

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 14 MARCH 2022 - 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 J Mockett, Councillor R Wicks and Councillor F Yeulett

APOLOGIES: Councillor N Meekins, Councillor M Purser and Councillor S Tierney

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Kathy Woodward (Internal Audit Manager) and Stephen Beacher (Head of ICT Digital & Resilience)

ARMC47/21 PREVIOUS MINUTES.

The minutes of the meeting of 14 February 2022 were confirmed and signed subject to the following comments:

- Councillor Booth queried that there had been no fraudulent cases and suggested that it would be more accurate to say that no cases of fraud had been identified. He explained that he was surprised that there were no cases of fraud found due to the scale found nationally but recognised that the pre-checks had been undertaken and asked how many cases had been rejected as the result of this. Kathy Woodward stated that she would provide the information to the Committee either after the meeting via email or at the next meeting.
- Councillor French noted that she had attended an Anglian Revenues Partnership meeting the previous week and that there were still no cases of fraud at that time.

ARMC48/21 RISK BASED INTERNAL AUDIT PLAN 2022/23

Members considered the Risk Based Internal Audit Plan 2022/23 presented by Kathy Woodward.

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

- Councillor Mrs J French asked how much revenue the external work that the audit function were completing would bring into the Council. Kathy Woodward informed the Committee that they would be completing seven days work bringing in just under £3,000.
- Councillor Wicks asked for clarification on the timelines between audits noting that there had been a 7-year gap since the last development delivery processes audit. He also asked what the highways audit encompassed. Kathy Woodward explained that the contract monitoring highways audit was based around the engineering team and the work they were undertaking with County along with some street lighting work. She agreed that the last development audit in 2015-16 was too long ago and explained that it was meant to be audited in 2020-21 but was delayed due to the pandemic. She stated that the audit team attempt to look at everything within a 5-year period and that they were trying to get this back on track now that the pandemic period had abated.
- Councillor Mrs J French noted that with the Highways audit most of the streetlights were County owned. She asked whether they were undertaking the audit on Fenland owned streetlights or both. Kathy Woodward explained that the audit would be on the contractual arrangement and delivery on the lights. She stated that it was hard to give a direct answer as they had not defined the whole scope yet. She informed the Committee that they could incorporate other areas into the audit if there were any concerns.

- Councillor Yeulett asked for clarification over what substantial, adequate, and limited meant. Kathy Woodward informed him that they have 5 levels of audit results and assurance levels. She explained that the first level was full assurance which was reserved for areas where there was no room for improvement. The second level was substantial which was allocated to areas with no major weaknesses and only a few minor weaknesses based on best practices. The third was adequate assurance which is where there are some weaknesses but none that put major system objectives at risk. The fourth was limited assurance which was reserved for areas where there were major weaknesses identified that could put system objectives at risk and the fifth was no assurance which denoted that there was catastrophic failure of service delivery.
- Councillor Yeulett thanked Kathy for the explanation and asked where Councillors could see the corrective actions from the audits. Kathy Woodward explained that whenever an audit was completed they are issued with an assurance rating and a number of recommendations. These are then used to draw up a management action plan and the recommendations are given a time frame for completion. She noted that progress reports are brought before the Committee quarterly which contain the audits completed, recommendations and any outstanding actions.
- Councillor Booth highlighted that it would be useful to get more information on what the reports deliver and suggested the possibility of receiving executive summaries to help understand the full picture. Kathy Woodward explained that she had expanded some of the work in the appendix to provide more detail since the previous meeting. She stated that they could consider the possibility of providing executive summaries to provide more detail to the Committee. Councillor Booth replied that this would be useful as the executive reports would help draw out the main findings and conclusions and assist the Committee in their role of providing constructive criticism.
- Councillor Mockett asked whether it was possible to see what they planned to audit and how. Kathy Woodward said that she had been thinking about potentially delivering a training session on how they deliver an audit. She explained that they liaise with service managers, have system control evaluations, and come up with objectives and measures of what they expect to find. She informed the Committee that they use an internal fraud risk register and always look at areas such as materiality and turnover to determine how high profile the audit is. She stated that they also network with other audit organisations to determine the audit plan. Regarding grounds maintenance, she told the Committee that compliance with the contract was an issue with some weaknesses having been identified in the past and explained that the starting point was always the previous audit to ensure that they had addressed the previously identified weaknesses. She offered Councillor Mockett to continue the discussion outside of the meeting to go through more of the specifics.
- Councillor Booth suggested that a good way to provide what they were planning to audit and how would be to circulate the terms of reference as these would highlight the areas they planned to look at and how long they would spend doing it. Kathy Woodward stated that she would consider these suggestions and said that if Councillors had any concerns they could contact her about them. Peter Catchpole supported Kathy Woodward's suggestion to discuss how best to provide more information to the Committee outside of the meeting without providing too much operational information. He stated that it may be worth providing some examples as well.
- Councillor Benney asked Kathy Woodward how much information the Committee needed to know in her opinion. He stated that it was the findings of the report that mattered most and asked what use the Committee would have for the information so that she was not undertaking work for the sake of it. He also expressed worries about the size of reports and the impact extra information would have on the Councillors ability to read and digest the information before the Committee session. He supported the idea of a training session on how audits were undertaken. Kathy Woodward thanked Councillor Benney for his comments and reiterated that they would take the discussion further outside of the meeting. She agreed that the training session would be useful. She stated that there were more days in the audit plan than usual but that it would be unproductive to utilise all that time writing

