



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Monday, 17th October 2022, at 4.30pm.

P R E S E N T

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

OFFICERS

John Hill – Chief Executive (until end of Minute 22)
Ian Smith – Director Finance
Maggie Camp – Director Legal
Tracy Couper – Democratic Services Manager
Adeel Younis – Legal Assistant (until end of Minute 22)

IN ATTENDANCE

Rachel Ashley-Caunt – Chief Internal Auditor (from Minute 22 to 24)

16. **PUBLIC QUESTION TIME**

No public questions were received.

17. **APOLOGIES AND SUBSTITUTIONS**

No apologies were reported.

18. **DECLARATIONS OF INTEREST**

No declarations of interests were made.

19. **MINUTES**

It was resolved:

That the Minutes of the meeting of the Committee held on 25 July 2022 be confirmed as a correct record and signed by the Chairman.

20. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman thanked officers for the additional work required to prepare the reports requested at the previous meeting of the Committee and looked forward to further positive working relationships on the Committee.

21. **PROVISION OF INTERNAL AUDIT SERVICE**

The Committee considered a report (reference X83, previously circulated) detailing options for the future provision of the Council's Internal Audit Service from 1 April 2024.

The Chief Executive summarised the report and gave his unambiguous recommendation to accept option 1 in the report of extending the current agreement with North Northamptonshire Council, due to the good quality and flexibility of the service provided. If Members were minded to accept the recommendation, a timetable for future review of the arrangements would be included in the appropriate Forward Plan.

The recommendation to accept option 1 in the report was moved and seconded.

In response to a request by a Member for future elaboration as to why option 3 of consideration of another public sector provider was not to be pursued, the Chief Executive explained that due to the high performing service currently provided, it was considered that there would be little benefit in undertaking the work involved in seeking other possible public sector providers and a greater level of risk, even if a lower cost provider could be identified, since there would be no guarantee of a similar or acceptable standard of service. Therefore, option 1 was considered to be the best option, as it offered the least risk to the Council, whilst still representing good value for money. The Member disputed that value for money could be demonstrated without the Council attempting to seek other public sector providers. Another Member concurred with this view that evidence was required to demonstrate value for money.

Councillor Schumann arrived at the meeting at 4.38pm

The Chief Executive conceded that other providers could be sought but, in view of the good performance of the current provider, his recommendation had been to continue with the current provider.

A Member stated that, whilst satisfied with the service of the current provider, some market testing should be carried out to demonstrate value for money in accordance with the Council's Financial Procedure Rules. Therefore, the following amendment was proposed and seconded:

Delete recommendation 2.1 and replace with:

That the report be noted and the Committee agrees that:

- (i) It would not be cost-effective to bring the Internal Audit Service in-house;
- (ii) A full tendering exercise would be costly and unlikely to obtain either reduced cost or improved services at the same cost;
- (iii) The Chief Executive bring a paper on the option for other public sector providers to the next meeting of the Committee.

During detailed discussion of the amendment, Members expressed differing views, with some in favour of 'testing the market', whilst other questioned the benefits of doing so, as the Council received a good service from the current provider and no guarantee could be given of cheaper or even equivalent cost, or of acceptable or better performance.

The amendment, upon being put to the vote, was declared to be lost with Members voting as follows:

For: Councillors Cane, Inskip

Against: Councillors Every, D Schumann, Sharp

Some Members then expressed disappointment that the Council was not willing to 'test the market' to demonstrate value for money in accordance with the Council's Financial Procedure Rules.

Upon being put to the vote, the motion was declared to be carried with Members voting as follows:

For: Councillors Every, D Schumann, Sharp

Against: Councillors Cane, Inskip

It was resolved:

That the current Partnering and Delegation Agreement with North Northamptonshire Council be extended from April 2024 until March 2027.

22. **DRAFT ANNUAL GOVERNANCE STATEMENT (AGS)**

The Committee received a report (reference X84, previously circulated) containing the draft Annual Governance Statement for 2021/22. The Chief Executive reported that this was the first stage in the process of approval and he would welcome the Committee's views on how they wished him to engage to obtain Councillors' views on the Statement. He stated that a further draft could be brought back to the next meeting of the Committee.

A Member commented that greater transparency on items that had not worked so well within the Council and better dissemination of Financial Procedure Rules was required. The Member reiterated their previous disappointment at the fact that the Audit Committee could not require senior officer attendance at meetings of the Committee to explain particular processes and procedures and, in particular, that of risk. They highlighted the deferral of the all-Member Shareholder Seminar twice and the fact that the Trading Company Business Plans had not been approved before the start of the financial year as examples of issues with the Council's processes.

