of the committee are given opportunity to freely discuss matters with fellow members of the committee. Officers attending the meetings are always available for advice to the chair if required.</p> <p>Training is given to all members of the Corporate Governance Committee to ensure appropriate skills are up to date and relevant.</p>	
15	Are arrangements in place to support the committee with briefings and training?	Y			Training for members of the committee is given to members on specific subjects (mainly technical areas – AGS, Statement of Accounts etc) prior to the official meetings taking place when requested.	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			The committee membership is formed from members with financial backgrounds, historical knowledge of the authority, knowledge from other authorities resulting in a varied mix of experience and knowledge.	Consider undertaking as assessment of current members against the core

					A formal assessment has not taken place, but could be considered.	knowledge and skills framework.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y			All meetings are attended by a mixture of officers, including the Corporate Director / S151 officer, external audit, Chief Accountant, Head of Governance and Internal Audit Manager	
18	Is adequate secretariat and administrative support to the committee provided?	Y			Relevant officers attend meeting to facilitate secretarial and administrative support to the committee.	

#### EFFECTIVENESS OF THE COMMITTEE

19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			The Chairman of the Corporate Governance Committee presents an annual report to the Council and receives feedback from the executive.	
20	Are meetings effective with a good level of discussion and engagement from all the members?	Y			All members are encouraged to be involved fully at all meetings. Relevant officers are invited to attend meetings to provide greater detail to help discussions and engagement.	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y			The committee engages with the relevant responsible officers when discussing risks and action plans. Examples of this are the AGS, Corporate Risk Register, Treasury Reports and RIPA policies.	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y			All reports presented to the committee for approval are discussed and actions minuted on suggested improvements. These actions are reviewed by the officers to ensure they are followed up on and discussed at the following meeting.	
23	Has the committee evaluated whether and how it is adding value to the organisation?		P		No formal evaluation has taken place, but the annual audit committee effectiveness report considers this to some degree.	Consider whether the committee is adding value using the information provided in CIPFA 2018 guidance.

24	Does the committee have an action plan to improve any areas of weakness?		P		The Committee agreed at its meeting on 17 August 2020 to create an action plan for the committee to review throughout the year.	Create an action plan for the committee to consider at future meetings.
25	Does the committee publish an annual report to account for its performance and explain its work?	Y			Corporate Governance Committee Annual Report.	