

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 1 FEBRUARY 2021 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor Mrs J French, Councillor M Purser, Councillor R Skoulding and Councillor S Tierney

OFFICERS IN ATTENDANCE: Peter Catchpole (Corporate Director and Chief Finance Officer), Sam Anthony (Head of HR and OD), Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager), Neil Krajewski (Deputy Chief Accountant) and Jo Goodrum (Member Services & Governance Officer)

ARM1/20 APPOINTMENT OF CHAIRMAN FOR THE MUNICIPAL YEAR.

It was proposed by Councillor Tierney, seconded by Councillor Purser and resolved that Councillor Kim French be elected as the Chairman of the Audit and Risk Management Committee for the Municipal Year.

ARM2/20 APPOINTMENT OF VICE CHAIRMAN FOR THE MUNICIPAL YEAR.

It was proposed by Councillor Mrs French, seconded by Councillor Benney and resolved that Councillor Mrs Davis be elected as the Vice Chairman of the Audit and Risk Management Committee for the Municipal Year.

ARM3/20 MINUTES OF THE LAST MEETING OF THE FORMER CORPORATE GOVERNANCE COMMITTEE AND STAFF COMMITTEE

The minutes of the last meeting of the former Corporate Governance Committee on 2 November 2020 and Staff Committee on 10 December 2020 were approved as a true and accurate record.

ARM4/20 INTERNAL AUDIT PROGRESS REPORT QUARTER 3

Members considered the Internal Audit Plan 2020-2021 Progress Report Q3 presented by Kathy Woodward.

Kathy Woodward highlighted that the report is an update of the work that the Internal Audit Team have undertaken from the Internal Audit Plan for the year and explained that the plan is usually approved prior to the start of the year. The report provides details of the work that will be undertaken to enable her to provide an Annual Audit Opinion at the end of the year, from which the Annual Governance Statement is produced and reviewed by the Council's external auditors as part of their processes.

Kathy Woodward explained that the Audit Plan was approved in August 2020, with a caveat that the plan would remain flexible to meet the needs of the organisation through the pandemic. She added that at the last committee meeting, a staffing restructure had been discussed and as a result an Internal Audit Apprentice has been recruited, with the member of staff now in post. She also advised that the Section 113 and MOU agreement between Fenland District Council and the Borough Council of Kings Lynn and West Norfolk has been terminated and she will revert back to

working full time for the Council as of the end of May 2021.

Kathy Woodward drew members attention to the current progress to date of the Internal Audit Team's work and highlighted the key aspects including the audits which have been completed to date and the results of them. She pointed out the current tasks being undertaken and also the additional assurance work that the team have been redirected to assist with as a result of the pandemic and drew members attention to other assurance work which has been provided by external organisations.

Kathy Woodward explained to the committee that there is a legislative requirement for the Internal Audit Manager to provide an annual audit opinion and it must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and CIPFA have issued guidance to Local Authorities: Head of Internal Audit Annual Opinion: Addressing the Risk of a Limitation of Scope, to directly address the impact of Covid-19 and whether audit teams will be able to undertake sufficient work to gain assurance during 2020/21. She added that she has outlined to members what the team need to do and what the impact has been on the organisation as a result of Covid and stated that she will be able to deliver an annual audit opinion without the need to issue a limitation of scope for any of the areas covered in the annual opinion.

Members agreed that the activity and performance of the internal audit function, together with the update on providing an annual audit opinion for 2020/21 be noted.

ARM5/20 TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22

Members considered the Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2020/21 presented by Mark Saunders.

Mark Saunders stated that this report is the first of three reports that members will consider over the course of the year with regard to the Treasury Management function. He added that the first one sets out the strategy for the coming year, the second report will be the Annual Report in July and in November there will be the Mid-Year Review of the Treasury Management activities for the first six months of the year.

Mark Saunders explained that all of the reports that are considered by the Audit and Risk Management Committee will then feed into the Budget Report for 2021-2022 and will be considered by Council on the 23 February 2021. He explained that it is an integral part of the process as the strategy provides the framework and indicators within which all of the treasury management activities of the Council operate throughout the coming year.

Mark Saunders stated that the detail and policies in the report comply with all the latest guidance and regulations of CIPFA and the MHCLG and there are no significant variances from the activities currently carried out. He summarised the detail in the report, identified the key issues and pointed out the detail surrounding the Council's capital investment plans which are prudent, affordable and sustainable.

Mark Saunders referred to the minimum revenue provision part of the report and explained that when the Council undertakes any form of borrowing there is a legal requirement to make prudent provision for the repayment of the borrowing over the medium term. He explained that the various methods of repayment of the loans are detailed in the report and stated that it does depend on the detail of the loan, for what it is for and the purpose of it, which will then determine what type of MRP policy will be followed.

Mark Saunders stated that the Treasury Management Strategy is in place so that the Council has sufficient cash resources to meet its various obligations and to ensure payments are made at the appropriate time. He added that if there is any surplus cash available then that is invested with various institutions.