The Chief Executive reminded Members of the role of this Committee with regard to the Trading Companies compared to that of the Policy Committees. He acknowledged that non-adherence to a timetable was a concern for this Committee and would seek assurances that this would be rectified for the

future. He also agreed to review the wording in the AGS in relation to these items.

Another Member referred to the lack of transparency of the first bullet point in the 3rd column on page 3 of the AGS relating to the Contract Register, in the light of issues identified in a recent audit. Similarly, the AGS did not mention the issue in relation to approval of invoices over £50K and action required to address this. The Chief Executive agreed to take these comments away for consideration as part of the revision of the draft AGS.

An amendment to the recommendation in the report then was proposed, seconded and approved as detailed in the resolution below.

It was resolved:

That the Chief Executive report to the next meeting of the Committee on a further draft of the AGS and put in place a process to invite Members to provide input/comments within an appropriate timetable, in consultation with the Chairman of the Committee.

23. **ANTI-FRAUD & CORRUPTION STRATEGY**

The Committee considered a report (reference X85, previously circulated) containing a revised draft version of the Council's Anti-Fraud & Corruption Strategy.

A question relating to this Agenda item had been submitted by a Member prior to the meeting and this, along with answer provided by officers, was set out in Appendix 1 to these minutes.

Members raised additional questions and comments on the Strategy as follows:

In response to a question, it was confirmed by the Director Finance that the Anti-Money Laundering Statement complied with current legislation.

A Member commented that the definition of Fraud in the Strategy was too narrow, as it did not just relate to financial statements and gain, but also to mislead and hide potential problems. Therefore, this required review. The Member stated that reference to fraudulent financial reporting needed to be included. The Member also considered that the threshold of £10K for reporting of fraud was quite high and that all frauds by employees or Members should be reported to External Audit. They considered that the Bribery Policy Statement should include reference to being relevant to Members as well and that there should be a nominated officer for Bribery and Anti-Fraud. The reference to acting 'as soon as possible' also was too vague. All attempts at bribery successful or not should be reported. Therefore, the Strategy needed further review.

Another Member disagreed that the definition of Fraud in the Strategy was too narrow, as it was the legal definition, and further elaboration/clarification was

given in the Strategy. The Director Finance confirmed that the Policy was consistent with that of other Councils.

Another Member referred to the fact that the Bribery and Anti-Fraud Policy Statements did not contain statements of staff responsibilities and how things were to be done.

An amendment to the recommendation in the report then was proposed, seconded and approved as detailed in the resolution below.

It was resolved:

That the Director Finance, in consultation with the Chairman of the Committee, undertake further review of the Anti-Fraud & Corruption Strategy and report back to the January meeting of the Committee, prior to submission to full Council.

24. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report (reference X86, previously circulated) detailing the work of Internal Audit completed during the financial year to date and progress against the Internal Audit Plan.

Rachel Ashley-Caunt, Chief Internal Auditor, stated that, since the last meeting, a further audit had been completed relating to Safeguarding and a further rolling risk assurance review had been completed - C4: Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018). It also was reported that 2 medium priority actions remained outstanding by more than 3 months.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Members raised further comments and questions on the Internal Audit progress report follows:

Members raised a number of issues in relation to the findings of the Safeguarding Audit regarding proper allocation of time for the role, notification processes and support provided to those reporting incidents. Concern was expressed at the lack of records and a robust and up to date policy and procedures. Once these had been established, a defined timetable for updating also was required. The Chief Internal Auditor stated that progress on the recommended actions would be reported at the next meeting of the Committee but, in response to a request, also agreed to circulate an update to Members of the Committee before Christmas via the Director Finance.

With regard to the C4 rolling risk assurance review, a Member queried why the risk score calculation had not been reviewed and raised concerns regarding the recurring issue of training. The Director Finance confirmed that by the point that the risk score was reviewed by the Risk Management Group

(RMG), actions feeding out of the audit work had been put in place and, as such, no change in score was considered necessary. However, he confirmed that (as with all risks) the risk score would be reviewed at the next meeting of the RMG.

On the 2 ICT related actions outstanding for more than 3 months, Members commented that these should have been completed by 31 March 2022, so it was deeply concerning that this had not taken place, indicated a lack of resources and a defined timescale needed to be set for resolution. Discussion took place regarding the enhanced Microsoft Support Package, and Members requested that the Committee be informed of the Corporate Management Team decision on this matter.

