



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held at 4:30pm on Monday 14th March 2022 in the Council Chamber at The Grange, Nutholt Lane, Ely, CB7 4EE

PRESENT

Cllr Lis Every (Chairman)
Cllr Charlotte Cane
Cllr Mark Inskip
Cllr Dan Schumann
Cllr Alan Sharp

OFFICERS

Ian Smith – Finance Manager
Maggie Camp – Legal Services Manager
Caroline Evans – Democratic Services Officer

IN ATTENDANCE

Rachel Ashley-Caunt – Head of Internal Audit
Mark Hodgson – External Audit, Ernst & Young

37. PUBLIC QUESTION TIME

No questions were submitted by members of the public.

38. APOLOGIES AND SUBSTITUTIONS

There were no apologies or substitutions.

39. DECLARATIONS OF INTEREST

No declarations of interest were made.

40. MINUTES

The Committee received the Minutes of the meeting held on 10th January 2022.

It was resolved:

That the Minutes of the Audit Committee meeting held on 10th January 2022 be confirmed as a correct record and be signed by the Chairman.

41. CHAIRMAN'S ANNOUNCEMENTS

The Chairman made the following announcements:

- The meeting would cover the last quarter of the year's work for the Audit Committee and all Members were thanked for having worked together to improve effectiveness and efficiency, including the introduction of earlier distribution of agenda papers, and written questions and responses in advance of each meeting.

- COVID-19 had caused key external personnel to be unable to attend some meetings during the year, resulting in some items unfortunately being postponed from one meeting to the next.
- For the next municipal year there had been some changes in timings, including moving the Final Report from External Audit to late November, and the intention was to plan meetings to ensure that completed papers could be presented.
- Referring to the Forward Agenda Plan and the resolution in Minute 36 of the previous meeting, all Members had been emailed with an explanation for why an extra April/May 2022 meeting was not being added to the calendar solely to receive the final Internal Audit Progress Report. Both the review of the Code of Corporate Governance, and the Anti-Fraud and Corruption Policy, had been added to the Forward Agenda Plan.
- The Audit Committee Effectiveness Checklist would be used as a resource during an informal meeting for all Members of the Committee. The informal meeting would provide an opportunity for Members to work together to identify how to use the suggestions within the Checklist to best improve the Committee's effectiveness.
- Mark Hodgson, the External Auditor, had been invited to the meeting to present the External Auditor's Annual Report, postponed from the previous meeting due to COVID-19.
- Rachel Ashley-Caunt, the Chief Internal Auditor, had been invited to the meeting to present the Internal Audit Progress Report and the Internal Audit Work Plan 2022/23. The two Internal Audit items would be taken in reverse order, with Agenda Item 8 being considered before Agenda Item 7.

42. EXTERNAL AUDIT – AUDITOR'S ANNUAL REPORT

The Committee considered the Auditor's Annual Report for the year ended 31st March 2021, as previously circulated.

Mark Hodgson, Associate Partner, Ernst & Young LLP (the Council's External Auditors) introduced the report which was a summary document containing the results of the 2020-21 audit. It built upon the November 2021 report, the addendum issued on 7th December 2021, and the Opinion issued on 8th December 2021. The certificate confirming completion of the audit for 2020/21 had not yet been issued due to the Government guidance for 2020/21 having been delayed.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the External Auditor.

In response to a Member's further questions, the External Auditor gave the following additional information:

- The known position on the consolidation error had been reported at the November meeting. That £2m error had impacted both the expenditure and the income, consequently there was a total £4m error. The mapping had not been completed before the November meeting and therefore the error was not known about at that point.
- The final differences in respect of ECTC were £153k, an earlier value of £80k had been prior to completion of all procedures.

A Member stressed to the Chairman the importance of the Committee receiving the completed audit report prior to approving the accounts, and requested that meetings be timetabled with that in mind. The Chairman agreed that receipt of completed reports had been the aim this year and would also be in the future. The Finance Manager reminded Members that the Committee needed to sign off the accounts before the External Auditors could sign off their report, however, once timings had been agreed with the External Auditor then the Committee meetings could be arranged accordingly.

