

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 21 JUNE 2021 - 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 N Meekins, Councillor Mockett, Councillor M Purser, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

APOLOGIES: Councillor M Cornwell and Councillor R Skoulding

Officers in attendance: Sam Anthony (Head of HR and OD), Peter Catchpole (Corporate Director and Chief Finance Officer), Anna Goodall (Head of Transformation, Customer Services & Democracy) and Kathy Woodward (Internal Audit Manager)

ARMC9/21 APPOINTMENT OF CHAIRMAN FOR THE MUNICIPAL YEAR

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

ARMC10/21 APPOINTMENT OF VICE CHAIRMAN FOR THE MUNICIPAL YEAR

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

ARMC11/21 PREVIOUS MINUTES.

The minutes of the last meeting held on 1 February 2021 were approved and signed as a true and accurate record.

Councillor Kim French stated that she would like it noted that, as part of the workplan, there will be some planned training for committee members prior to the September meeting.

ARMC12/21 EXTERNAL AUDIT PLAN 2020/21

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 the report highlighting and identifying the audit risks associated with the Council's work and projects and expressed the opinion that with regard to the new commercial investment initiative that the Council is embarking on, he did not feel that the element of work was adequately captured within the risks shown. Mark Hodgson stated that consideration was given last year to the arrangements as part of the setting up of that entity under the value for money conclusion and the governance structure around it and as part of last year's audit it was concluded that there were no issues to bring to members attention. He added that in terms of this year's audit, it would become an audit issue where the

transactions of the subsidiary company reached such a level where they needed to be consolidated into the Council's accounts and based on the information up until the 31 March 2021 that level had not been reached and, therefore, does not appear as an audit risk in 2020/2021. Mark Hodgson stated that this is reviewed and as the level of transactions increases it may then be noted as a group audit risk. Councillor Booth stated that it is, therefore, likely that in a years' time it will be included within the list of risks and Mark Hodgson stated that considering the trajectory of the transactions that is the potential.

- Councillor Booth stated that concerns have been raised regarding the structure of the newly formed Audit and Risk Management Committee following the decommissioning of the Corporate Governance Committee and he asked Mark Hodgson to clarify that, as there will be potentially a decision making body that will report into the committee, would the governance arrangements form part of his audit work and would an audit opinion be provided on its suitability. Mark Hodgson stated that it will form part of the deliberations for the value for money conclusion and a risk assessment will be brought back to a future committee meeting. He added that one aspect underpinning that value for money conclusion and the criteria for it will be the arrangements for an Audit Committee against how the Council's committee has been set up and whether it is appropriate and in line with good practice and standing guidance for the sector.
- Councillor Booth asked whether assurances would be given with regard to resourcing and asked that, if there are going to be changes, the information is communicated to the Finance Team. Mark Hodgson stated that there are no plans to come onto site due to Covid restrictions and the audit will be carried out remotely in the same way as it was completed in 2019/20. He added that it has been discussed and agreed with Peter Catchpole, the Section 151 Officer, an appropriate timescale, which is agreeable to all parties and there is a timed window in which to carry out the work, which is not expected to change. However, he gave assurances that if something did occur which meant work could not be carried out, then a further discussion would be held. Councillor Booth stated that an early conversation if work cannot proceed would be appreciated.
- Peter Catchpole stated that he is in constant dialogue with Mark Hodgson and his team and, therefore, everything is expected to take place as has been agreed, however if anything was to change then the members of the Audit and Risk Management Committee will be advised.
- Councillor Booth questioned the remote access arrangements to the Council's finance systems and information. Mark Hodgson stated that Peter Catchpole, Mark Saunders, the Chief Accountant, and Neil Krajewski, the Deputy Chief Accountant, have access to the repository at Ernst and Young and they input the information of the accounts onto their system and the audit work can then be carried out. Councillor Booth stated that he would prefer to see the auditors being able to interrogate the Council's systems rather than the other way around.
- Peter Catchpole stated that when Ernst Young carry out audit testing, they do come on site to look at the Council's systems to agree base data and to gain assurances that the data is not fabricated. Councillor Booth stated that in modern working practices remote access can be given so the auditors can interrogate and have full access to systems. Peter Catchpole stated that time limited read only access is available to the auditors to enable them to do that and Mark Hodgson stated that they also have 100% download from the Council's finance system to enable interrogation to take place and from there they can refer to their audit questions and supporting information.

