

# AUDIT AND RISK MANAGEMENT COMMITTEE

**MONDAY, 24 NOVEMBER 2025 - 4.00 PM**



**PRESENT:** Councillor K French (Chairman), Councillor I Benney (Vice-Chairman), Councillor G Booth, Councillor G Christy and Councillor Mrs J French

**APOLOGIES:** Councillor S Harris

Officers in attendance: Sian Warren (Chief Accountant) and Deborah Moss (Head of Internal Audit)

## **ARMC12/25 PREVIOUS MINUTES.**

The minutes of the meeting held 28 July 2025 were approved and signed, subject to the following amendment ARMC 6/25 it makes reference on a couple of instances to the 'quality policy, however, that should state equality policy.

## **ARMC13/25 DRAFT - AUDITOR'S ANNUAL REPORT 2024/25**

Members received a presentation from Debbie Hanson of Ernst Young (EY), the Councils' external auditors.

Members asked the following questions:

- Councillor Booth asked for clarification with regards to the timescales associated with the delays in the working papers being provided. Debbie Hanson explained that generally there is a three-day response time to audit queries which is agreed with the Finance Team and the delay would have been beyond that agreed timescale. She added that she does have detailed records which are held on the portal which is shared with the Council and that is where the requests are logged along with a due date and that is then monitored when information is received. Debbie Hanson stated that the audit results report, that will come forward to the committee in the new year once the audit has been concluded, will include some more information on that. She explained that some of the areas were outstanding longer than others and where she has highlighted the audit on leases it was decided that the work on that subject was not going to be completed because the working papers were not complete. Debbie Hanson stated that she can provide the committee with more statistics and data if they would find that to be helpful. Councillor Booth stated that in the past he has made criticism against Ernst Young about them failing to meet deadlines with regards to audits having not taken place, however, it now appears that the criticism lies with the Council because we have not provided the requested information. He made the point that he is aware that there are instances when certain data is requested it is not freely available and it has to be obtained from the management information suite in order to try and obtain the information and quite often that delay can be caused by just creating the queries in order to get the information. Councillor Booth questioned whether there is more that can be done to be proactive by giving more advanced guidance with regards to what is going to be required and he would anticipate that the information which is being requested is extra to what has been provided already. Debbie Hanson stated that an audit has not been undertaken for two years and there have also been changes within the Council's Finance Team and officers were undertaking new roles and responsibilities which meant that a

learning process was also being undertaken for both the Council's Finance Team and members of the EY team. She expressed the view that this year was more about learning and getting to know each other and next year there should be a better understanding in advance of exactly what audit evidence is required for the individual areas as well as undertaking a split visit so that the information requests can be sent out earlier. Debbie Hanson explained that there have definitely been improvements this year and she expressed the opinion that it was always going to be a challenging year, with regards to going through an audit for the first time and with there being some changes to the processes of EY as well. She added that the team have been very accommodating and have tried to provide the information and there has been no resistance with regards to submitting the information and, in her view, it has been the challenges with regards to the size of the Finance Team, other competing priorities and the fact that some staff are new to the process as well.

- Councillor Christy referred to page 15 concerning the progress of full assurance and he added that he appreciates that it is a situation which a number of local authorities find themselves in but given the current audit status of the Council and the comments that have been made in the report he would like to know whether Debbie Hanson has a view as to when the Council will be realigned in order to be able to adhere to the National Audit Office implementation guidance or is it her opinion that it will take longer to get full assurance? Debbie Hanson expressed the view it will be a longer journey because unfortunately it just means that the 24/25 audit is actually in effect in the 23/24 position in terms of the level of assurance and because there are those gaps in opening balances and comparators it does mean that the Council is one year behind. She explained that the local audit reset is very much focused on a risk assessment approach to being able to move to an unqualified opinion and as a result the challenge is that there are two years where there are no assurance higher risk than if there is only got one disclaimer year and then there are the challenges with regards to Local Government Reorganization (LGR), but the timeframes for that may mean that it is not actually possible for EY to get to an unqualified opinion before LGR impacts and all of those complexities make the position more challenging.
- Councillor Mrs French referred to page 23 and stated that at a previous meeting the committee turned down the proposal to have the addition of an independent person to form part of the committee, and she questioned whether that is something which is going to be reconsidered. Deborah Moss stated that she agrees with the view of EY, which is why she brought the report forward to the committee in December 2024, and she added that she would be happy to bring the report back to committee at the next meeting should it be something that they wish to reconsider.
- Councillor Booth asked Debbie Hanson whether there is any impact to the Council as it does not have an independent person on the committee at the current time? He added as the Council does not have a person in that role, will EY require more assurance in governance or is it just something that they believe should be done as best practice to get the best out of what this committee is undertaking. Debbie Hanson explained that it does not have any direct impact on the work of the External Auditors, but it is recommended as good practice by CIPFA. She has seen it at most of the other councils that she works with and the experience that she has is that those Independent members bring an external view and specific expertise in relevant areas. Debbie Hanson added that it proves to be valuable and adds extra challenge to the audit committee, both to EY and also to the Council's own officers in terms of bringing that experience and, in her opinion, they are valuable members of an audit committee.
- Councillor Miss French asked members of the committee whether they would be content to see a report come back to the next committee and it was unanimously agreed. Deborah Moss advised members that it is likely to become a legislative requirement and, in her opinion, it would be prudent to consider appointing an independent person sooner rather than later as the recruitment process could take some time to find a suitable person.
- Councillor Benney referred to page 25 which refers to a significant risk concerning untimely publication of financial statements as well as a balance carried forward where the figures