In response to a Member's concern about the timings of trading company schedules, given that most of the errors that had arisen after the November meeting related to the trading companies, the Finance Manager informed the Committee that a schedule had been agreed with the auditors of the trading companies earlier that day. The 2021/22 audit would start on 3rd May, there would be two weeks of fieldwork, the initial findings would be reported on 24th May, and the draft final accounts would be provided to the company boards for approval by the end of June. He confirmed that this timetable would allow sufficient time for consolidation and checking.

It was resolved (unanimously):
That the External Auditor's Annual Report be noted.

43. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report (W153, previously circulated) advising Members of the work completed by Internal Audit during the financial year to date, and the progress against the Internal Audit Plan. The Chairman introduced Rachel Ashley-Caunt, the Chief Internal Auditor, and commented that the Committee would be keen to understand how close the work was to completion, whilst recognising that there was still some time available before 31st March 2022.

The Chief Internal Auditor explained that there had been further progress in some areas since completion of the written report two weeks earlier. In particular, all assignments detailed on pages 8-10 of the report's appendix were either complete or underway, with the expectation that 90-100% would be completed by the end of the financial year as per the agreement.

Regarding the audit reports that had been finalised since the previous meeting, a fixed assets audit had revealed some anomalies when comparing the records with on-site inspections, although she reassured Members that the insurance records were all correct. At the time of the audit a new software system was being implemented which would improve the maintenance of fixed asset records. A climate change strategy audit had been undertaken since it was a key area for the Council, and had been given a substantial level of assurance that the required actions were in progress. The Council's response to the COVID-19 pandemic had been audited, as was the case for all councils in the shared audit service, considering in particular how governance processes had adapted and how the Council was managing the recovery stage. The COVID-19 recovery grants had not been specifically included in this audit. A good to substantial level of assurance had been given. As discussed at the previous meeting, the ICT email outages had been reviewed in terms of the root causes and whether the same situation(s) could reoccur. Some areas for improvement had been identified, mainly relating to record

keeping, and actions had been specified for implementation, including improving the record-keeping for incident management and the formalising of monitoring strategies.

Regarding the implementation of audit recommendations, as summarised in Table 2 of the report's appendix, one action had been completed since the publication of the report and therefore there remained six outstanding actions. The outstanding action detailed in Table 3 of the report's appendix had previously been reported to the Committee and the Chief Internal Auditor was pleased to be able to inform Members that the reconciliation of the procurement compliance work had been completed earlier that day.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the Chief Internal Auditor.

Cllr Cane thanked the Chief Internal Auditor for all the answers that had been provided to her submitted questions. She confirmed that she would still like to receive a copy of the full report into the ICT email outages but no longer required the COVID-19 report since it did not include the business recovery grants.

Some Members expressed concern that the outstanding actions related to ICT, and stressed the importance of the follow-up work being reviewed *via* either Audit Committee or the Operational Services Committee since the use of email was so crucial and in the current climate the cyber-security-related actions were particularly important. When asked about the most recent testing of the disaster recovery plan, the Chief Internal Auditor stated that she understood that there had not been a test within the previous two years.

In response to a Member's question asking whether the climate change audit work had assessed the likelihood of meeting the targets within the plan, the Chief Internal Auditor explained that some targets had been examined on a sample basis, for example, the percentage of staff who had undertaken training.

It was resolved (unanimously):

That the progress made by Internal Audit in the delivery of the Audit Plan, and the key findings, be noted.

44. INTERNAL AUDIT PLAN 2022-23

The Committee considered a report (W152, previously circulated) presenting the draft Internal Audit Plan for 2022/23 and the Internal Audit Charter, both of which were recommended for approval and adoption by the Committee.

The Chief Internal Auditor explained that Table 1 of the report detailed the proposed changes to the 2022/23 plan as compared to the initial two-year plan that the Committee had considered previously. A follow-up to the asset-related audits had been added to consolidate the actions from this year's audit work. Performance-management and ICT asset-management audits that were postponed from 2021/22 had been included for 2022/23 along with grant claim audits that were necessary since some grants needed verification within the next 12 months. Two additional days had also been allocated for risk management in order to work on

the risk management process. Although Internal Audit needed to remain independent from the risk management itself, they were able to give assurances on the effectiveness of the process and the intention was to provide a report at each Audit Committee meeting following sample tests on controls listed within the risk register, to provide assurance over the management of the associated risks. In order to accommodate these additions to the plan, several planned items that were considered to have a lower risk profile had been moved to 2023/24. Members' recorded questions would be taken into account when determining the scope of assignments within the audit function. There were no planned changes to the Charter.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the Chief Internal Auditor.

