

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 17 OCTOBER 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 M Purser, Councillor S Tierney and Councillor R Wicks

APOLOGIES: Councillor N Meekins, Councillor J Mockett, Councillor R Skoulding and Councillor F Yeulett

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

ARMC10/22 PREVIOUS MINUTES.

The minutes of the meeting held on 4 July 2022 were confirmed and signed as an accurate record.

ARMC11/22 EXTERNAL AUDIT PLAN

Members considered the External Audit Plan for 2020/21 presented by Mark Hodgson from Ernst & Young (EY).

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

- Councillor Booth referred to Mark Hodgson's presentation where he had mentioned infrastructure assets and within the report at Page 15 it mentions highways infrastructure assets and the example of pavements was given, but that the Council are not the Highway Authority and he asked what the level of risk is for the Council and should the point be directed towards the County Council level rather than the District Council? Mark Hodgson stated that the Council does hold £5,000,000 of infrastructure assets which Mark Saunders, the Chief Accountant, can provide the details of. He added that there are a large number of District Councils who are not highway authorities who do hold assets and the accounting concept is exactly the same.
- Councillor Mrs French questioned whether the assets referred to include car parks? Mark Saunders confirmed that it does not. Councillor Mrs French asked for further detail of the £5,000,000 of assets and Mark Saunders stated that they include sewerage treatment works, land around the port quay and a number of environmental improvements that have been undertaken around the district. Councillor Mrs French asked whether the public rights of way are included in that infrastructure list? Mark Saunders confirmed that they are not included, and he agreed that a list of the assets will be provided to members of the committee.
- Councillor Booth asked for confirmation that Mark Hodgson and his team was fully resourced in order to undertake the required work for the Council in November 2022. Mark Hodgson confirmed that there had been staffing issues in 2020, however, that resourcing issue had now been resolved and the requisite work will be commencing on 1 November 2022. Peter Catchpole confirmed that Mark Saunders' assistant has joined a neighbouring authority and they have agreed that he will be able to return to Fenland to assist following agreement and scheduling of dates with Ernst & Young.

Peter Catchpole confirmed that the Audit Plan would not need to be considered by Cabinet.

Members AGREED to note the External Audit Plan.

ARMC12/22 STATEMENT OF ACCOUNTS 2021/22

Members considered the Statement of Accounts 2021-22 report presented by Mark Saunders, Chief Accountant.

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

- Councillor Booth stated that with regards to long term investments there is a figure detailed against that entry within the accounts and he asked whether that is in relation to the properties in Wisbech, which details a sum of £230,000? Mark Saunders explained that the figure relates to two long term investments in property funds that were taken out at the end of the year, and he stated that the expectation is that when dealing with property funds they should normally be in place for around five years in order to try and benefit from any potential rise in capital and the annual rental interest payments. Councillor Booth stated that as it is a new area for the Council to be involved in, the risks need to be reviewed and monitored closely.
- Councillor Booth referred to the Public Works Loan Board and stated that there appears to be one loan which is due to reach maturity in the next five or six years and he asked whether they should be listed including the end dates so there is a clear picture understanding? Mark Saunders stated that the two loans from the Public Work Loan Board are reviewed very closely in terms of where the interest rates are going for repayment purposes and he explained that the Council's Treasury Advisors have recently provided a detailed breakdown of what the impact, penalties and benefits would be of early repayment. He added that if it becomes viable to repay it then in terms of the Council's Capital Programme it will be necessary to take out new loans in the future and at the moment due to interest rates it does not make sense to do so.
- Councillor Booth questioned what advice the Council's Treasury Advisors have provided with regards to interest rates for the short-term investments that the Council holds? Mark Saunders stated that the current advice is that the interest rates are likely to increase, and any short investments should be kept reasonably short until interest rates start to level out and the opportunity to plan a bit further ahead can be considered. He added that currently the rates over a 12-month period are not that much different to a rate over a few months, but the decision has been taken to keep any investments up to a three-to-six-month period so that the Council can take advantage of anything that takes place in the future. Mark Saunders explained that interest rates have increased quite significantly since this time last year and at that time the rate was very low where now the rate is between two and three per cent.
- Councillor Booth asked for clarity that the Council is not currently taking out any new investments for a twelve-month period due to the unknown financial situation? Mark Saunders confirmed that is the case and added that there needs to be some certainty because the Council has now invested quite significantly with the two property funds which need to be tied in with the cash flow requirements and consider what the situation will be over the next twelve months. He added although there are funds in the bank at the moment, there are a number of large projects which are taking place imminently which will have an impact on the funds the Council currently hold and there needs to be a certainty that the Council can still invest for that period of time.
- Councillor Mrs Davis stated that she reviewed the report where it makes reference to the pandemic, and there has been no news that the Government are planning to provide further funding, but all local authorities will be struggling due to the funding gap. She questioned whether there is any knowledge on what the impact will be for the Council? Mark Saunders explained that there are certain factors underway which will assist him in being able to look at the figures and at the moment as part of the budget setting exercise the overall finances

and budget of the Council is being reviewed to see how they culminate. He added that a draft budget report is due to go to Cabinet in December and a great deal of work will be undertaken to see what impact that will have but it is likely to be significant and it is likely that the Government will not provide any further money to our part of the public sector. Mark Saunders explained that if the Government maintain the levels of funding as they did in the 2021 spending review for the period, that will effectively be a cut in the amount received due to the fact that inflation is increasing towards 10% and pay awards are rising significantly higher than what had been budgeted for. He added that if there are no more additional resources received from the Government then it will be a significant challenge for all local authorities.