are missing and he asked officers when that information will become available so that the balances are correct and signed off so that the accounts can be completed and the Council can then get back on track. He made the point that he is aware that EY had resourcing issues previously and, in his view, the Council has struggled to get realigned since then and he would like the Section 151 Officer, Peter Catchpole, to provide a response to the committee in due course.

- Councillor Benney added that he does have further questions for officers to respond to, including the fact that the Council has not reached the target of savings that were forecast and the reserves appear to be down to a very near minimal level. He questioned whether the Council is in a good place as the accounts have not been completed or signed off and there are many questions which need answering by Peter Catchpole.
- Councillor Benney added that it appears that the £5 million which was borrowed has been paid back and he made the point that members do not know whether the Council will need to undertake any further borrowing this year. He expressed the view that incomplete accounts can lead to poor decision making and, in his opinion, he believes that there are some concerns and red flags in the information which need highlighting to officers and for the committee to receive a response from the Section 151 Officer.
- Councillor Booth referred to the medium-term financial plan and stated that it has been highlighted that the Council will not necessarily meet the savings and he asked how much work has been undertaken when looking at the projections, particularly around the Future 2 programme and what is contained in it against where savings need to be made. He asked Debbie Hanson whether there has been an assessment undertaken to ascertain whether the Council is likely to be on track even though the targets are not being met and what type of assurance for that area can she give as there is only a couple of years shown and they do appear to be quite small to fill that £4 million pound gap? Debbie Hanson stated that, with regards to how much work EY have undertaken regarding the savings and the backward-looking ones with regards to what was achieved last year, it is relatively straight forward and the committee have noted that it was only 50% delivered. She explained that for the current year she has undertaken checks to ensure that there are plans in place to underpin those savings and has undertaken checks to look at how they are being monitored and reported on, which has given the higher percentage of 89% this year at the current forecast. Debbie Hanson added that she has undertaken checks to ensure whether the Council have arrangements in place to identify, manage and monitor the delivery of the savings and has been given comfort and assurance that they are being monitored and the projections do look as though they are improving. She added that she does agree with the point which has been made with regards to the levels of savings being relatively small in terms of them being £500,000 and the cumulative gap which is £4 million and, in her view, the Council needs to do other things in order to increase those levels of savings or income generation to bridge those gaps in future years. Debbie Hanson referred to the report and explained that the Council does have a budget equalisation reserve which is in place to help manage the budget and when possible, the Council has been putting money into the reserve, with this course of action being a mechanism to help set a balanced budget and manage it but a reserve can only be used once and when it has been used to support the budget then there needs to be alternative for the subsequent year to either reduce the level of spend or increase income. She made the point that Fenland is in a very similar position to many other local authorities with regards to the cost pressures which are impacting the Council with regards to pay and inflation and that is something which is having an impact on all councils. Debbie Hanson explained that the figures she has reviewed for Fenland are not as large as she has seen in some places when considering the level of future budget gaps and the reserve position is being managed at the current time, adding that underlying pressures will remain and then LGR will have an impact. She made the point that it will be the balances that will be of most interest as LGR occurs and that will include what are the usable reserve balances and what are the Council's cash balances, and it is those elements which are the critical things. Debbie Hanson explained that the difficulty in terms of getting assurance when there are two disclaimed years is actually how that gap of assurance is

filled in terms of what the usable reserves are in relation to the two years where an audit did not take place. She made the point that, due to that fact, the question arises as how to build up that assurance that there is material mis statement in those usable reserve balances.