A Member asked for a review of the process of decision-making for the COVID-19 recovery grants, including lessons learned, since the external audit work in that area would be likely to be more focussed towards the accounting than the awarding decisions. Other Members asked the Chief Internal Auditor whether other councils were undertaking similar reviews, and whether the potential merits of such a process had been considered, mindful that dedicating Internal Audit time to this review would necessarily mean that less time would be available for a different piece of work. The Chief Internal Auditor explained that, due to a Government department performing scrutiny and checks with respect to the grants, many councils had considered that the assurances from that work would be sufficient and they had not chosen to dedicate Internal Audit time to the same task. Different councils had addressed the grant process in different ways and in many cases smaller councils had benefitted from greater local knowledge to aid the process. Where a fraud risk assessment had been undertaken at the start, as was the case at this Council, that had been useful in informing the process. The Finance Manager added that officers were reviewing the lessons to be learned in general from the pandemic, and the grant process could be assessed as part of that. However, given the Government's assessment it was questionable what benefit would be realised by also undertaking an internal review. Nonetheless, the remit of the Audit Committee was to determine the areas necessitating review and it was therefore a matter for the Committee members to agree. Following further discussion, the Chairman asked the Finance Manager to bring the lessons learned report to a future meeting of the Audit Committee once it was complete. Members could then decide whether they considered an additional review by Internal Audit to be necessary.

Discussions were held between several Members and the Chief Internal Auditor concerning the possibility of involving Parish Councils in Enforcement Policy compliance for Licensing and Planning. The Chief Internal Auditor spoke of experience at another Council where a sample of Parish Councils were contacted and the process had been helpful to the auditor as well as being appreciated by the Parish Councils. She explained that a sample of approximately five Parish Councils would be contacted, some with known issues and some randomly selected. A Member indicated that Bottisham and Lode had experienced several issues lately so should be involved.

There was general agreement that the wording in paragraph 3.9 of the Charter should be amended to be gender-neutral: “their” rather than “his/her”.

It was resolved (unanimously):

That the proposed Internal Audit Plan for 2022/23 and the Internal Audit Charter be approved.

It was further resolved (unanimously):

That the S151 Officer be given delegated authority to approve in-year amendments to the Audit Plan between Committee meetings, in consultation with the Chair of the Audit Committee.

45. FORWARD AGENDA PLAN

The Committee received the updated Forward Agenda Plan for the following 12 months. The Chairman reminded Members that there would be an additional informal meeting to consider the Effectiveness Checklist, and that the Forward Plan aimed for completed reports to be presented at each meeting.

A Member commented that it had been agreed at the previous meeting that the Chief Executive should present the Provision of Internal Audit Services paper at the July meeting; the Chairman agreed. The Chairman also agreed that the informal meeting would ideally be held before July. In response to a Member’s question about the timing of the External Audit Plan, the Finance Manager agreed that ideally it would be presented to the Committee in March but that had not been possible for this meeting due to other commitments at Ernst & Young; it would instead be presented in July 2022 but the following plan was scheduled for March 2023. In response to a Member’s question about the closing of accounts, the External Auditor explained that for 2021/22 the deadline dates were 31st July for the draft accounts and 30th November would be the publication date.

It was resolved (unanimously):

That the Forward Agenda Plan be noted, subject to the July 2022 meeting entry for “Provision of Internal Audit Services – Options Paper” being amended to show that it would be presented by the Chief Executive.

The Chairman thanked Members, officers, and external partners for all of their hard work during the audit year, and commented that it was positive that the Council was one of few that had been able to sign off their accounts for the 2020/21 year.

The meeting concluded at 5:36pm.

