

# AUDIT AND RISK MANAGEMENT COMMITTEE



MONDAY, 20 SEPTEMBER 2021 - 4.00 PM

**PRESENT:** Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor Mrs J French, Councillor N Meekins, Councillor J Mockett, Councillor M Purser, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

## APOLOGIES:

Officers in attendance: Linda Albon (Member Services & Governance Officer), Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

## ARMC25/21 PREVIOUS MINUTES.

The minutes of the meetings held 21 June 2021 and 19 July 2021 were approved and signed.

## ARMC26/21 INTERNAL AUDIT PLAN 2021/22 PROGRESS REPORT Q1

Members considered the Internal Audit Plan 2021/22 Progress Report Q1 presented by Kathy Woodward.

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

- Councillor Yeulett asked if the proposal to conduct work outside the normal scope would involve the public sector only or would it be broader? Kathy Woodward replied that it would be primarily with the public sector, particularly looking at drainage boards. It is currently an exploratory idea, but they are looking to see if scope is there to provide that service to some of the smaller authorities who do not have the capacity to deliver internal audit functions. Councillor Yeulett asked if Audit have the capacity or expertise. Kathy Woodward said it would be something we would look to do with existing capacity and within existing skillsets, and she also has previous experience of work of this nature. Furthermore, it would also future proof the service by improving the skillset of some of our own team as well as providing additional income for FDC. Councillor Yeulett said he hoped they would succeed and wished them all the best in this direction.
- Councillor Wicks asked if this is a way that we can keep a closer eye on the way internal drainage boards operate because of the amount of money we give them. Kathy Woodward responded that it would be purely to provide an independent service to those types of organisation whatever they may be; to do otherwise would create a conflict of interest.
- Councillor Booth said that we have councillor representation on the IDBs, and it is their role to keep an eye on them. His understanding is that the audit regulations around IDBs are similar to parish councils, but he thinks Kathy Woodward's proposals would provide a good crossover of skills.
- Councillor Booth referred to 3.2 of the report which indicated that extra time had been spent at Kings Lynn and West Norfolk and asked which FDC audits have been impacted as a result. Kathy Woodward said no internal audit had been affected but it was more about the review process; getting drafts issued, feedback from clients and client reports issued, which is why she is confident that the time lost can be made up quickly.

- Councillor Booth referred to the review of completed audits and said that the number of high-risk recommendations under business rates were understandable because the process was new in respect of the Covid-19 grants; they had not existed before and it was inevitable there would be some teething problems. However, there were a high number of individual recommendations in respect of the completed audits for council tax billing and council tax recovery and housing benefits overpayments and he asked for summary of these given that it's an area of focus for the external auditor.
- Kathy Woodward responded that the business rates audit is a standard audit governed by the SLA which has been in place for two years so would not include any of the business grants process. However, going through that process issues were identified around quality of data, for which work is ongoing this year. Regarding the number of recommendations relating to council tax benefits and council tax recovery and housing benefit overpayments, this is actually a very low number of recommendations compared to previous years. Unfortunately, she cannot provide detail today, but she will be happy to provide the committee with an update.
- Councillor Booth said he would appreciate this as he has previously raised a request about getting some style of executive report or summary of what the audits contain, and this proves a good example. Kathy Woodward said she will look into enhancing the reports to provide more information without breaching confidentiality.
- Peter Catchpole said that this is similar to the discussion held at Overview and Scrutiny on complaints and advised we can do a bit more on the themes to see if there are any patterns or trends that we should be looking at to help this committee.

**Members of Audit and Risk Management Committee AGREED to note the activity and performance of the internal audit function.**

#### **ARMC27/21 STATEMENT OF ACCOUNTS 2020-21**

Members considered the Statement of Accounts 2020-21 report presented by Mark Saunders.

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

- Councillor Yeulett noted that publication of the final audited accounts had been delayed and asked if this was due to Covid-19. Mark Saunders advised the auditors are up to speed in terms of their audit plan, but they have a resourcing issue. A lot of work is involved in auditing the accounts and their primary objective is ensure they take the time to do the work and produce the report at the standard in which they are expected to do it. There are no consequences of the timescales; the dates are within the regulations but are there for guidance only.
- Councillor Davis said the report states that our recent partnership with Freedom Leisure has already enabled improvements to our leisure centre facilities whilst saving £351,000 per year. She asked if there should be more detail there because the circumstances of the grant received towards costs was not mentioned. Mark Saunders agreed that is a statement that goes across whole contract when it was first put in place and may need rewording in the context of what happened in 2021. He agreed to provide some updated wording.
- Councillor Davis referred to employee benefits and asked if there is likely to be any impact from staff carrying over holidays as she suspects there are many who have not taken their full entitlement due to Covid-19. Mark Saunders responded that we have an accumulated absences account, which is one of our unusable reserves, which gives an estimate of the amount of costs of untaken leave at the end of the year. The report does show that at the end of 2020/21 we have seen a considerable increase in the cost of untaken leave accrued at the year end. Our policy is that we are hoping to resolve the issue of untaken leave over the next two years, and the management team are keeping track of it.
- Councillor Booth questioned the description of FDC as a unique one-team culture as this is something that many organisations aspire to and we can no longer claim this as once we could have done. He also mentioned that the ward map needs updating as the colour for Peckover

Ward is incorrect.