reports. She summarised that it was about finding the right balance of information provided and time taken and explained that it would be a work in progress for the coming months until they got the balance right.

- Councillor Booth noted that his suggestion was to use existing data such as terms of reference and executive summaries which were already produced and should not be time consuming in providing to the Committee. Peter Catchpole clarified that the main point was around disseminating enough information to allow the Committee to perform their role without creating a bigger workload. He supported Kathy Woodward's comment regarding the process being a work in progress and supported the idea of bringing more information to the Committee until they struck the right balance.
- Councillor Wicks explained that there were key areas in contract management including value for money, whether it was fulfilling the requirement it was initially set up for and whether there were regular meetings between the manager of the contract and contractor to enhance the process so that failures are picked up quickly and rectified and good service is recognised. Kathy Woodward stated that contract monitoring was an area that was different to other operational audits. She explained that they look at the governance arrangements in place around the contract, the performance of the contract, the monitoring of the contract, and whether the contract is achieving its objectives and is good value for money.
- Councillor Booth asked whether they could look at the Service Level Agreements when auditing areas to ensure that they were fit for purpose and whether they need amending to improve the service. He expressed his concern that there were only 6 days allocated for the 3C's audit and asked whether they would be doing any case sampling to make sure the process had been followed and the complaint dealt with. Kathy Woodward informed the Committee that they would be undertaking sampling. She explained that the audit plan was flexible and there were some contingency days in there which could be used if they finished the 6 days without drawing satisfactory conclusions. She stated that the audit plan was a guideline on what they planned to do and that it was based on the days taken in previous years but that it was flexible and could be adapted if necessary as seen with the changes made during the pandemic.
- Councillor Booth questioned the allocation of 10 days to the Local Authority Trading Company arguing that this felt too short due to the risk of the new venture. He noted that audit staff would need extra training for this area but took the previous point around flexibility on board. Kathy Woodward pointed out that this audit would be allocated 10 days every year rather than every 3 to 5 years like other audits in order to provide some consistency and support. She informed him that she was currently undertaking an audit around the governance and set up for the Local Authority Trading Company which would be reported in the year end report. Regarding the qualifications and training, she noted that she had significant experience from previous work in her Shared Internal Audit Manager role with Kings Lynn and as such had developed a fairly in-depth knowledge of the areas that need to be focused on from an audit review. Councillor Booth replied that his concern with the first year was that it was the first full year where the Council would be investing significant amounts of money and therefore, he felt it may require extra days.
- Councillor Benney argued that 10 days was more than adequate for the Local Authority Trading Company audit. He explained that they do not meet on a regular basis and although Officers were preparing things there was not a magnitude of work to be investigated. Peter Catchpole agreed with Councillor Benney's point noting that they have reports going to Cabinet on the Investment Boards activity and an annual report going to Overview and Scrutiny. He reiterated that the plan was flexible. Kathy Woodward clarified that the audit work on the Local Authority Trading Company was from a Fenland District Council perspective and explained that they were not directly auditing the company itself as this would be completed by the external auditors.
- Councillor Booth expressed his concern that Councillor Benney had a conflict of interests as he was on the Investment Board and asked whether this needed to be declared. He stated that the Committee acts as an Independent Assurance Board and should be careful when commenting on areas where there may be a conflict of interest. Peter Catchpole clarified

that Councillor Benney was a member of the Investment Board and not a director on the board of the Local Authority Trading Company. Councillor Yeulett asked whether he was in a position to take decisions. Peter Catchpole clarified that he was in a position to sign off the business plan but operationally he cannot take decisions on the Local Authority Trading Company which is run by the board of directors.

- There was a further discussion around the possibility of Councillor Benney having a conflict of interests in this area and it was resolved that they would seek legal guidance for the next meeting.

Members ACKNOWLEDGED the Internal Audit resources and NOTED the attached Internal Audit Plan for 2022/23.

ARMC49/21 ANNUAL GOVERNANCE STATEMENT UPDATE

Members considered the Annual Governance Statement update presented by Kathy Woodward.