Members AGREED to note the contents of the draft Statement of Accounts for the financial year ended 2021/2022.

ARMC13/22 ANNUAL GOVERNANCE STATEMENT 2021/22

Members considered the Annual Governance Statement 2021-2 report presented by Kathy Woodward, Internal Audit Manager.

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

- Councillor Booth noted the changes made to the document this year and asked whether the changes have been made based on best practice elsewhere? Kathy Woodward explained that the Annual Governance Statement has not been reviewed for a number of years and has followed the same format for over 7 years. She added that it is not the easiest of documents to digest, hence the reason why the document now has an element of pictorial representation in order to provide a clearer understanding for people so that they can understand what the aims and objectives are. Kathy Woodward explained that there is an awareness of issues surrounding governance and not just in local authorities which have been identified through the Tony Redmond Review and the Department of Levelling Up and Communities. She explained that she has undertaken a bench marking exercise with other local authorities to help her to give the document an overhaul to make it more simplistic whilst still ensuring it meets the needs of what the Council is trying to produce as an authority.
- Councillor Booth stated that to make the document more user friendly should be commended in particular for members of the public who review such documents. He made reference to page 193 of the document which refers to the Council's Consultation Strategy, making the point that it is his understanding that it has been a number of years since that has been reviewed by members and he expressed the view as to whether that should be highlighted by the committee. He added that he is unsure whether that strategy is now being followed, and in particular, when engaging with Parish and Town Councils and for this reason he would like to see a review of it in due course. Kathy Woodward stated that is something she can incorporate in the document under areas of further improvement.

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.

ARMC14/22 CORPORATE RISK REGISTER REVIEW

Members considered the Corporate Risk Register presented by Peter Catchpole, Corporate Director.

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

- Councillor Booth stated that it appears that the register has been thoroughly reviewed which he was pleased to see, and it appears that the changes he had highlighted previously have been implemented. He added that the document does not show what the previous position

was in the risks and likelihood, although the assumption is that the Council is moving in the correct direction of decreasing the risk and likelihood. Councillor Booth added it would be a worthwhile exercise to be able to show what the previous risk scores were. Peter Catchpole asked Councillor Booth whether he was referring to the way the risks are scored in the summary table. Councillor Booth confirmed he was, and Peter Catchpole stated that it is quite subjective, but he does not disagree with the point that Councillor Booth has made. Peter Catchpole explained that the scoring framework is discussed in great detail, but he agreed to look into the suggestion made by Councillor Booth which is a very valid point.

- Councillor Booth referred to inflation and added that within the report on page 211 it mentions the cost of living and the energy crisis and added that he is aware of issues with other councils where their energy contracts are not necessarily fixed and, therefore, they are more susceptible to the energy increases, and he asked whether a fixed energy contract had been put in place or a variable rate. Peter Catchpole stated that he is of the understanding that at the current time the Council is placed on a fixed deal which is due to be renewed in the next 12 months. Councillor Booth stated that if that is the case, it is unlikely that the Council will be able to obtain another fixed rate and will, therefore, be susceptible to the increases. Peter Catchpole stated that he is not aware what will be achievable, but efforts will be made to seek the best available rate at the necessary time. Councillor Booth expressed the view that it is unlikely that a fixed rate can be found.
- Councillor Booth asked whether the street lighting contract was separate to the main contract, and it was confirmed that it was. Councillor Mrs French stated that it is her understanding that the street light contract has another 12 months.
- Councillor Wicks questioned whether the Council is on a fixed rate tariff for energy costs for the foreseeable future for the infrastructure and buildings that the Council operates? Mark Saunders confirmed that the Council is on a separate contract for gas and electricity and uses the Eastern Shires Purchasing Organisation (ESPO) to achieve the best rates. He explained that both of the utilities are due to be renewed within the next 12 months.
- Councillor Mrs French asked for an update at the next meeting with regards to energy contract renewal details.
- Councillor Booth stated that Peterborough City Council have taken steps to modify all of their refuse vehicles to hybrid/oil type solution and asked whether it is something the Council would consider? He added that he understands that Peterborough are looking to save significant amounts of money compared to what their expenditure would be on diesel costs. Peter Catchpole explained that Cabinet recently approved a new contract for the supply of diesel through the ESPO framework and as far as he is aware there is no intention at looking at other options, but it is something to consider in the future. Mark Saunders explained that there is a rolling programme for the replacement of vehicles after so many years and on a yearly basis 1 or 2 vehicles are replaced. Councillor Booth asked whether the vehicles are leased, and Mark Saunders explained that due to the interest rates being so low for a number of years it has been better for the Council to finance the purchase of the vehicles instead. He added that some of the older vehicles are still on a leased basis but not the newer vehicles.

