

AUDIT AND RISK MANAGEMENT COMMITTEE

**WEDNESDAY, 4 DECEMBER 2024 - 4.00
PM**



PRESENT: Councillor K French (Chairman), Councillor G Booth, Councillor G Christy, Councillor Mrs J French and Councillor S Tierney

Officers in attendance: Stephen Beacher (Head of ICT Digital & Resilience), Peter Catchpole (Corporate Director and Chief Finance Officer), Deborah Moss (Head of Internal Audit), Mark Saunders (Chief Accountant) and Sian Warren (Deputy Chief Accountant)

ARMC12/24 PREVIOUS MINUTES.

The minutes of the meeting held on the 22 July 2024 were agreed, subject to the following change to minute number ARMC3/24, which contained a typographical error and should read as follows:

It was proposed by Councillor Miss French, seconded by Councillor Mrs French and agreed that Councillor Mockett be appointed as Vice Chairman of the Audit and Risk Management Committee for the municipal year 2024/25.

ARMC13/24 APPOINTED AUDITOR - AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2023

Mark Hodgson 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 referred to the page 13 of the report which highlights the results and the implementation of the backstop date, which mentions that the proposed disclaimer of the Council's 2023 accounts will impact both the audit procedures to be undertaken to gain assurance on the 2023/24 financial statements. He asked whether Mark Hodgson was able to provide some detail with regards to the significance and magnitude of that impact to be had on the audit procedures and the audit report for 2023/24? Mark Hodgson explained that the Financial Reporting Council have issued some guidance in an accessible document which has been provided to Mark Saunders, Chief Accountant, and Peter Catchpole, Section 151 Officer and within that document it sets out that there is a usual, at least, minimum 3-year period to unwind a disclaimed audit opinion before it can return to what he would deem to be an unqualified set of accounts in a normal set of circumstances. He added that because there have not been any audit procedures in 2022/23, there are no assurances over the Council's closing balances and the reserve position as of 31 March 2023 and as a result of this there are no assurances for 23/24 with the opening balances and then similarly the audit opinion for that period would need to be disclaimed because it is deemed that the opening balances are a pervasive part of a set of financial statements, and you cannot opine on them without that opening balance assurance. Mark Hodgson explained that you can then build back an element of assurance by doing all of the in-year transactions in order to get assurance on the closing balance as of 31 March 2024, however, when the subsequent period is entered into, there is no assurance over the comparatives and the movements between the two sets. He added that as a result there is

a qualified opinion on the subsequent 24/25 accounts, and it is hoped by 25/26 there can be procedures performed in order to build back assurances over each of the three years in order to reach a position as of 31 March 2026 where there is the potential to issue an unqualified opinion. Mark Hodgson made the point that it is a long and convoluted process in order to unwind and recover the local audit market which is how the Government has referred to the situation.