The Committee considered and noted the External Audit Plan for 2020/2021.

ARMC13/21 RISK BASED INTERNAL AUDIT PLAN 2021/22

Members considered the Risk Based Internal Audit Plan 21-22 presented by the Internal Audit Manager, Kathy Woodward.

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

- Councillor Booth stated that he appreciates that last year was a difficult year for certain aspects of audit work to be undertaken due to the other priorities that the Council had to deal with and asked Kathy Woodward whether the audit work that was carried out had raised any concerns and topics of audit work that needed to be carried forward into this year's plan and whether she was confident that the aspects of audit work had been sufficiently captured in the plan before the committee. Kathy Woodward agreed that last year was very challenging and stated that the areas that were able to be covered last year were topics that were considered to be of particular high risk and an adopted approach was undertaken where emerging risks were looked at and things that were associated with work around the Covid pandemic responses. She added that there were no areas of high risk that were not looked at in 2021 and she is confident that the work that was carried out last year and the additional work that was carried out specifically with regard to consultancy engagements that were not specifically on the Audit Plan have left the Council in a good enough position where she was still able to provide an audit opinion on last year and support the work on the current year's Audit Plan.
- Councillor Booth stated there has been much debate with regard to the Local Authority Trading Company and the potential risks that it poses to the Council and he added that the allocation in the plan of 10 days to the audit work associated to that topic, in his opinion, is not enough time, bearing in mind the complex investment strategies that could be pursued, and as it is a new area it may take time to understand the subject matter and, therefore, in his view, the time allocated should be increased. Kathy Woodward stated that with any new item that comes onto the Audit Plan it must be based somewhere and any high-risk topic is allocated 10 to 12 days which are incorporated into the plan. She added that there are contingency days available and the Audit Plan is flexible and more time can be allocated if necessary. She agreed that it is a high risk area due to the fact that it is new topic and the high sums of money involved, but is comfortable that the plan can be reviewed and days reallocated if deemed necessary. Councillor Booth stated that in the past additional capacity for extra work has been discussed and the contingencies have been very tight with regards to timescales in the plan versus the resources available and he added that the plan does need to be flexible so that it can be changed if the situation changes.
- Councillor Booth stated that another area to note is the Whistleblowing Policy which is an area of change potentially and he asked whether it is an area which is covered under existing audit work or is there the need for a specific piece of work to be added to the plan, particularly around the Bribery Act. Kathy Woodward stated that it is an area which would be covered off, but added that it is not something that would normally be looked at in the year it was adopted, but it is something that the intention is for it to be incorporated into the plan either next year or the year after. Councillor Booth expressed the view that it is often prudent to review such items six months after they have been launched, which gives it time to imbed so that any potential issues can be raised, however it is something that could form part of the flexible plan and Kathy Woodward agreed it could be looked at after nine months.
- Councillor Booth referred to transformation changes and fit for the future phase 2 of the Council and made the point that whenever there are organisational changes there is the potential to see risks emerging. He added that the Council has changed their website and he wondered whether that is an area which needs to be reviewed to ensure all statutory obligations are being met. Kathy Woodward stated that the transformation work is included within the corporate projects area and a number of days are set aside in the Audit Plan. She added that a lot of the other work with corporate projects is picked up outside of the Audit Plan and is included with the consultancy engagements and she is involved with some of the transformational work and the projects teams. She confirmed that transparency is an area which is incorporated every year into the audit work. Councillor Booth stated that there is the danger of being involved in project work as the independence of the audit function needs to be kept separate from that of the work undertaken by the project team. Kathy Woodward stated that she strives to maintain the independence and objectivity when

looking at any project.

