

# CORPORATE GOVERNANCE COMMITTEE

**MONDAY, 17 AUGUST 2020 - 1.30 PM**



**PRESENT:** Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor S Clark, Councillor Mrs J French, Councillor N Meekins, Councillor D Topgood and Councillor Wicks

**APOLOGIES:** Councillor M Purser

Officers in attendance: Sam Anthony (Head of HR &OD), Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager), Elaine Cooper (Member Services) and Joanne Goodrum (Member Services)

## **CGC1/20    APPOINTMENT OF CHAIRMAN FOR THE MUNICIPAL YEAR**

It was proposed by Councillor Miss French, seconded by Councillor Mrs French and resolved that Councillor John Clark be elected Chairman of the Corporate Governance Committee for the Municipal Year.

## **CGC2/20    APPOINTMENT OF VICE CHAIRMAN FOR THE MUNICIPAL YEAR**

It was proposed by Councillor J Clark, seconded by Councillor Benney and resolved that Councillor Miss Kim French be nominated as Vice-Chairman of the Corporate Governance Committee for the Municipal Year.

## **CGC3/20    PREVIOUS MINUTES.**

The minutes of the meeting of 4 February 2020 were confirmed.

## **CGC4/20    EXTERNAL AUDIT PLAN 2019/2020**

Members considered the External Audit Plan for 2019/20 presented by Amalia Valdez Herrera from Ernst &Young (EY).

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

- Councillor Mrs French thanked Ms Herrera for a comprehensive and honest report and stated that the committee should welcome it.
- Councillor John Clark asked for clarification with regard to the point Ms Herrera raised concerning the value for money risks. She stated that this was with regard to information on page 52 in relation to a value for money risk that was noted around financial resilience and a budget gap up to 2024 and 2025 from the Council's medium term financial strategy. Councillor John Clark asked whether the committee should be concerned at this time or whether it was just for noting. Ms Herrera stated that it was just for the committee to be aware of at this time and further work around this area will be carried out and this is a consistent approach to that of previous years.

**The Committee considered and noted the External Audit Plan for 2019/2020.**

**CGC5/20 STATEMENT OF ACCOUNTS 2019/20 (SUBJECT TO EXTERNAL AUDIT)**

Members considered the Statement of Accounts 2019/20 report presented by the Chief Accountant.

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

- Councillor J Clark asked whether there is any way that projected figures can be obtained with regard to pension contribution figures. The Chief Accountant stated that there has been no update received with regard to the status of the pension fund so far as a result of the Covid pandemic, and he added that he would anticipate that they would wish to review this along with the actuaries in the first instance to ascertain the status. He added that is not usually the requirement to change contribution rates during the three year tri annual evaluation period but the council needs to ensure that it is not exposed to large increases in contribution rates and payments. He confirmed that discussions will take place with the pension fund and actuaries.
- Councillor John Clark asked what the status is with regard to collection of Council Tax payments? The Chief Accountant explained that currently the collection rate is 4% -5% lower than what was expected which will result in a high arrears figure at the end of the year and the impact on the collection fund will be to decide how much of the level of non-collection rate that will be allowed. He added that work on this will commence shortly, to see what the impact will be and the amount of Council Tax support claims had increased over recent months and although this has levelled out currently, it is anticipated that in October the claims will rise, when the furlough scheme ends. The more Council Tax support that the Council awards, results in a lesser amount of Council Tax collected which impacts on the Council Tax deficit. He added that the Council are only liable for 15% of that deficit and the biggest authority that will contribute to that deficit is the County Council and Police and Fire Authority who will also contribute in proportion to the precept and although it is likely to be a larger figure, the impact on the Council will be muted dependent on how big that deficit will be.
- The Chief Accountant explained that Central Government have proposed that the deficit on the collections funds at the end of the year will be spread over three years instead of being recovered the following year. Further guidance from the Government is still to be received.
- The Chief Accountant explained that with regard to Business Rates there are numerous reasons why the amount of Business Rates collected during the year, will not be as much as was first thought. One reason is non collection, but taking into account additional reliefs that have been awarded to the hospitality sector, which the Government will reimburse the Council for, the actual amount of Business Rates that have been collected is actually what was projected. He stated that there are many other aspects that will impact on the final position at the year end. There are ongoing changes from the VOA office, with regard to valuations, which are resulting in a significant amount of refunds being made to businesses and the VOA are reducing all of the purpose built GP surgeries and as a result of the valuation tribunal, they are also taking all of the cash machines out of the rating system which will impact on a loss of Business Rates to the Council and will impact