- Councillor Booth stated that it would be useful for the committee to have a presentation from officers as to how that gap is going to be covered and what plans are in place.
- Councillor Benney stated that he agrees and added that the auditor's report is already 9 months out of date already and he added that there is missing information which he knows Peter Catchpole would be able to provide members with the answers that they require. He expressed the view that it appears to him that there is a lack of reserves and he questioned whether the Council will need to borrow further in the next year on a short-term basis. Councillor Benney stated that the savings the Council has do not appear to be significant and in the report it also states that the Council lost £362,000 on an investment and, in his opinion, the Council does need to be provided with an explanation as to where the Council is sitting with regards to its financial status.

**Members AGREED to note the report.**

### **ARMC14/25 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW 2025/26**

Sian Warren presented the report.

Members asked the following questions:

- Councillor Benney stated that the report states that the Council borrowed £5 million pounds last May and he asked for confirmation as to whether the Council will need to undertake further borrowing in May 2026 and if so, will that be higher than £5 million pounds. Sian Warren stated that the Council will be looking to undertake some short-term borrowing in February for cash flow purposes to get the Council to 1 April 2026, which is when several Government grants are received and then the loan will be repaid.
- Councillor Booth referred to the loss of capital from the property fund, and added that he has raised is concerns on numerous occasions with regards to investing in property funds and it appears that he was correct to have those concerns.
- Councillor Booth stated that it was £362,000 capital loss and he asked whether because of the investment returns did the Council reach anywhere near that figure or was it all completely lost? He added that normally with investments there is a period of 5 to 10 years to recover funds. Sian Warren explained that through interest it was possible to raise £260,000 over the period of time and ideally it would have been invested for 5 to 10 years but in this case that did not happen.
- Councillor Booth asked whether the Council is likely to be in a similar situation with the other property fund which he has noted in the officer's report. Sian Warren explained that following a recent meeting that she has attended it has been confirmed that a merger is going to take place and local authorities will be transferred across in this case whereas the other fund did not do that and they just wanted the pension funds.
- Councillor Booth asked whether there are any other investments in place with similar portfolios where the Council could be at risk of having capital loss and has an assessment been undertaken. Sian Warren confirmed that the property fund that the Council still has is the only one of the investments that is held and all of the other investments are with the local bank and Central Government.

**Members AGREED to note the report.**

### **ARMC15/25 INTERNAL AUDIT PLAN 2025/26 - PROGRESS REPORT**

Deborah Moss presented the report.

Members asked the following questions:

- Councillor Benney stated that he notes from the report that there is a report concerning port management still to be completed, with over the past few months there have been several incidents concerning vessels, including collisions, two ships getting stuck on the sandbar and in the River Nene. He added that as the Council is the Statutory Harbour Authority, there are a very high number of incidents which are happening the port and made the point that it is listed in the Audit Plan as a high risk but, in his view, the port has the highest risk to the Council for anything that it does. Councillor Benney added that a great deal of the operation of the port side of the Harbour Authority the Council has no control over and once the Pilot steps onto a boat then that makes them responsible for that ship which costs millions of pounds. He made the point that when considering the number of incidents that have taken place over a comparatively short time, he would be interested to see what the report states and, in his opinion, the Statutory Harbour Authority is nothing but a drain on the Council but it is a legal obligation which the Council must fulfil. Councillor Benney added that there appears to be several incidents taking place when manoeuvring the ships in and out and it could be something that could potentially be a big risk to the Council. He asked whether that is something that will be reviewed as part of the audit plan? Deborah Moss stated that the reason it was added to the audit plan was at the suggestion of the Corporate Director as it was felt that there should be more compliance auditing undertaken in that area to get a general assurance of how things are operating due to the staff turnover, issues and incidents. She added that she can consider adjusting the terms of reference to incorporate health and safety, resourcing and training.
- Councillor Benney stated that he is aware that there is a new Harbour Master in post and the Pilots who are responsible for the ships once they board them. He added that it is the biggest risk to a Council because it is not their business, but he feels that it is something that needs to be looked at to ensure processes are in place to make them as safe as possible.
- Councillor Booth expressed the opinion that the harbour appears to be a very specialist area and he questioned whether the Audit Team have the skills to undertake an audit or whether it is an area where the Council should be looking for somebody with some external expertise to help in undertaking a review. He added that the compliance can be carried out with regards to the legislation but, in his view, it is more of the operational day to day review where an external specialist maybe required. Deborah Moss expressed the opinion that it is a very valid point and something that needs to be considered as officers do need to be confident to carry out an audit which can be undertaken up to a certain point. She added that it was her understanding that an independent report was carried out on the port each year, but she will clarify that.
- Councillor Benney stated that when he was the Portfolio Holder responsible for that area, when there was the need for specialist advice then the Maritime and Marine Organisation would be contacted for guidance as their speciality is marine processes. He added that he agrees with the point made by Councillor Booth, and he also feels that some specialist advice would be beneficial as, in his view, the number of incidents which have taken place over such a comparatively short time needs to be looked at.
- Councillor Christy stated that as he is the current Portfolio Holder for the Port, he agrees with Deborah Moss that the entry on the Audit Plan is very much to do with the management and governance of the organisation. He added that, with the incidents that have taken place, they would come under the risk assessments from an operational perspective, and those risk assessments are being assessed, updated and agreed. Councillor Christy added that following the recent incidents there are reports which are being produced which will outline what changes could be made to improve the situation.
- Councillor Mrs French stated that she has received correspondence from the Port of Sutton Bridge which she has passed to the Portfolio Holder and the Chief Executive. She added that due to the number of incidents which are taking place, she is fearful that it could end up costing the Council a great deal of money due to lack of business caused by ships being stuck out in the wash and ships unable to enter to unload their cargo.

