

# AUDIT AND RISK MANAGEMENT COMMITTEE

TUESDAY, 25 FEBRUARY 2025 - 4.00 PM



**PRESENT:** Councillor K French (Chairman), Councillor G Christy and Councillor Mrs J French

**APOLOGIES:** Councillor G Booth and Councillor S Tierney

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Stephen Beacher (Head of ICT Digital & Resilience), Mark Saunders (Chief Accountant), Sam Anthony (Head of HR and OD) and Sian Warren (Deputy Chief Accountant)

## **ARMC22/24 PREVIOUS MINUTES**

The minutes of the meeting held on the 4 December 2024 were approved and signed.

## **ARMC23/24 AUDIT RESULTS REPORT 2023/24**

Debbie Hanson from Ernst & Young, the Council's Appointed Auditors, presented the report to the committee.

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

- Councillor Christy stated that with regards to the specific weakness which has been identified concerning governance, the words used appear to be quite forceful and, therefore, in his view, it is important for it to be placed on record so that other people understand what that actually means in terms of the impact on the Council. He referred to the recommendations listed on page 62 of the report which also refer to the identified weakness. Debbie Hanson explained that she has highlighted that there have been a number of councils where there appears to have been some slippage in arrangements for production of financial statements over the last few years. She added that it forms part of the national issues with delays in local audits and those delays are combined system issues and are not purely issues related to audit forms and are also related to Council departments capacity and are related to the complexity of Local Government accounts and the CIPFA Code. Debbie Hanson added that as part of the Local Government reset there were some backstop dates introduced for audits up to 2022/23 which was the 13 December and the backstop date for 2023/24 was the 28 February. She agrees that it is a strong term to highlight a significant weakness, however, the wording is determined by the National Audit Office's Code of Practice and she is guided by that code. Debbie Hanson explained that when looking at the different criteria significant weakness is the terminology that is used, if weaknesses are identified in those arrangements where it is felt that they need reporting in the audit opinion. She made the point that the reason it is felt to be important is due to the fact that the Council's Finance Team is relatively small and there a lot of competing priorities and, in her view, she feels that it is important that the organisation, as a whole, recognises the importance of supporting that team to enable the accounts to be produced in a timely basis meaning that the accounts for 24/25 are finalised by the end of June in order that the audit can be completed before the next backstop date which is February 2026. Debbie Hanson stressed that it is vital that the local audit system is brought back to a reset and, therefore, it was felt important for it to be highlighted. She added that had it only been for one year where there was a delay then it might not have been necessary to highlight it,

however, in her view, there have been a number of years where the accounts have been later than they should have been.

- Peter Catchpole stated that he has had discussions with the External Auditors and added that there have been some conscious decisions made not to publish the accounts due to competing priorities, but he does recognise the point that Debbie Hanson is making. He added that he also notes that efforts should be made to publish the draft accounts by the prescribed deadlines, but at the time there were numerous competing pressures including new members of staff joining the team. Peter Catchpole added that he is confident that there is adequate staff in place in order to meet those deadlines and he stated that he made a decision when he knew that full audits were not taking place that the focus would not be on the draft accounts particularly in order to take some of the pressure off of the Finance Team. He made the point that he acknowledges the points made by Debbie Hanson and the wording has been revised and whilst he thought it was somewhat harsh initially, he recognises that the deadlines are in place, however, he made a conscious decision not to publish the accounts. Peter Catchpole stated that it is now hoped to get back on track with the 2023/24 accounts being signed off tomorrow and then the focus will be on the accounts for 2024/25. He explained that a further resource has been added into the Finance Team due to the upcoming retirement of Mark Saunders, the Chief Accountant, and there is a plan to do things slightly differently going forwards in order to reprioritise.
- Councillor Christy stated that the report refers to uncorrected differences and he asked Debbie Hanson whether she can provide her view with regards to the materiality of those differences and what that actually means to the Council? Debbie Hanson explained that the differences were identified as a result of the basic checks which were undertaken on the financial statements which identified some differences which were corrected but it does highlight that there were errors in the draft accounts that were published in October 2024. She made the point that ideally she would not expect to see errors within the accounts of that nature and that should be something for the Council to reflect on for the accounts for 2024/25 and to ensure that whatever issues resulted in those differences do not occur in the 2024/25 financial statements.
- Claire Sulam from Ernst & Young added that from recollection the differences identified were significant in value, but they have been highlighted to the Finance Team so that they are aware of the costing errors in order that they can be amended in the final accounts.
- Councillor Christy made reference to the fact that it has been mentioned that it is a disclaimed audit, and he asked for clarification as to what the material bearing of that actually is on the Council and whether it is a negative bearing. Debbie Hanson explained that in the prior year of 2022/23 the Council also received a disclaimed audit due to the fact that audit procedures were not undertaken. She added that when considering the current year, wherever an audit was disclaimed in 2022/23, the Council would again be receiving a disclaimed opinion because there would be no assurances in place over any opening balances or comparators. Debbie Hanson explained that the slightly different position that Fenland finds itself in this year, compared to some other councils who are being audited, is that there were no detailed audit procedures around individual balances in order to start to rebuild that assurance. She added that as a result it was acceptable to use the term of a 'full disclaimer' as she is making the point that they have not undertaken any audit procedures and, therefore, cannot provide any real assurances over the balances. Debbie Hanson explained that when reviewing the 2024/25 financial statements, there will be two years of having no assurance, which makes rebuilding the assurance for future years more challenging. She added that Fenland is not the only council to be in the position where there have been no audit procedures undertaken for 2023/24, but there are also a number of other councils where she has undertaken quite a substantial amount of work to try and rebuild that assurance and, therefore, that is probably the main implication in terms of the rebuild programme which will have to be considered in future years.
- Councillor Christy stated that the report also states that there are no other matters to report under ISA 260 and refers to financial stability and no significant weaknesses which have been identified, and he expressed the view that it is a very good indication of the financial

stability of the Council and is worthy of recognition.