- Councillor Booth made reference to the street lighting contract and stated that, in his opinion, it needs to be reviewed and he cannot see it listed in the Audit Plan. Kathy Woodward stated that procurement is on this year's Audit Plan and high-level contracts will be looked at when the procurement audit is carried out. She added that street lighting was looked at two years ago, and it would not be due this year, but from a contract perspective it will be reviewed under procurement.
- Councillor Mrs Davis stated that under quality and performance on the Audit Plan, it makes reference to the fact that the Corporate Director & Chief Finance Officer will arrange for an assessment of quality independently of the Internal Audit service and then additionally, an external review of the Internal Audit Service is completed by external assessors every 5 years and she asked for confirmation as to when it is due and will take place. Kathy Woodward stated that it was undertaken in 2018 and did come to the committee and is due shortly.
- Councillor Booth asked for confirmation that staff will be trained appropriately in order to undertake a review on the Commercial Investment Strategy. Kathy Woodward stated that whilst in her role as the Shared Audit Manager with the Borough of Kings Lynn and West Norfolk Council, she has gained some background knowledge as that authority have a large portfolio of local authority trading companies. She added that she undertakes regular training from the Chartered Institute of Public Finance and Accountancy (CIPFA), as they offer a lot of training on the subjects of Local Authority Trading Companies and investment strategies as it is quite a new emerging area, and the new Internal Auditor is undertaking an internal Audit Apprenticeship with the Institute of Internal Auditors (IIA), so different levels of training are being undertaken. She added that there is also the Cambridgeshire Audit Managers Network, which is an information sharing meeting which she regularly attends.
- Councillor Yeulett asked whether there is any training proposed for members? Kathy Woodward advised the committee that there will be a virtual training session for all members, which will provide an introduction to the Audit Committee and assist members with gaining a basic understanding of the agenda items that they will see throughout the municipal year.
- Councillor Yeulett asked whether any issues had been identified during the audits that had been carried out over the last financial year? Kathy Woodward stated that it may be beneficial for members to consider the report that came before the committee in February. She added that an update will be provided at the July meeting concerning the details of last year's audit and stated that it had been a challenging year when delivering the Audit Plan, particularly with the resource issues that the team had, however, it had still been possible to deliver a sufficient quantity of work to be able to provide an opinion to feed into the Annual Governance Statement to be considered at the July meeting.
- Councillor Yeulett asked whether there were any concerns identified and Kathy Woodward stated that the only concerns were with regard to business grants as they were such a new and significant area, encompassing a wide range of grants and a vast amount of public funding issued by the Government. She added that there are no immediate concerns, however, it is an ongoing process to address and provide post payment assurance on that grant work.

The Committee agreed to acknowledge the Internal Audit resources and considered and noted the Internal Audit Plan for 2021/22.

ARMC14/21 INTERNAL AUDIT CHARTER

Members considered the Internal Audit Charter presented by the Internal Audit Manager, Kathy Woodward.

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

- Councillor Booth asked for clarification that when the next external peer review takes place, they also review the Internal Audit Charter. Kathy Woodward confirmed that when the external assessment takes place, they look at the Council's Charter and they use the Public Sector Internal Audit Standards and the Local Government Application notes to ensure compliance.

The Committee considered and approved the Internal Audit Charter.

ARMC15/21 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) - UPDATE

Members considered the Regulation of Investigatory Powers Act update presented by the Head of Transformation, Customer Services and Democracy, Anna Goodall.