- Councillor Booth stated that a result of this it would appear that it is going to mean additional assurance work which in turn will mean that additional fees are going to be accrued. Mark Hodgson stated that the audit fees will be determined by Public Sector Appointments and in order to build back assurance, there will be procedures which need to be performed in order to build it back and those procedures will not have been performed in the 2022/23 year and, therefore, there will be fee implications from the audit firm perspective, however, that does not fall within his jurisdiction.
- Councillor Booth stated that he would like to know how the Council finds itself in this current position as it is his understanding that the issue is because Ernst & Young did not have the resources in place to undertake the review in previous years and he asked whether that is correct? Mark Hodgson explained that there a whole series of issues which have led to the backlog in local audits across the whole sector, which has been well documented in reviews including the Redmond Review and when considering this Council specifically, the reasons have been set out on page 8 of the report which have led to the reasons for the disclaimer. He made the point that he accepts that there were points in time when the Council was ready to be audited, however, there were no resources available in order to undertake the audit but it is fair to say that it works vice versa across the time period that the audit would have started, and the reasons cited on page 8 form the basis for that audit disclaimed for the Council for this audit year.
- Councillor Booth made the point that the report is disclaimed and, in his view, the report does not provide enough emphasis that Ernst & Young did not have enough resources available and is not clear enough. He added that he recalls a conversation that he had with Peter Catchpole concerning a late notice cancellation when Ernst & Young were due to be on site, but that visit did not take place. Councillor Booth stated that he would like to have seen in the report that it was more clearly attributable that the position the Council now finds itself in is not only due to the actions of the Council and he feels that it is disingenuous not for that to be clearly articulated. Mark Hodgson stated that he notes the comments made by Councillor Booth and he added that he has considered how the position is reported and the narrative which are on page 8 is a consistent basis where relevant for each Council given the context and the legislation which has been applied and is being followed.
- Councillor Booth expressed the view that that whilst it may be the adopted consistent approach by Ernst & Young it appears to be a cut and paste approach into a report for Fenland District Council and he does feel that there could have been more context included as it is a public document. He added that the way it currently reads, it appears to proportion the blame on the Council and he would have liked to see it made clearer regarding the resourcing issues.
- Councillor Christy asked Peter Catchpole to confirm what communications are in place to notify the public of the late filing of the disclaimed 2023 accounts and asked whether there has been any wording provided by MHCLG? Peter Catchpole stated that all of the documents are in the public domain and the associated problems with the audit backlogs are a well-known fact. He added that there are no specific communications planned and the level of public interest in the Council's accounts when they go out for consultation is minimal. Peter Catchpole added that it has been decided that there is no specific action which needs to be taken as it is felt that there is enough information in the public domain, however, if members feel that there is the need to do something further then that could be done. He expressed the view that the Council has a good working relationship with Ernst & Young and continues working with them in partnership.
- Councillor Booth stated that he agrees that the level of engagement is minimal because the information is not in plain English and not easy for people to understand. He added that one

of the implications is around the backstop and the changes to regulations and, in his view, the unintended consequences is where the Council finds itself in the current position. Councillor Booth added that it has been stated that there is the plan to clear the backlog but, in his view, they are creating more work for external audits in the future, and he believes that information should be fed back. He made the point that the External Auditors are going to have to undertake additional catch-up work in order to give themselves more assurance in the future.

- Councillor Tierney expressed the opinion that it is fair to say that the public are not interested in the Council's accounts up until the point when they can see that something may be wrong and that is when the level of interest increases. He made the point that he thinks it would be a worthwhile exercise to speak to the Communications Team to ensure that the cause and effect are clear to ensure that people are not confused and think that something untoward is taking place.

Members agreed to note the contents of the report.

(Councillor Booth asked for it to be recorded that he did not agree with the contents of the report)

ARMC14/24 STATEMENT OF ACCOUNTS 2022/23

Mark Saunders, Chief Accountant, presented the report to members.

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

- Councillor Booth referred to transformation agenda 2 and it does not appear to set what the actual figure is, adding that he expects that when the accounts were being prepared that information was not clear. He proposed that for the next set of accounts it should be pointed out what the savings target figure actually is, although it is alluded to as there is mention of the accommodation review and the Council Tax increase. Mark Saunders agreed that this would be included going forward as he agrees with Councillor Booth who made the point that it is a useful figure to have.
- Councillor Mrs French stated that she wished to thank Mark Saunders and his team for all of their work on the accounts as it is not an easy task to undertake, and she congratulated the team.
- Councillor Christy stated that he agrees that the information is very well put together and he finds it very useful. He referred to the Mid Term Financial Strategy where it details the gross expenditure, and expressed the view that it appears to be at a flat level over the next 5 years whereas he would have expected it to be rising with increased costs. Peter Catchpole explained that the Mid Term Financial Strategy is being updated as part of the budget process and the draft budget will be presented to Cabinet on the 16 December.
- It was noted that sometimes in the documentation the Mid Term Financial Strategy is referred to as the Mid Term Financial Forecast.

Members AGREED that the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2023 as presented be approved and that that delegation be given to the Chairman of 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.

ARMC15/24 LETTER OF REPRESENTATION 2022/23

Members considered the Letter of Representation 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.

ARMC16/24 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW 2024/25

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review report presented by Mark Saunders, Chief Accountant.