- Councillor Christy asked for confirmation as to when the topic of cyber security may be coming to the committee as he has concerns due to the recent number of security cyber incidents taking place including some impacting local authorities. Deborah Moss explained that she has confirmed with the auditor that all of the testing has been completed and it is going to be awarded reasonable assurance. She added that there are still some outstanding items from the last audit which were not fully completed but in the Auditors opinion everything is well controlled, and it will form part of the agenda at the next committee meeting.
- Councillor Mrs French stated that the Audit Plan has overtime listed on it and is marked as high and not started and she asked for clarity regarding concerns that the Audit Team has. Deborah Moss explained that this was highlighted as a corporate issue which has been raised by the management team as they were trying to cut the expenditure on overtime and there is a report being formalised for the Corporate Management Team to discuss the overtime options and how overtime can be reduced and controlled. She added that she hopes that it will be an audit of value if it is back ended to the end of the year in order to see that those actions which have been introduced prove to be effective. Deborah Moss explained that previously it was the intention for the audit to be a brief compliance audit of the overtime worked against the overtime policy but now the audit will be widened slightly because of any options and any approvals which come forward.
- Councillor Booth asked why the entry concerning overtime is listed as high as, in his view, it sounds as though it is more an issue concerning the management of overtime. He stated that it does not necessarily mean it is a high-risk item and whilst there may be a high amount of overtime it could be to do with the control of overtime. Deborah Moss explained that it is listed as high due to the inherent risk and an unacceptable level of expenditure against it. She added that it has been raised as an issue and that is why it appears on the audit plan. Councillor Booth expressed the view that would be the quantum as opposed to what the controls are, and it does not necessarily make it a high-risk item in his opinion. Deborah Moss stated due to some of the discussions that have taken place it has been listed as high just because it has been raised due to other issues and not just to do with the spend.
- Councillor Mrs French stated that is the overtime issue for refuse collections or events which the Council runs and she added that most people work set hours and has concerns where the issue is with regards to overtime. Deborah Moss stated that until the audit is undertaken, she cannot provide that information, but she believes it is across several services and not one.
- Councillor Miss French stated that earlier Deborah Moss had asked whether the committee were content with the format of how outstanding audits are being presented and she asked the committee for their feedback.
- Councillor Booth stated that the tables which show the results from the individual audits are the best that have ever been presented. He added that they show the high-level summaries and what the actions are and he has been asking for this type of format over numerous years. Councillor Booth stated that the part concerning outstanding actions is slightly confusing as the information is for detail which covers multiple years, but he appreciates that a summary is provided. Deborah Moss stated that is a valid point and she agrees and hopes that going forward the audits shown will be those which are timelier and more recent.
- Councillor Booth stated that the focus should be on the high risk and medium items as the committee would not be so worried about the low-risk entries as the concentration needs to be on those which have the most impact to the Council.

