

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 14 FEBRUARY 2022 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor I Benney, Councillor N Meekins, Councillor J Mockett, Councillor M Purser and Councillor R Wicks

APOLOGIES: Councillor Mrs M Davis (Vice-Chairman), Councillor G Booth, Councillor Mrs J French, Councillor S Tierney and Councillor F Yeulett

OFFICERS IN ATTENDANCE: Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager), Stephen Beacher (Head of ICT Digital & Resilience) and Niall Jackson (Member Services)

APPOINTMENT OF A VICE CHAIR

In the absence of Councillor Davies, Councillor Wicks was elected as Vice Chair for the duration of the meeting.

ARMC40/21 PREVIOUS MINUTES.

The minutes of the meeting of 29 November 2021 were confirmed and signed subject to the following comments:

- Peter Catchpole noted an amendment to the minutes so they read “Councillor Wicks questioned the use of imperial and metric measurements and asked whether the necessary correction in procedures **had** been noted and amended”. He also noted that the spelling of Barkley’s needed to be changed to Barclays.

ARMC41/21 AUDITOR ANNUAL REPORT 2020-21

Members considered the Auditor Annual Report 2020-21 presented by Mark Saunders.

Peter Catchpole stated his gratitude for the report and thanked Mark Saunders and the Finance Team for all their work. This was supported by Councillor K French.

Members AGREED to note the contents of the Auditor Annual Report 2020-21.

ARMC42/21 EXTERNAL AUDIT APPOINTMENT PROCESS

Members considered the External Audit Appointment Process presented by Kathy Woodward.

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

- Councillor Benney expressed the view that the decision seemed to be an easy one and that it was clear to see why opting in would be preferred. He explained that it would be expensive and difficult for Fenland District Council to appoint their own auditors and noted that he would be following the recommendation to opt into the Public Sector Audit Appointments. Councillor Meekins agreed with Councillor Benney’s comments.
- Councillor Wicks stated that there had been many obstacles over previous years and commended the work of the Council and external auditors for having moved smoothly this

year. He also stated that he would fully support the recommendation.

Members AGREED to recommend to Council:

1. that Fenland District Council opt-in to the PSAA sector led auditor appointment arrangements for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements; and
2. to delegate acceptance of the invitation to the Corporate Director & Chief Finance Officer, as the Council's Section 151 Officer.

ARMC43/21 TREASURY MANAGEMENT STRATEGY STATEMENT, CAPITAL STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23

Members considered the Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23 presented by Mark Saunders:

- Mark Saunders informed the Committee that the base bank rate had increased after the report had been published and that they were predicting further increases of between 1 and 1.25 percent in 2022.

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

- Councillor Wicks asked for clarification regarding the temporary investments. He noted that several of them were coming up to their maturity date and presumed that they would be renegotiated for better interest rates. Mark Saunders explained that when the temporary investments mature, they attempt to reinvest them for better interest rates. He noted that the amount of time they are invested for was dependent on the cash flow and that some recent reinvestments had been kept short due to the substantial amount of cash being paid out by the authority in the next month or so. He mentioned that the interest rates had risen slightly but that it was a matter of how quickly they increase.
- Councillor Benney noted that the Council had some long-term loans that could not be paid back earlier and asked how long was left on those loans. Mark Saunders informed the committee that the Council had two loans with the Public Works Loan Board. One was for £2 million which was currently running at running six and seven eighths interest and was taken out on the 3rd February 1994 with a maturity date of 1st February 2029. The other loan was for £2.5 million with a current interest of seven and five eighths percent which was taken out on 13th March 1997 and matures on 13th March 2032. He also noted that the Council had a loan with Barclays of £3.3 million which was taken out on the 18th March 2004 and matures on the 18 March 2054 which was running at 4.7 percent interest. He explained that these were good interest rates when they were fixed and that nobody would have thought that the interest rates would drop as low as they currently are with 50-year loans at only 2.2 percent interest rates currently. Councillor Benney accepted that the rates were good when the loans were taken out.
- Councillor Benney noted that inflation was currently above five percent and that bank rates should be matching this. He also noted that he had recently read that there was a possibility of inflation hitting seven percent. He remarked that this made the current figures on the loans look rather small comparatively. Councillor Benney questioned whether some of the figures were on the optimistic side as they were predicted to remain where they were in the report. Mark Saunders agreed that the inflation forecast was a concern. He noted that it would take a while for inflation to work its way out of the system. He explained that the base rates had been worked into the figures but that over the last 20 years every forecast had been wrong and that he did not think that these would be fully correct either. He noted that the Council must be careful with where the investments were going and frugal about the level of returns received from these. With regard to the property funds, he noted that the returns would be determined by where they are invested but that the firms they had invested in were good firms and that they were confident that they would provide good returns.

- Councillor Benney noted that with the last bank rate rise they had wanted it to be raised by more than it was and noted that the figures in the report were pessimistic as to where they could go. Mark Saunders noted that there would be a different table in the Council report as the current table outlined their view in December 2021 and explained that this had since been updated and would show an increase in the bank base rates. He explained that no one could be certain on the outcome but that indications pointed towards an increase.