**AUDIT COMMITTEE
14th MARCH 2022
QUESTIONS FROM MEMBERS OF COMMITTEE**

All questions received were from Councillor Cane

Item 6 – External Audit – Auditor’s Annual Report

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| <p>It was reported to the meeting of this Committee on 22 November that there was a £2m error on the consolidation when it was subsequently noted that the error was in fact £4.046m (ECTC 1,888 & ECSS 2,158). When was the further £2m error identified and what gave rise to it not being identified at the same time as the £2m reported to November’s Committee?</p> | <p>At time of reporting, group procedures were not complete, and we provided verbal update based on our understanding at the time. We subsequently issued our Audit Results Report Addendum. The £2m reported impacted both income and expenditure and therefore created a £4.046m total error.</p> |
| <p>It was reported to the meeting of this Committee on 22 November that there were unadjusted differences of £80k in respect of ECTC when it was subsequently noted that the differences were in fact £153k. When were the further £73k differences identified and what gave rise to it not being identified at the same time as the £80k reported to November’s Committee?</p> | <p>At time of reporting, group procedures were not complete, and we provided verbal update based on our understanding at the time. We subsequently issued our Audit Results Report Addendum.</p> |
| <p>Why wasn’t the error in the 2019/20 Accounts reported to this Committee at our November meeting, given that it had been identified on 20 November?</p> | <p>We reported that we were still to conclude group procedures, of which comparative figures was one of these procedures.</p> |
| <p>What is the significance of the statement at the end of the report p28 “We confirm that we have not undertaken any non-audit work”?</p> | <p>Factual statement – in line with Ethical Standard 1.</p> |
| <p>Can John Hill please provide us with the timetable for ECTC and ECSS to deliver audited approved accounts to ECDC and working schedules to ECDC’s External Auditors.</p> | <p>ECTC and ECDC Finance Managers are meeting with Price Bailey (the ECTC / ECSS auditors) on the 14th March to finalise arrangements and the timetable for the 2021/22 audit.</p> |

Item 7 – Internal Audit Charter & Work Plan 2022-23

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| <p>How do we know that no further work is needed on the Financial Management Code, when the fieldwork is only underway?</p> | <p>As stated in the report, the plan must remain subject to ongoing review. At this stage, we are currently reviewing the Council's self-assessment against the CIPFA Code and, should there be any areas for improvement, recommendations would be made. Unless there are significant weaknesses identified by the review which would impact upon the annual opinion, we would usually not suggest reperforming the audit the following year but follow up on implementation of any individual actions and then re-visit in future years. Should any significant issues be reported or specific assurances be required, the plan can be amended in light of this.</p> |
| <p>What evidence do we have that Food safety, Fees & charges and Agency staff have a 'lower risk profile'?</p> | <p>This is based on an assessment by the Chief Internal Auditor against the other areas proposed for coverage in the draft plan. There have been no risks flagged by the Council's management regarding these areas. It is noted from analysis of expenditure in 2021/22 that spend on agency staff is low (with no evidence of spend exceeding £5k relating to any agency identified from expenditure reports) – leading to an assessment of lower risk. Fees and charges is a regular audit that we perform at other councils but is not generally one of high risk – assessed against other potential assignments this is considered lower risk. Food safety is an area that was noted as a service from the audit universe which had not been subject to an audit in the last five years, but is not linked to a corporate risk at this time and is subject to regulation by the Food Standards Agency, providing an existing source of independent assurance. Other comparable areas proposed – such as Assets of Community Value and wider Enforcement policy compliance are not subject to similar sources of independent assurance, making Internal Audit coverage more valuable.</p> |
| <p>Will the audit of Council Tax include management of claims for discounts etc?</p> | <p>Discounts is an area of key control within this system and it will be noted that the Committee seek specific assurances on this in 2022/23.</p> |

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| <p>Will the audit of Benefits & Overpayments also include effectiveness with encouraging take-up and prompt and accurate processing of claims?</p> | <p>The prompt and accurate processing of claims rely on key controls within this system and it will be confirmed that this will be included in the scope for 2022/23. The encouragement of take up may not be a key control that would be covered in the system audit – but this will be considered further as to how assurances can be obtained.</p> |
| <p>Will the audit of NNDR review the prompt addressing of late payments, as we have had some significant write-offs of NNDR over recent years?</p> | <p>Recovery is an area of key control within this system and it will be noted that the Committee seek specific assurances on this in 2022/23.</p> |
| <p>Will the Enforcement policy compliance take evidence from Parish Councils, some of whom have expressed concerns about monitoring and enforcement of planning conditions?</p> | <p>This audit can include consultation with Parish Councils – and where a similar audit was recently delivered by the Internal Audit team, at another district council within the shared service, a number of parish councils were contacted for feedback which was valuable.</p> |
| <p>Will the Performance Management audit review member involvement, especially in the light of the lack of performance reports to committees for 30 months?</p> | <p>This audit will include a review of performance reporting to Members – the content, accuracy and timeliness of the data. Should members of the Audit Committee have any areas where specific assurance is sought, this feedback is welcomed and can feed into audit scoping.</p> |
| <p>Charter In App2 P4 3.1 should it read Audi Cttee, rather than F&A?</p> | <p>Yes – this will be corrected.</p> |
| <p>3.3 what does unrestricted access to councillors entail?</p> | <p>Should the Chief Internal Auditor consider it necessary to speak with an elected Councillor in order to exercise their duties, it is expected that their access to any Councillor would be unfettered by officers / Members.</p> |
| <p>3.9 should the wording be gender neutral – ‘their’ rather than ‘his/her’?</p> | <p>This can be amended if Committee would prefer.</p> |