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

- Councillor Tierney stated that the report speaks very well of the Council, by virtue of the fact that the powers have had to be used rarely and the fact that the gravity of their use is understood. He added that it is pleasing to see that the Council does not overuse or intend to overuse the powers the act provides, like other local authorities. He added that the additional reporting with regards to data is also an excellent idea and the privacy of our resident's data is as important as the ability of the Council keeping things under control.
- Councillor Booth stated that he agrees with comments made by Councillor Tierney, however, he queried whether the powers could be used more when the Council is dealing with cases of fly tipping which could lead to prosecutions.
- Anna Goodall stated that there have been some very notable and successful prosecutions with regard to fly tipping over recent years, where RIPA has not had to be used and instead information of the potential perpetrator was found within the contents of the fly tipped waste. She added that the successful prosecution of the individuals, also acts as a deterrent to others who may consider fly tipping inappropriately and whilst the issue of fly tipping is taken very seriously, it is also vital that the use of RIPA is used as necessary in proportionate means whilst still being able to successfully address other illegal activity through fly tipping.
- Councillor Booth stated that there are regular fly tipping hotspots in his ward and by having cameras in place to catch those individuals responsible, in his opinion, is not misuse of the powers in those circumstances.

The Committee agreed to note the report.

ARMC16/21 CORPORATE RISK REGISTER REVIEW

Members considered the Corporate Risk Register review report presented by the Head of Human Resources and Organisational Development, Sam Anthony.

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

- Councillor Booth questioned whether the risk associated with the failure of contractors and the risk ratings of what the inherent risk is as opposed to the current risk could be reviewed. He stated that he had made the observation previously that the two ratings were the same and, in his opinion, with all the actions that are in place he felt the rating should be lower. Sam Anthony agreed to review the document and feed back to Councillor Booth.
- Councillor Wicks stated that he notices that there is no risk listed with regard to a malicious attack on the computer system and asked whether it is something that should be considered? Sam Anthony stated that cybercrime is listed on the document, failure of ICT systems is risk 4 and breach of ICT security is item 6, both of which cover malicious attacks

and cybercrime events. Councillor Wicks asked whether the scoring is high enough to mitigate such risks and Sam Anthony stated that the ICT team have considered the scores and the additional actions that have been put in place and they feel that the score ratings are accurate, however, she will ask them to revisit the document to make sure.

The Committee agreed the Corporate Risk Register's latest update.

ARMC17/21 REVISED WHISTLEBLOWING POLICY

Members considered the Revised Whistleblowing policy report presented by the Head of Human Resources and Organisational Development, Sam Anthony.

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

- Councillor Booth stated that it is an important policy and added that he has a concern about the prominence of the ability to go to external sources to discuss whistleblowing concerns and speaking to independent people if an individual wants to talk things through. He expressed the opinion that the policy is very line manager heavy, which can be a deterrent for people to raise concerns and might be evident by virtue of the fact that the policy has only ever been used once. He expressed the view that consideration should be given to the promotion of the external sources available for individuals to discuss their concerns rather than having to go via their line manager. Sam Anthony stated that the comments made by Councillor Booth are valid and added that the Council would always intend to follow any approval from members with some training or updates for staff on the Council's e-learning system and also staff briefings. She stated that there is the opportunity to ensure that the policy is heavily promoted to staff and then a review would take place 6 or 12 months after somebody has raised a concern where they would be asked how they felt after raising a concern and what could be done to make improvements.

The Committee agreed to note and approve the revised Whistleblowing Policy.

ARMC18/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORKPLAN

Members considered the Audit and Risk Management Committee workplan presented by the Corporate Director and Section 151 Officer, Peter Catchpole.

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

- Councillor Booth asked whether it was possible for a quarterly update to be provided on the status of audit work being carried out with regard to the Internal Audit Plan at the July meeting. Kathy Woodward stated that her quarter 1 progress report is due to be presented to the committee in September, however, a verbal update can be provided.

The Committee agreed to note the Work Programme for information purposes.

ARMC19/21 ITEMS OF TOPICAL INTEREST.

There were no items of topical interest to discuss.