Members AGREED to endorse the strategy detailed in the report to be included in the final budget report for 2022/23.

ARMC44/21 INTERNAL AUDIT PLAN 202122 PROGRESS REPORT Q3

Members considered the Internal Audit Plan 202122 Progress report Q3 presented by Kathy Woodward.

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

- Councillor Benney thanked Katherine Woodward for the report. He noted that with all the business grants that had been administered there would be fraudulent claims from some businesses. He asked whether they were doing any work to track any fraudulent claims in Fenland down and how this was being undertaken if they were. Katherine Woodward informed the committee that they were working with BEIS on this issue and that they had requested examples of Fenland District Council's work. She noted that they had done a lot of prepayment checks on businesses before administering the grants and that they had found no fraudulent cases yet. She explained that they had been able to fund a resource for several days this year to support them with this work. She noted that they had also worked with the National Fraud Initiative who had had supplied some data surrounding bank account details and whether businesses were trading to allow the Council to provide post payment assurance. She also noted that there had been 20 days put aside in the yearly audit plan for post payment assurance work to support the work on business grants. She explained that the post payment assurance work was ongoing and would come to the committee within the year-end report. She informed the committee that there had been a few grants paid out in error but that none of these were fraudulent. Peter Catchpole noted that the Council had not been very high up on original Covid grant table in April 2020 which outlined the number of grants administered by Councils across the Country. He pointed out that this was now showing that they had taken the right stance in being vigilant with the checks before administering the grants and noted that it was showing the funds had gone out in the correct fashion.
- Councillor Benney noted that he was aware that they were slightly behind with the grant administration when the pandemic first hit and that it was good news that there had been no fraudulent claims especially with the amount of money that had passed through and the speed in which it had to be distributed. He thanked the team for their work. He also noted that some businesses had sent money back and commended those who turned it down due to being successful enough to manage without the grants.
- Councillor Wicks commended the internal audit team for the period that the report covered and noted that it contained a very positive set of achievements during a tumultuous time where a new template had to be created to deal with the exceptional circumstances.
- Councillor Hoy asked whether the housing standards data could be shared with the portfolio holders in future when they complete the reports as it was positive to see that there were no concerns despite the recent changes to the process. She noted that it would be useful to

know what had been looked at and found in this area. She also asked who decided which processes were audited and enquired as to whether a process could be added as she felt that the collection of fines may need auditing to help understand the process and identify whether any changes could be made. Katherine Woodward noted that she would have a discussion with corporate management team about the possibility of providing the reports on housing standards to the portfolio holders. She explained that they used an audit plan to decide what was audited. She informed the committee that they worked to a five-year plan and that when individual services were audited they attempted to cover all elements. She explained that there was an ongoing audit around corporate debt which was looking at how the Council collected debts across the organisation and noted that there would be a report to the committee and that this would be fed through to all the relevant people to make any necessary changes. Peter Catchpole noted that the internal audit plan came before the committee for sign off. He informed the committee that if there were any areas in which they had concerns there were spare days within the internal audit plan which could be dedicated to examining certain processes where possible. Councillor Hoy thanked them for the information and noted that it was useful to know what had been audited.

- Mark Purser congratulated Katherine Woodward, Mark Saunders, Peter Catchpole and the rest of the team for their hard work during the difficulties of the pandemic.

Members AGREED to note the activity and performance of the internal audit function.

ARMC45/21 RISK REGISTER – QUARTERLY UPDATE

Members considered the Risk Register – Quarterly update presented by Stephen Beacher.

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

- Councillor Benney noted that the risk of funding changes making the Council unsustainable if no action was taken was RAG rated red and that the current risk was also red. He asked what officers were doing to reduce this risk. Peter Catchpole explained that the problem, which had been outlined in current and past budget papers, was that many reviews were still outstanding including the business rates and new homes bonus reviews resulting in several unknowns. He noted that the business rates review would be the most important as it contributed a significant amount of income to the Council. He explained that until there was a level of certainty regarding the reviews there would be little change in the risk and noted that they constantly monitor the situation and discuss the issues with other relevant bodies and were currently doing all they could. Councillor Benney noted that it was the only risk with no mitigation that was still red but accepted that this was out of the Council's hands. He stated that it was reassuring to see the Council doing everything possible to bring the risk down. He stated that it would be nice to think that any loss would be compensated elsewhere if the funds were removed as the changes would affect most Council's in a similar way. Peter Catchpole reiterated that it was the uncertainty that meant it was rated red and noted that it was not a massive concern.

Members AGREED to note the Corporate Risk Register Quarterly update.

ARMC46/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Councillor Miss French presented the Audit and Risk Management Committee Work Programme 2021/22 for information:

- Councillor K French noted that there would be no training session before the next meeting.

The Audit and Risk Management Committee Work Programme was noted for information.

5.05 pm

Chairman