Mark Saunders explained that he has already stated that compliance is adhered to with regard to the guidelines as set out by CIPFA in terms of strategies and policies, however, there is one indicator that the Council does not comply with and this has been the case since 2007 when the Council's housing stock was transferred and the indicator that this relates to is the gross borrowing and capital finance requirement. He added that in normal circumstances the gross borrowing would not exceed the capital finance indicator, but because of the debt that was left over due to the stock transfer and the fact that it is very financially disadvantageous to pay that debt off due to the excessive premiums that it attracts, the Council has always been in a position where that indicator is not complied with and there is no penalty for that non-compliance. It has been approved by the Council every year and it has been assessed by the auditors every year who do not see it as a problem as there is a good reason for the non-compliance.

Mark Saunders referred to the total external interest which is currently just under £500,000 and is based on the Council's current long term debt of £7.8 million pounds and the estimate next year is at £530,500, which is based on the fact that there maybe the requirement to borrow to fund the capital programme next year which will mean that the interest payments will increase. He stated that reference is made in the report to the Commercial Investment Strategy and the £25,000,000 that has been set aside to fund it and once those monies have been loaned out it will attract annual interest payments at the current rate of £287,000. He added that the intention is that the money that we borrow for that purpose will be recouped through investments or loan repayments from the local authority company.

Mark Saunders stated that the report contains detailed information concerning interest rates and the future prospects and added that the bank rate is expected to stay the same at 0.1% throughout the period of the strategy. He added that as the rate is so low it has had an impact of reducing the Council's investment income to very low levels and is unlikely to change over the next couple of years, which is good news if you are trying to borrow money, but not ideal when lending money and added that there is the assumption that there will be the need to borrow funds over the medium term period of four years.

Mark Saunders explained that the report contains a great deal of information concerning the Council's annual investment strategy and the intention of the strategy is to provide security of investments and appropriately manage risk and he added that the report also details information concerning specified and non-specified investments and gave members an overview of them, highlighting the differences and outcomes. He explained that this is an ongoing project currently being undertaken with the assistance of the Treasury Advisers to gain assurances that access to funds can be achieved when they become available and are appropriate to the council's risk appetite.

Mark Saunders stated that the Council's Capital Strategy contains information with regard to the Capital Programme and how it is being funded and the borrowing requirements is currently being updated to include the detail of the Council's Commercial Investment Strategy and this will be presented to Council in February.

Councillor Mrs French congratulated and thanked Mark Saunders and the Finance Team for all their hard work in what has been an exceptionally difficult year.

Members agreed that the strategy detailed in the report to be included in the final budget report for 2021/22 be endorsed.

ARM6/20 CORPORATE RISK REGISTER REVIEW

Members considered the Corporate Risk Register quarterly review report presented by Sam Anthony.

Sam Anthony stated that this document is presented to the committee at least twice a year and the Council looks at strategic risk in an escalating way through its services, its risk group and then discussed with the management group and senior management team before it is brought before the committee. She drew members attention to the changes in the document, which were highlighted in green, and provided an overview on the changes and additions made.

Sam Anthony also advised members that Bedford Borough Council have given notice to the Council that they will cease to provide our payroll provision from April 2021 and alternatives are being investigated.

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

- Councillor Mrs French stated that additional finance has been provided to the Council by the County Council in order to assist with the additional work to be undertaken on the subject of fraud.
- Councillor Mrs French asked whether Bedford Borough Council have provided a reason as to why they are ceasing the administration of the Councils payroll function? Sam Anthony stated that they have not provided a specific reason, but it is her understanding that they are undergoing a significant transformation and have stepped away from most of the payroll provision that they were administering. She added that alternatives have been investigated at least cost and it has been decided that for a short period of time the payroll function will be administered in-house to ensure service continuity. Councillor Mrs French asked whether negotiations have taken place with LGSS and Sam Anthony stated that this had been looked into along with four or five others who provide the same system as the Council, but all of them were a higher cost option than that which is currently paid.
- Councillor Mrs Davis stated that she wished for all the staff to be congratulated for all their efforts under extenuating circumstances and asked, with regard to the risk register, have any internal controls had to be lifted in order to enable home working? Sam Anthony stated that in terms of Cyber Security all of the double sign in protocols have remained in place and in some way have been strengthened.

Members agreed the Corporate Risk Register's latest update.

ARM7/20 WORK PROGRAMME 2020/21 AND 2021/22

Peter Catchpole presented the Work Programme for 2020/21 and 2021/22 to members.

Peter Catchpole stated that the purpose of the work programme is to give members an insight of the reports that will be forthcoming at future committee meetings, as well as obtaining the views of members with regard to training opportunities and what subject matter members would like to receive training on going forward. He explained that there will be a training session offered to members on the Statement of Accounts and Kathy Woodward has already run some internal training sessions on an introduction to Internal Audit which he would like to offer to members of the committee.

Peter Catchpole highlighted that the Chairman and Vice Chairman have already attended some external training and it is hoped that the internal training sessions can be more aligned to Fenland and he would welcome feedback from members. He stated that there is also an Action Plan contained in the report where actions that have come up previously will be monitored and going forward that will be referred to at every meeting.

Members agreed to note the Work Programme for 2020/21 and 2021/22.

ARM8/20 ITEMS OF TOPICAL INTEREST.

Councillor Mrs French stated that she found it disappointing that no members of the Fenland Independent Alliance had taken up their seats on the Committee.

4.41 pm

Chairman