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

- Councillor Booth referred to page 199 of the report and stated that it makes reference to authorised limit for external debt, and asked whether that is different to the loan facility that is provided to Fenland Futures Limited (FFL)? Mark Saunders explained that the loans that are provided to FFL are all part of the Capital Programme and the funding of that is included within the authorised and operational limits, with the report that is going to Cabinet having a new Capital Programme appendix and that will show the funding which is going to be available to FFL within the overall programme. He added that the limits are usually set higher than what is the anticipated usage to allow an amount of tolerance so that there is no requirement to go back to Council for approval and that if there is ever a situation where an authorised limit for external debt is being reached then there is the requirement to go back to Council to set a new approved limit. Mark Saunders made the point that the level is set at an amount that the Council can afford to pay the financing costs, and which are at the overall budget requirement.
- Councillor Booth stated that it was his understanding that there had been a figure set of £25 million which was agreed at Council and there was not an £80 thousand pound tolerance. Mark Saunders stated that has nothing to do with FFL and the whole authorised limit refers to the whole capital programme and all of the funding that is required for the whole programme. He added that the £25 million which was for the Commercial Investment Strategy was spread over a number of years and the figures shown in the report before the committee are for the 24/25 limit.
- Councillor Mrs French referred to page 200 of the report which details Section 106 contributions, expressing her surprised that the figure appears to be very low when considering the amount of planning applications which have been approved over recent months and whilst she understands that the money is not yet received, in her view, it is something that should be highlighted. Mark Saunders stated that the figures shown are the funds that are currently held and are monies which are being used to fund certain elements of the capital programme and most of that is being spent on playgrounds and playground equipment. He added that dependent on what contributions are received going forward will determine what it can actually be spent on and then schemes will come forward in due course to use that available funding.

Members noted the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review.

ARMC17/24 INTERNAL AUDIT PLAN 2024-25 PROGRESS REPORT Q1 & Q2

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

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

- Councillor Booth referred to the review which has been postponed due to the fact that the contract has only just commenced, and he does have concerns with regards to this as he has requested that a review takes place over a number of previous years and whilst he understands the reasoning behind the delay he asked that the review is undertaken as soon as possible in the new financial year. He made the point that a six-month time period is enough time to audit how a contract is operating, and it can be used as a benchmarking exercise to ensure it is embedded sufficiently.
- Councillor Booth referred to the actions in the report and highlighted that there appears to be a theme around training not being undertaken across a couple of the reviews including

phishing and data protection, with one of the outstanding actions was regarding safeguarding and whilst he is aware that there is a new Human Resources platform, in his view, it raises a question as to how training is monitored, completed and tracked at an individual level. He suggested that the committee asks HR to clarify whether the new system has a tracking facility in place so that assurances can be given that training is completed at the appropriate time which will save having to undertake reviews on it in the future.

- Councillor Booth expressed the opinion that with regards to follow ups it would be good to look at high risk areas and sample the medium areas whilst leaving the low areas as they stand. He added that now the new Audit Team is in place he has always been an advocate of having more contingency in place in order that there can be ad hoc reports undertaken as and when issues arise and are identified.
- Councillor Booth expressed the view that with regards to the report format, it has been an evolving report format, and he has been an advocate of the committee receiving executive summaries as he is not confident that there is enough level of detail of what the issues actually are, and he feels that an executive summary would be very useful. Peter Catchpole expressed the view the report has evolved significantly following input from Councillor Booth and he explained that efforts are now being made to strike a balance so that the committee do not need to be appraised with regards to every operational risk that is picked up on and rather give the committee details with regards to the medium and high-risk matters.
- Peter Catchpole added that he welcomes the point that Councillor Booth has suggested with regards to sampling medium follow ups and he made the point that all of the high follow ups need to be implemented almost instantly unless there are reasons when that cannot happen. He explained that his focus when the previous Internal Audit Manager was in post was that he did not want to see any outstanding actions from previous years and he agrees that some things are not always in the Council's control, such as the procurement legislation and safeguarding. Peter Catchpole added that Deborah Moss only joined the authority in May and has joined from a neighbouring authority, she has her own ideas on how she wants to manage expectations and is already challenging him, which in his opinion is very healthy, and she is contributing at management team level and not just at Internal Audit. He made the point that the aim is to raise the profile of Internal Audit, and he thinks this is being achieved internally and the input that Councillor Booth provides is helpful and there will be a planned session on how Internal Audit is conducted and the findings in order to evolve and develop.
- Deborah Moss stated that with regards to the follow ups she is used to a software programme to assist with the monitoring and currently she is using a spreadsheet to try and streamline her work. She explained that with regards to the training it is something that she will take forward to the Corporate Governance Group to discuss further.
- Councillor Booth questioned whether the specification for the new training platform has been agreed and he would hope that there is a tracking functionality built into the system and if that is not the case then it is something that needs to be included. He added that he is used to working with a system where there are built in reminders for training to be undertaken.
- Councillor Christy stated that the format is good and very easy to follow and welcomes the fact that he can see that the mandatory training is being completed. He questioned whether the next iteration should identify some key performance indicators for the committee in order that a heat map type approach can be worked towards.
- Councillor Christy referred to the aspect of ICT cyber security where it states on page 211 that the cyber security plan did not contain enough detail and, therefore, one is being developed and asked whether there is any information with regards to the deadline for that especially when it appears that issue is becoming far more prevalent? Peter Catchpole stated that there is the intention of undertaking a training session with the committee on the subject of cyber security, with the profile of cyber issues having increased and there is a mandatory training session for all staff. He added that training could be risk rated as well, and any new members of staff cannot commence their role without first undertaking some