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

- Councillor Yeulett recognised the situation in Ukraine and the impact this would have on the UK regarding the number of refugees seeking shelter. He asked whether this was an area that needed to be flagged or whether this would be tackled later. Kathy Woodward explained that the issues raised would be picked up as part of the risk register and informed the Committee that the Cambridgeshire and Peterborough Local Resilience Forum were also discussing the matter. She explained that they were keeping a watching brief as it was unclear as to the effect it would have on the Council. Regarding the Annual Governance Statement, she informed him that they would include a watching brief on the area in this.
- Councillor Booth identified the shortfall predictions and variances and raised that there was a wide variance in the figures of around £600,000. He explained that this was not good practice and asked whether they could do anything to avoid this in future. Peter Catchpole explained that there were many unknowns in the budget and changes they could never have envisaged. He reasoned that they had performed very well in the situation and hoped that they would continue to outperform the budget going forward. He stated that the only certainty in the budget was Council Tax and that everything else had a level of uncertainty around it noting that the budget was compiled relatively early and lots changed between November and when it was published. He stated that he was happy to see the drop of £600,000 and hoped that it would drop by more.
- Councillor Booth recognised that it was not the best year for predictions due to the situation and stated his hope that it would be more stable going forward. He reiterated that having such wide variances in the budget should be avoided wherever possible and asked how the Council could manage finances responsibly when they are half a million out. Peter Catchpole informed him that he had analysed the neighbouring Council's budgets and found that no one came as close to Fenland's predictions and outcomes. He recognised that putting an accurate budget forward did have key decision making implications on areas such as Council tax rates and stated they try to be as accurate as possible but reiterated that there were many variables that change from one year to the next including government funding and grants which made the task difficult.
- Councillor Benney recognised that they were looking at one of the worst years possible due to Covid-19 and identified that they did not have to pull heavily from the reserves despite this. He stated that Councillor Boden had set up the Equalisation Fund which had wiped out nearly £243,000 of the deficit. He expressed that he felt the Council had done very well considering the impact of the crisis and that this had shown good management by the Council, Peter Catchpole and the portfolio holder for finance, Councillor Boden.

Members AGREED to note the progress made against the actions identified in the Annual Governance Statement for 2020/21.

ARMC50/21 RISK MANAGEMENT STRATEGY AND CORPORATE RISK REGISTER

Members considered the Risk Based Internal Audit Plan 2022/23 presented by Stephen Beacher.

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

- Councillor Booth asked whether it was necessary to bring the policy back every year or whether it could be looked at on a tri-annual basis. He expressed that it was important to look at the risk register quarterly but the policy was unlikely to change dramatically. He stated that it would be useful to use track changes in future. Councillor Booth identified section 9.3 which stated that there were three options for managing risk. He challenged this stating that there were five with risk acceptance and risk sharing being missed off. He argued that risk sharing was an important area as the Council conducts this in several ways through their relationship with areas such as ARP and the Shared Planning Service. He also asked who set the risk appetite and risk strategy as the document stated that it was senior management when it should be the Councillors. Stephen Beacher explained that they did have the tracked changed document if Councillor's wished to see it and stated that they would take the other comments on board.
- Councillor Wicks stated that the risk register should identify emerging risks with the mitigations for them along with an ultimate fallback position if the mitigations fail. Stephen Beacher explained that they do review risks and identify any emerging ones on a quarterly basis with the Corporate Risk Management Group who then pass it through Corporate Management Team before it is brought before the Committee. Peter Catchpole clarified that the risk register was presented quarterly which contained all the information Councillor Wicks had outlined. Councillor Booth noted that this was set out in the policy document.

Members APPROVED the latest Risk Management Policy and Strategy as attached at Appendix A.

ARMC51/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

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

- Councillor K French informed the Committee that there were no definitive dates yet and that these would be circulated in due course.

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

- Councillor Booth recognised that Committee training still had an amber status despite the Committee now receiving regular training and asked whether this should now be green. Kathy Woodward agreed to amend this and stated that if Councillors had any suggestions for further training she would be happy to consider these and provide training at appropriate times.
- Councillor Booth identified the Independent Member Appointment due in July and asked whether any steps were being taken to deliver on that. Peter Catchpole confirmed they were taking steps and informed him that there would be a paper coming before the Committee in July which would outline the process and be driven by the Committee. Councillor Booth asked if they needed to amend the due date as they would not be in place by July. Peter Catchpole clarified that the due date was for the paper to be brought before the Committee and explained that there would be a process after that.

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

ARMC52/21 ITEMS OF TOPICAL INTEREST.

Peter Catchpole informed the Committee that he had accepted the offer from the PSAA to opt in allowing them to handle the appointment of external auditors.

5.00 pm

Chairman