on the final position at year end. He stated that where there are variations in valuations, there is an increase in the appeals provision that we have to make. An independent valuation company is used by the Council to assist and more of these businesses are re-valued, which are increasing and therefore there is the need to ensure there is enough provision to cover this element.

- The Chief Accountant stated with regard to the Business Rates collection fund we are liable for 40% of the deficit and the County Council are liable for 9% and the Police and Fire Authority are responsible for 1%. There is a big difference in how that deficit is calculated and how much of that deficit the Council is liable for.
- Councillor John Clark stated as a Council we are mindful that we are suffering challenges, but are making provisions to act accordingly.

**The Committee noted the Statement of Accounts 2019/20 report.**

### **CGC6/20 ANNUAL GOVERNANCE STATEMENT 2019/2020**

Members considered the Annual Governance Statement 2019/20 presented by the Chief Accountant.

He advised members that there are various references in the statement with regard to the impact of Covid 19 on the various governance and internal control issues and added that there is a specific issue with regard to Covid 19 which is ongoing into 20/21 financial year.

He stated that once the committee have considered the 2019/2020 opinion on internal control as part of the Internal Audit Outturn, if approved it will be included into the Annual Governance statement and will be sent to the auditors.

**The Committee APPROVED the content of the Annual Governance Statement for inclusion in the Council's published Statement of Accounts 2019/20.**

### **CGC7/20 INTERNAL AUDIT OUTTURN AND QUALITY ASSURANCE REVIEW**

Members considered the Internal Audit Outturn and Quality Assurance Review report presented by the Internal Audit Manager.

The Internal Audit Manager confirmed that there are some overdue recommendations, which are due to the Covid 19 pandemic, however, it was thought inappropriate to chase these responses and, therefore, the deadline has been extended for some of them.

She confirmed that that she would be providing a statement confirming 'adequate assurance' as to the adequacy and effectiveness of internal controls, the risk management and governance arrangements.

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

- Councillor Booth referred to page 198 which shows three high recommendations one of which is for limited assurance opinion for licences and asked for clarification as he expressed the opinion that limited is quite poor in relation to what we normally have for Fenland. The Internal Audit Manager explained that it referred to an audit which took place early last year and the high risk recommendations referred to procedures, resilience and business continuity and information that was being communicated on the Council's website which was out of date and inaccurate. All of the recommendations were dealt with within three weeks of the report being issued and they are no longer risks and she is confident that they are now complete.

### **The Committee noted**

- **the outturn for Internal Audit for 2019/20, which states all Audits were completed as per the agreed Internal Audit Plan, 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.**

### **CGC8/20 CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT 2019 -2020**

Members considered the Corporate Governance Annual Report presented by the Internal Audit Manager. She highlighted two issues that the Committee may wish to consider; an independent person forming part of the Committee and production of an action plan.

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

- Councillor Booth expressed the view with regard to the possibility of an Independent person forming part of the Committee, it is something that should be considered and the position advertised. He added that it will strengthen the governance arrangements and the Committee will receive the views from an external person's perspective.
- Councillor Benney stated that to have an Independent person appointed will be good as long as it brings real value. He added that if somebody can be found that is suitably qualified then it will be a good idea.
- Councillor John Clark referred to section 12 of the report where it highlighted that only 4% of other councils have an Independent person. He stated that from a Chairman's point of view, the current members of the Committee have a breadth of knowledge between them and it is something that could be considered but he would like to see it postponed and reconsidered in 2021.
- Councillor Booth stated that he agrees with the Chairman with regard to the postponement. He added that if this is something that is considered going forward a person specification could be drawn up to ensure that the correct person is appointed.
- Councillor Benney expressed the opinion that it does need to be the correct person who is appointed and there needs to be a real purpose and need for somebody to be appointed. He agreed with Councillor Clark, that in the current climate, the postponement until 2021 is the right thing to do.
- Councillor Wicks expressed the view that part of the process would be to profile the type of person that is required. He added that if sufficient applications are received, then a screening process would need to be carried out and if nobody fits the profile, then the appointment process should stop.
- Councillor John Clark, stated that as the Chairman he suggests that this is revisited in 2021, when the Covid 19 pandemic has hopefully retreated, which would make the process

easier, if it was decided to look for an outside Independent person.