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

*(Councillor Christy declared that he is the Chairman of FACT)*

**ARMC16/25 CORPORATE RISK REGISTER REVIEW**

Members considered the report and made comments as follows:

- Councillor Benney stated that LGR is listed on the plan and, in his opinion, the cost implication to the proposed changes have not been fully thought through and asked that, due to the amount of money which is going to have to be spent to dissolve the Council as well as the large amount of work which is going to have to be undertaken to prepare for LGR, whether the risk rating shown is sufficient. Deborah Moss stated that when LGR was added to the risk register she recalls that there was quite a deal of discussion whether or not it should be its own risk or whether it just automatically impacts on the other risks that are already present on the register but it was felt that due to its own importance that it needed its own entry. She added that every time that there is something that is discussed with links with LGR, they have been added as a sub risk under the LGR table.
- Councillor Booth referred to page 79 which refers to the issue of no purchase order and no payment, and he questioned whether there are instances where the Council is asking for payment to suppliers without there being a purchase order. He added that if that is the case what is the impact especially if there are local tradespeople who will be effected? Sian Warren explained that the Council should be raising purchase orders for any required service and supply, but it has never been enforced. She added that with the Council moving the Agresso system to the cloud, it has been used as an opportunity to ensure that everybody is completing a purchase order. Sian Warren stated that with LGR, other local authorities have adopted that regime and it was felt that the Council should also be working in the same way going forward. Councillor Booth stated that it is likely to be a cultural issue where some departments have not raised purchase orders in the past and by changing that culture it should not really impact suppliers if the correct process is being followed. Sian Warren agreed.
- Councillor Benney stated that every business and every organisation is open to fraud where there is money involved and fraud can be instances such as people claiming 25% single person discount for Council Tax when they are not entitled to it and even though reports are made to alert the Council that fraudulent claims are taking place there does not appear to be any follow up and that is quite serious fraud. He added that Anglia Revenues Partnership (ARP) deal with Council Tax and they need to be dealing with the instances of fraudulent claims, but it is having a financial impact on the Council, and he questioned whether there are steps that can be taken to address the instances of fraud which are taking place. Deborah Moss advised members that if there are any individual cases which members have referred to ARP and are not getting a satisfactory response then she will contact them. She added that the Council has signed up to the NFI initiative and for the one in December, a data gathering exercise is being undertaken of all the single person discount and election information and there will be a cross match between the two data sets and single person discount will get picked up. Deborah Moss added that each case will be investigated based on its risk assessment.
- Councillor Mrs French stated that majority of fraud with Council Tax is the 25% Council Tax discount and that across all the authorities that use ARP it was recognised that there was £5 million pounds owed across the authorities and £2.5 million pounds owed locally. She explained that in September ARP have also won an award.
- Councillor Booth referred to page 91 and stated that he notes that officers have been attending training with APM, and he asked whether there is a defined methodology. He added that he had noted that there is also some new project software which has been introduced. Deborah Moss stated that they do use one specific piece of software and she is not entirely sure what the qualifications which are attained will be used for but possibly to set the Council up for LGR and Inspire. She stated that there are 13 officers who are working towards or who have already gained the qualification with a further 8 spaces available.
- Councillor Booth asked whether there is a defined project methodology process. Deborah Moss agreed to provide a verbal response at the next meeting.
- Councillor Benney asked whether Deborah Moss has any indication on what type of impact the changes to employment law will have on the Council? He added that the Council could

find themselves in a position where staff members need more management and time spent with them and he questioned whether there are any further resources which are planned to assist with the changes? Deborah Moss stated that would need to be a question for Sam King, Head of Human Resources.

- Councillor Booth asked whether officers are comfortable as no changes to any of the scores have been made and he asked whether proper assessments are being carried out? Deborah Moss explained that the register was reviewed, and it was decided that there was nothing within the register which was effected in a significant way to effect the scores but once the final accounts are through then it will need to be revisited to check the scores.

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

### **ARMC17/25 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME**

Members considered the Audit and Risk Management Committee Workplan.

The Chairman confirmed that the February meeting has been moved to Tuesday 17 February at 4pm and a further discussion will be held with regards to the date of the March meeting.

Councillor Christy asked whether the subject of cyber security will come to the next committee and whether it will need to be discussed in a confidential session. Deborah Moss explained that it will form part of her progress report and will come to the February meeting, and she does not feel that it would need to be a confidential report.

**Members AGREED to note the workplan.**

### **ARMC18/25 ITEMS OF TOPICAL INTEREST.**

There were no items of topical interest.

5.13 pm

Chairman