Members AGREED to note and agree the Corporate Risk Register review.

ARMC15/22 INTERNAL AUDIT PLAN 2022-23 PROGRESS REPORT Q1

Members considered the Internal Audit Plan 2022/23 Progress Report Q1 presented by Kathy Woodward, Internal Audit Manager.

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

- Councillor Booth stated that he would like to get a better understanding of the discussions that have taken place for some time with regards to the Executive Summaries. He added that he can see that the report is now in a new format, but questioned whether that is the format that will be used going forward as he does not think it provides enough detail from

his perspective of what the issues are around all the different recommendations and findings. Councillor Booth stated that he would still like an executive summary circulated to members of the committee so that there is an awareness of what the audit findings are. Kathy Woodward explained that is about finding a balance with regards to providing the committee with enough information without providing them with too much operational detail that is being dealt with by the Management Team and it is down to the committee to decide whether they have been provided with enough information or whether they require more detail. Councillor Booth stated that his concern is if the extent of the risk is not quantified, such as the agreement between Lincolnshire and the Cross Keys Marina, what are the potential liability and the quantifiable risk to the Council in relation to the health and safety and port navigation. He stated that similarly with regards to the IR35 Regulations, there is no detail to explain what element of the regulations has not been adequately addressed and the reason why he prefers the Executive Summaries are that they provide quantifiable information so that more thorough discussions can be had by the committee. Kathy Woodward stated that from her perspective she would have issue with placing that level of detail into the public domain and an alternative solution may need to be considered about providing the committee with detail outside of the public report. Councillor Booth stated that if he is to fulfil his role as the critical friend he does not have enough information to say he has the assurance to say everything is in hand which is a key function of the Audit and Risk Management Committee. Kathy Woodward agreed to have further discussions with Peter Catchpole on what information needs to be supplied to the committee in order for them to fulfil their role to the best of their ability.

- Councillor Mrs French asked whether officers had made any progress with regards to the appointment of an Independent Person to sit on the committee? Kathy Woodward stated that there is a potential candidate who has expressed interest in fulfilling the role, however, some further guidance has been requested from CIPFA which is yet to arrive and once it has been reviewed then it can be used to analyse the skills of the committee to create a job description for the role.
- Councillor Booth asked whether the guidance for Conduct Committee could be used in the interim as it has guidance for appointing independent people? Kathy Woodward explained that it is not the process the guidance is required for, it is concerning the job description. She added that a report would need to come back to committee and to Full Council before the recruitment process can start.

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

ARMC16/22 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee workplan.

Councillor Booth stated that he finds the document helpful so he along with the rest of the committee are aware of what tasks are on the plan in the future.

Members AGREED to note the contents of the Audit and Risk Management Committee work programme.

ARMC17/22 ITEMS OF TOPICAL INTEREST.

Peter Catchpole highlighted to the committee items of topical interest:

- the Council's auditors have written to him and indicated that they are not going to be ready by the 30 September, with it being a statutory requirement that the letter is placed on the Council's website.
- the committee have previously been made aware of the appointment of auditors going forward and the procurement exercise from the Public Sector Auditor Appointments has taken place and a consultation exercise is now underway to decide who the Council's

auditors will be. He added that the interesting fact in the procurement exercise is that the difference between England and Scotland in that England do not have an auditor of last resort and, therefore, the Council is completely dependent on the commercial market for the auditors and the procurement is advising officers that there is the expectation that there will be 150% increase for audit fees going forward. He added that to put that into perspective, if the fees are currently £40,000, the new rate will be £100,000. Peter Catchpole explained that there were only 6 companies who completed the procurement exercise, and they are known companies, with the Council being in a position to announce the new auditors at the December meeting.

- a replacement for Neil Krajewski was still being sought and Kathy Woodward would also be leaving the authority to take on a new promotion to oversee four authorities audit functions. Peter Catchpole asked for it to be placed on record his thanks to Kathy for all her support and advised the committee that the Council will now be looking at the various options of how the internal audit function can be provided going forward. He explained that the committee will all be aware that an external review of internal audit also needs to be undertaken and it is hoped that those two functions can be combined as it is very difficult to do like for like recruitment at the moment.
- Councillor Kim French thanked Kathy Woodward for all the work she has undertaken on behalf of the committee. Councillor Booth thanked Kathy for all the work she has implemented on behalf of the committee and wished her well for the future. Councillor Mrs French reiterated the well wishes and thanked Kathy for all her work she has undertaken.
- Kathy Woodward thanked the members of the committee for their well wishes and she added that she has enjoyed the challenges that she has dealt with, which will help her in her new role.

5.05 pm

Chairman