- Councillor Booth referred to the action log which had been presented. He added that this could be the first item to be added to that log so it would be good practice to ensure areas of concern or focus can be tracked.
- Councillor John Clark expressed concern with regard to point 24 of the Corporate Governance self-assessment exercise where it states that the Committee does not have an action plan to improve any areas of weakness. He added that he does not like to see that point highlighted as a no and stated that he would rather see the classification as partial than no.
- Councillor Booth stated that an action plan would be beneficial, as it could address other areas in the report that are partial recommendations and focus on what the Committee needs to be looking at.

**The Committee AGREED to forward the Corporate Governance Annual Report for 2019/20 to Full Council.**

### **CGC9/20 RISK BASED INTERNAL AUDIT PLAN 20-21**

Members considered the Risk Based Internal Audit Plan 20-21, presented by the Internal Audit Manager.

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

- Councillor Booth expressed the view that it is concerning to hear the presentation. He asked whether it was known when the recruitment freeze will be lifted and whether the committee need to be highlighting their concerns. Councillor John Clark stated that he concurs with Councillor Booth.
- The Head of HR and OD advised the Committee, that the recruitment freeze was lifted a month ago. She added that the Covid group are meeting three times a week and the issue of recruitment is discussed. She added that they have undertaken some successful interviews albeit remotely.
- Councillor Booth, questioned, that as the recruitment freeze has been lifted is there now the opportunity to consider filling the vacancy in the Audit team.? He expressed the view that he knows that recruitment is not an overnight process and asked when do officers anticipate that the audit team will be able to resume their normal functionality. The Head of HR and OD stated that she intends to work with the Internal Audit Manager to progress this immediately. The Internal Audit Manager added that there are some proposals currently being discussed which will be taken to Staff Committee for consideration. She added that these proposals will include the possibility of an increase in resource for the Internal Audit Team and the Committee will be updated when decisions have been made.
- Councillor John Clark added that as Chairman he finds halving the Internal Audit Team will only lead to problems going forward and he sincerely hopes that a satisfactory resolution is found imminently. He added that he is aware that the Internal Audit Manager's role is part of a shared service and he is aware that the support role position was frozen, but now urgent consideration must be given to enable the Audit Team to become fully staffed again.

**The Committee considered and noted the Risk Based Internal Audit Plan for 20-21.**

### **CGC10/20 CORPORATE RISK REGISTER - QUARTERLY REVIEW**

Members considered the Corporate Risk Register quarterly review presented by the Head of HR&OD

- Councillor Wicks asked for clarification on how many alterations to the actual mitigation that the Council had in place in March had to be adapted and moved forward since the lockdown period commenced to the present day. The Head of HR & OD stated that this was something that was reviewed on an adhoc basis going forward, because the daily covid meetings took place which enabled there to be an element of capture learning and the risk register could then be populated as a result of that
- Cllr Booth stated that at the previous meeting he had raised some observations and he cannot see them reflected in the risk register, the Head of HR & OD stated these would be reflected in the next review presented to Committee.
- Councillor Clark asked when the next review is, and the Head of HR & OD said it would be in place for the next meeting.

**The Committee AGREED the latest Corporate Risk Register.**

**CGC11/20 ITEMS OF TOPICAL INTEREST**

Members considered the Ernst & Young (EY) – Assurance Letter as presented by Councillor J Clark.

Councillor J Clark confirmed that as Chairman of the Corporate Governance Committee, he was satisfied with the Assurance Letter and is happy to sign the letter on behalf of the Corporate Governance Committee

**The Committee AGREED for Councillor J Clark to sign the assurance letter to Ernst & Young on their behalf.**

2.59 pm

Chairman