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| <p>4.4 Who is our internal audit team and how do we know who has done each audit?</p> | <p>The Internal Audit Team working with East Cambridgeshire DC currently includes five audit professionals, with a range of qualifications (including ACCA, CIPFA and IIA). It would not be standard practice to report to the Audit Committee the name of the auditor completing each assignment. All are subject to the same quality assurance processes, as set out in the Charter and are subject to their professional standards. Every auditor completes a declaration of interests which would be factored into any allocations, as appropriate.</p> |
| <p>5.1 what support did Internal Audit give External Audit in 2021/22 and what is planned for 2022/23?</p> | <p>Internal Audit respond to a range of enquiries from the external auditor each year and provide further detail / reports where requested. No specific work has been delivered at the request of External Audit in 2021/22 nor are any such assignments currently planned for 2022/23.</p> |
| <p>5.19 When was the last external assessment carried out? What were the findings and who were they reported to?</p> | <p>In 2017 the LGSS Internal Audit Service (led by Milton Keynes Council as lead authority) commissioned an external quality assessment of the LGSS Internal Audit Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework. This external assessment identified no areas of non-compliance with the Standards that would affect the overall scope or operation of the internal audit activity. Findings were reported to the partner authorities, with all actions for potential improvement followed up. From 1st April 2022, the Internal Audit service will no longer be part of the LGSS/Milton Keynes lead shared service and will then be subject to a full, new quality assurance and improvement programme under North Northamptonshire Council, which will be developed in 2022. Outcomes of all self and external assessments will be shared with this Committee, in line with the Charter.</p> |

Item 8 – Internal Audit Progress Report

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| <p>Can we have a copy of the full report into the ICT email outages.</p> | <p>This can be provided.</p> |
| <p>Can we have a copy of the full report for the Covid-19 business recovery grants, and did that include Covid Additional Restrictions Grant?</p> | <p>The audit reported in the Progress Report was an audit of Covid-19 Recovery, which looked at the Council's own recovery from the pandemic and implications for controls / governance / ways of working. This was not an audit of grants. A copy of the report can be provided.</p> |
| <p>The Annual Report for 2020/21 showed that the actions agreed re the Contracts register had not been implemented. The progress report presented today shows that is still outstanding. When will this work be completed? Why has it taken so long to resolve?</p> | <p>The work on reviewing contract register entries against the expenditure analysis has now been completed.</p> |
| <p>What is the Essential action overdue by less than 3 months and by when will it be completed?</p> | <p>Disaster recovery plan testing – Latest update from officers is that there has been a need to change the date for this to accommodate migration of Office 365. Office 365 is in the final stages of migration and this can then be reviewed with dates arranged.</p> |
| <p>What are the 4 important recommendations overdue by less than 3 months and by when will they be implemented?</p> | <p>Of these four actions, one has since been closed (in relation to IT security training records). The other three remain open and the latest updates are provided below:</p> <p><u>Cyber security audit 2020/21</u> IT Monitoring Strategy – This is due to be drafted by the end of July 2022. A document identifying the daily, weekly, monthly checks is being produced to support the team. Password storage – This is currently being explored and IT are in the process of sourcing appropriate software. Soft market testing currently being undertaken to establish the functionality of the software.</p> <p><u>Asset Management audit 2020/21</u> Performance reporting – not yet implemented due to performance reporting not taking place– to be implemented in line with Council wide performance reporting from 2022.</p> |