- Councillor Mrs French stated that she notes that Peter Catchpole has advised that there are adequate staffing resources in place.

**Members noted the contents of the report.**

### **ARMC24/24 FINAL STATEMENT OF ACCOUNTS 2023/24**

Mark Saunders presented the report to members and drew members attention to the update report which had been tabled.

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

- Councillor Mrs French congratulated Mark Saunders and the Finance Team for all of their hard work in compiling the accounts.
- Councillor Christy echoed the sentiments of Councillor Mrs French in what has been a very challenging time.
- Councillor Christy referred to the report and highlighted the projected deficit which was originally set at £548,352 and was reduced by £355,927 and this relates to 1.3% of net expenditure. He added that the reserve balance is going to cover that deficit, with the reserve balance being £1.654 million which, in his view, puts the Council in an improved position compared to the projections of February 2024. Councillor Christy expressed the view that needs to be highlighted and recognised, and he thanked the Finance Team.

**Members AGREED that the Statement of Accounts and Annual Governance Statement, including the tabled amendments for the financial year ended 31 March 2024 as presented be approved and that delegation be given to the Chairman of the Audit and Risk Management Committee and the Corporate Director and Chief Finance Officer to agree any further amendments to the Statement of Accounts which may arise prior to the final 'sign off' by the external auditors.**

### **ARMC25/24 LETTER OF REPRESENTATION 2023/24**

Members considered the Letter of Representation for 2023/24 presented by Peter Catchpole, Section 151 Officer.

Peter Catchpole explained that the Letter of Representation was designed to confirm that the Council had released all the necessary information to the external auditors.

**Members APPROVED the content and form of the Letter of Representation and AGREED that it be signed by the Chairman of the Audit and Risk Management Committee and the Council's Chief Finance Officer.**

### **ARMC26/24 RISK REGISTER - QUARTERLY UPDATE**

Stephen Beacher, Head of ICT, Digital and Resilience, presented the report.

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

- Councillor Christy referred to the Risk Register and the rating of item 24 which indicates a change in Government Priorities or Legislation and, in his view, the rating should be scored higher rather than a 4 which it is scored at the current time. Stephen Beacher stated that likelihood scores a rating of 4 which is probable and a 5 is very likely. He expressed the view that at the next quarter it remains to be seen whether the rating needs to be moved to a 5.

**Members AGREED the latest Corporate Risk Register.**

## **ARMC27/24 WHISTLEBLOWING POLICY**

Sam Anthony, Head of Human Resources, presented the Whistleblowing Report to members.

**Members AGREED to note and approve the amendments to the Whistleblowing Policy.**

## **ARMC28/24 INTERNAL AUDIT PLAN 2024/25 PROGRESS REPORT Q3**

Deborah Moss, Head of Internal Audit, presented the report to members.

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

- Councillor Christy referred to the table at 2.5 within the report and asked whether it would be possible to have a further column which provides the detail of when they are being targeted for commencement or completion? Deborah Moss explained that the ones which state that they are in progress are almost finished and there is a short time lapse between her producing her report and the actual committee meeting, however, she will look to include the information regarding the status of audits going forward. Councillor Christy stated that it would be helpful to see the trend when looking at the status of the audits to gain an understanding of whether there is an issue surrounding staffing resources and then that is something that can be considered by the committee.
- Councillor Mrs French referred to page 267 of the report which mentions memorial safety and inspection policies awaiting new software. She asked whether Deborah Moss has an indication as to when the software maybe forthcoming or whether it is already being used? Deborah Moss stated that it is hoped that the software will be received in due course but there is no identifiable date currently and the audit will be undertaken once the software is installed rather than undertaking an audit twice.
- Peter Catchpole explained that he is working alongside Deborah Moss on the reports and the further detail that members requested is being included within the reports, but it is about reaching a satisfactory balance, adding that the feedback received from the committee is invaluable.

**Members AGREED to note the activity and performance of the Internal Audit function.**

## **ARMC29/24 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME**

Members considered the Audit and Risk Management Committee Work Programme.

- Peter Catchpole explained that he is compiling a new work programme for the next municipal year which will be brought forward for members to consider at the next meeting. He stated that the next scheduled meeting of the committee is due to take place on 17 March, but he proposed that the meeting should be cancelled with a view to holding the next meeting following the elections in May.
- Councillor Mrs French stated that is the sensible thing to do and agreed to holding the next meeting in May.

**Members noted the work plan.**

## **ARMC30/24 ITEMS OF TOPICAL INTEREST**

There were no items of topical interest.