basic tasks including cyber and security training. Peter Catchpole added that there is the intention to bring a training session to the next committee which will focus on cyber security. Stephen Beacher reiterated the point that before the next committee there will a session held on cyber security.

- Councillor Mrs French disagreed with the point made by Councillor Booth with regards to street lighting and as she is the Portfolio Holder responsible for street lighting she suggested that a year would be a better indicator in order to monitor the performance rather than 6 months.
- Councillor Mrs French referred to the point made by Deborah Moss, and asked Peter Catchpole whether there was the possibility of investing in some software to assist officers? Peter Catchpole explained that as part of the Transformation Programme, automation forms a large part of the project and to date he not seen a business case formally requesting a piece of software, however, if it is felt that it is something that adds real value then it is something he would agree to look at.
- Councillor Mrs French explained that she had attended an Anglian Revenues Partnership meeting the previous day where the focus was centred on training. She added that training is so important for staff, and she congratulated officers for the work that they are undertaking on training.
- Councillor Booth made the point that ICT is being raised at Overview and Scrutiny meetings because of possible implications and it may require a joint approach going forward. He added that with regards to software, many years ago he was responsible for setting up some assurance software and at the time there were only a couple of providers in the market, with at that time the product being quite expensive and there was a great deal of work required in order to set it up for the parameters specific to an organisation and he explained that Excel appeared to be the default option for many assurance functions in his experience. Deborah Moss agreed that she cannot see it will be financially viable due to the cost implication which is significant.

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

ARMC18/24 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT & RISK MANAGEMENT COMMITTEE

Deborah Moss presented the report to members.

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

- Councillor Christy stated that it is a very good report, and he agrees with the concept and following the recommended route as outlined by CIPFA. He explained that he sits on another Audit Committee who have introduced an Independent Member, and it has worked very well. Councillor Christy refers to page 226 of the report which refers to the Appointments Panel and he stated that it is his understanding that the CIPFA guidance is that it would be a balanced party panel. He stated that from his experience he does have some materials which he would be willing to share with officers with regards to job specification and questions to assist with the interview process.
- Councillor Booth stated that he agrees with the thoughts of Councillor Christy, and believes that the process should commence. He referred to the point made by Deborah Moss concerning the rationale around the three year cycle and he made the point that every three years, if it was on a temporary basis, then the point could be reached where it would marry up with election cycles and he questioned whether it should be every four years in the middle of the municipal term of a Council in order to give consistency over to committees.
- Councillor Booth asked Councillor Christy to clarify the point he had made with regards to a balanced party approach and whether he was referring to the Widdicombe rules? Councillor Booth stated that he does not think the same rules would apply to the Appointments Panel and he made the point that there should not be too many members on the panel, and he would suggest a maximum of 4.