- Councillor Booth referred to the comment about working with partners and securing grants from County Council. He stated that Councillor Humphrey was one of the leading figures who worked with Gorefield to successfully secure funding, but we seem to have taken the credit when there was little involvement of FDC, and this needs amending.
- Councillor Booth said following on from Councillor Davis's comment regarding Freedom Leisure, they were not giving us the savings because of COVID-19 so we had to agree a loan structure with them to get the fees back. He said there should be more information regarding that and asked if we should expand on it. Mark Saunders said that is the intention of the support given so far. The condition Freedom Leisure must meet to start repaying those loans means they have to achieve higher than anticipated in their original business plan. In the report we had to recognise that we gave them that support as a loan in 2021. We then assess the likelihood of receiving that money back. Currently, most of that loan we have had to make provision for so there is only a small amount in the account owing as a long-term debt.
- Councillor Tierney referred to Councillor Booth's comment that FDC should not claim to have a unique one-team approach. He said you could make the case that all teams are different, no one approach is the same and therefore he believes that we can claim to be unique, and this should remain as a description.
- Councillor Meekins responded to Councillor Booth's comment about Peckover Ward being incorrectly coloured on the map. He assumed that because he was still an independent councillor at the period that these accounts covered, the figure of 9 independent councillors should be amended to 10. Mark Saunders said he would ensure both the number of independent councillors and the map colour were correct.
- Councillor Booth said he believes the cash reserve has gone up by approximately £10m and asked if that is the figure we held on 31 March or was it a case of having that much more in the bank. Mark Saunders explained that was the position on 31 March, but it is because of grants received from the Government which are not yet spent. He explained that we receive the monies in advance before they are then paid out. We also received substantial amounts of capital funding from the Government for various schemes which we receive before the year end that we will be paying out in this year and the next and this we have to show as a reserve until such time as we spend it.

**Members AGREED to note the contents of the draft Statement of Accounts for the financial year ended 21 March 2021.**

#### **ARMC28/21 ANNUAL GOVERNANCE STATEMENT 2020-21**

Members considered the Annual Governance Statement 2020-21 report presented by Kathy Woodward.

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

- Councillor Booth said the report mentions the Port Marine Safety Code and asked why that code had specifically been highlighted when there are other important codes and duties that we adhere to. Kathy Woodward said this was highlighted because Port Marine it is subject to a huge amount of external scrutiny and audits beyond what we would conduct internally. This Code is reviewed yearly outside of the normal legislative processes we have, and it involves additional work and governance arrangements to ensure it is robust enough for us to fulfil our obligations required around port marine safety.
- Councillor Booth pointed out the report contains a section titled 'The Core Functions of Audit Committee', but then mentions the Audit and Risk Management Committee. He asked if the title should therefore be updated to read 'Audit and Management Committee'. Kathy Woodward advised these are standard headings, but the paragraph does explain that the Audit and Risk Management Committee fulfils the function of the audit committee.
- Councillor Booth said the report states the Council has agreed to adopt the Culture and

Creative Strategy. However, this is the Arts Council strategy not FDC's, and he asked that we make this clear. Kathy Woodward agreed that can be amended.

- Councillor Booth asked if the Chief Finance Officer is happy to sign this document. Peter Catchpole responded that he is indeed happy to sign the document.
- Councillor Yeulett referred to the section on Governance issues and action plan where it mentions local authority's investment activity including investment in property and asked how Audit will look at that. Kathy Woodward said this section relates to the review of the national audit office; this is the government's audit team on how they review local authority investment strategies. They look at wider national issues rather than the local ones we have.

**Members considered the content of the Annual Governance Statement and AGREED to approve its content for inclusion in the Council's published statement of accounts.**

**ARMC29/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME**

It was noted that there will be a further training session ahead of the next meeting on 28 November. Councillor Mrs French thanked Mark Saunders and his officers for the amount of work put in to today's training session and for an amazing presentation from Mark Saunders in particular.

4.50 pm                    Chairman