- Councillor Tierney made the point that he disagrees with the appointment of an independent member as he feels it will be a huge waste of time and money as the committee operates perfectly fine and appears to be bureaucracy for bureaucracy's sake. He expressed the view that it is a waste of taxpayers' money and is completely unnecessary.
- Councillor Mrs French agreed with the view of Councillor Tierney, and she expressed the view that it is an additional expense which will require somebody to be trained, and the Council should wait till they are enforced to do it.
- Councillor Booth expressed the view that the Council is supposed to be a forward-looking Council, and it should, therefore, take steps and be decisive by implementing the Independent Person now in order to provide a robustness to the assurance function of the Council.
- Councillor Tierney expressed the view that if you just do everything just because you think that the Government might force you to do something then you might as well let the Government run the Council. He added that the committee is in place to make independent decisions and not to do things just because others suggest that the Council ought to do something. Councillor Tierney expressed the view that he does not believe it is in the Councils or the taxpayer's interest to go down this particular route.
- Councillor Booth made the point that he disagrees with that view point and in his opinion it is more about improving the assurance function of the committee.

Members REFUSED the recommendation to appoint an Independent Member to the committee.

ARMC19/24 CORPORATE RISK REGISTER REVIEW

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 page 240 of the report where it refers to the capital funding for food waste implementation in 2026 having been received but raises concerns that it be sufficient for the transition to weekly food waste collection. He asked whether there are any mitigation measures which can be put in place as, in his opinion, it looks as though it could be adding to the Council's deficit? Stephen Beacher explained that it is adding to the risk and whilst there has been no mitigation which has been put forward it has been included in the budgetary plans. Sian Warren, Deputy Chief Accountant, added that the team are waiting for figures to be included within the capital programme.
- Councillor Booth explained that this subject was mentioned at a recent Overview and Scrutiny meeting and the guidance has not been finalised and has only been indicated that plans are in place and it would, therefore, be difficult to include any mitigation measures as officers are still waiting for further guidance.
- Councillor Booth stated that he does not disagree with mitigation measures being included in one column, however, he is more familiar with actions and controls being split to make it clearer to reflect what measures are in place and what needs to be delivered. Stephen Beacher explained that the actions are separate, the mitigation should be what has gone before to provide the residual score, and the right-hand column is now actions or comments which have been taken since the last review.
- Councillor Booth stated that where there are actions to be delivered there needs to be a deadline and timescale shown.

Members AGREED the latest Corporate Risk Register.

ARMC20/24 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee Work Programme.

Peter Catchpole explained that the report is self-explanatory and highlighted that with regards to the training, there has not been any training undertaken on the Statement of Accounts for a while and it is hoped that the 23/24 accounts will come before the committee in February and, therefore, he would like to offer a training session to members prior to them considering the accounts at the committee. He added that he would also like to include a training session on cyber security and looking forward to the next year it is the intention that officers will provide a training session on a subject matter relevant to members of the committee. Peter Catchpole stated that the sessions will be run internally and if members are particularly interested in a subject then if it is felt that officers do have the expertise and qualification on a subject matter then external training can be organised.

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

- Councillor Booth stated that with regard to skills analysis, it could be considered as a training session as it is some time since that subject was covered in such a session.
- Peter Catchpole addressed Deborah Moss and stated that when the CIPFA checklist is covered in a training session then there could be the opportunity to cover the skills analysis and CIPFA checklist prior to the next committee meeting. Deborah Moss explained that the last self-assessment was covered in the July 2024 meeting, and she made the point that a skills assessment would be a good idea.
- Councillor Christy questioned whether cyber security should be featured on the work plan? Peter Catchpole explained that under training there is going to be a cyber security session provided which is covered under the risk register. He asked Councillor Christy whether he had expected to see a report specifically on cyber security listed on the work plan and Councillor Christy explained that is what he had presumed. Peter Catchpole stated that the cyber training session will take place with Stephen Beacher first and that will highlight a cyber security plan and then look to review the work plan from there.
- Councillor Booth made the point that the cyber security training will need to take place in a closed session due to the sensitivities which form part of the subject matter.
- Deborah Moss referred to the new audit standards which were released in January 2024 and are due to be effective as of April 2025, which are the standards which hold audit and the Council to account with regards to the various expectations and standards which should be met. She explained that the standards have been extended to include a lot more responsibility for Audit Committee and holding the Audit Department to account and she questioned whether an overview of the standards would be helpful to members provided either by her or the Local Government Association.

Members noted the work plan.

ARMC21/24 ITEMS OF TOPICAL INTEREST.

There were no items of topical interest.

5.27 pm

Chairman