It was resolved:

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

25. **RISK APPETITE REPORT**

The Committee considered a report (reference X87, previously circulated) providing Members with an update on the Council's Risk Appetite. The Director Finance referred to the fact that the setting of the Council's Risk appetite at above 15 was a subjective view and remained unchanged.

A Member commented that this was a deeply disappointing report which did not explain the reasons for the Council's Risk appetite being set at above 15, or give a methodology for the current scoring of individual risks. The Director Finance reiterated the Risk Management Group's view that a Risk appetite at above 15 was right for this Council and that the correct risks and preventative measures had been identified.

Detailed discussion then took place between Members and the Director Finance on the Council's Risk appetite and current Risk Matrix. During the discussions, differing views were expressed by Members and some Members stated that it would assist them to have further explanation to understand the application of the Risk Matrix and some examples of what would be a risk score of 15. In return, the Director Finance stated that it would assist him to have some theoretical risks from Members for the Risk Management Group to score.

Councillor Cane requested that it be placed on record that she was not prepared to accept a risk appetite of above 15.

An amendment to the recommendation in the report then was proposed, seconded and approved as detailed in the resolution below, with Members voting as follows:

For: Councillors Every, D Schumann, Sharp
Against: Councillors Cane, Inskip

It was resolved:

1. That the report be noted.
2. That the Director Finance request the Risk Management Group to provide the Committee with further explanation to assist their understanding of the Risk Matrix and the setting of the Council's risk appetite at above 15 and, in order for him to do this, Members of the Committee provide the Director Finance with some theoretical risks for the Risk Management Group to score to test the application of the Risk Matrix.

26. **IMPACT OF COMPANY ACCOUNTS ON COUNCIL GROUP ACCOUNTS**

The Committee considered a report (reference X88, previously circulated) giving an update on the audit of the accounts of the Council's Trading Companies and how these impact on the Council's Group Accounts.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

A Member reiterated concerns already expressed at the meeting regarding the failure for the Council to receive Trading Company Accounts correctly and on time.

It was resolved:

That the report be noted.

27. **FINANCIAL MANAGEMENT CODE**

The Committee considered a report (reference X89, previously circulated) giving an update on the Council's application of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

A Member commented that evidence not 'belief' was required as to why the current process of separate Financial and Performance reporting arrangements remained 'fit for purpose' for this Council, as stated in the report. The Member stated that Corporate Management Team (CMT) should be requested to produce a timetable for joint Financial and Performance reporting from the 2023/24 financial year onwards.

However, the Director Finance reiterated the Corporate view that the process of separate arrangements remained robust. Other Members, whilst concurring with this view, stated that it was reasonable to request a justification to be submitted to the next meeting of the Committee.

It was resolved:

That the report be noted and that a report be submitted to the next meeting of the Committee providing a justification for the assessment by Corporate Management Team of the adequacy of the Council's Financial and Performance reporting arrangements and not changing to joint reporting arrangements.

28. **FORWARD AGENDA PLAN**

The Committee received the Forward Agenda Plan for the Committee. In the light of the above discussions,

It was resolved:

That the revised Forward Agenda Plan be noted and the following items be added to the Agenda Plan for the January 2023 meeting:

- Draft AGS
- Anti-Fraud & Corruption Strategy
- Risk Appetite Matrix
- Financial and Performance reporting arrangements

The meeting closed at 7:45pm.

Chairman:.....

Date:

AUDIT COMMITTEE
17th OCTOBER 2022
QUESTIONS FROM MEMBERS OF COMMITTEE

Questions received from Councillor Cane

Item 8 – Anti-Fraud & Corruption Policy

<p>Appendix 1 para 1.6 the definition of fraud seems to be very narrow – where is this definition from?</p>	<p>This was the definition applied by the former Audit Commission and is considered to remain relevant in that it covers different types of fraud (including both internal and external) and essentially that such action would be 'deliberate' and 'for gain'.</p>
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Item 9 – Internal Audit Progress Report

<p>Why do our staff not have time to upload data for the National Fraud Initiative? How many days of IA time has this taken up?</p>	<p>This work was previously undertaken by the in-house Internal Auditor and was work therefore included in the Partnering and Delegation Agreement when this was established.</p> <p>There are 10 days allocated annually for Internal Audit to assist with the NFI – in uploading/verifying the datasets; delivering the role of Key Contact with the Cabinet Office; and overseeing the review and closure of data matches. Access to the NFI application is limited in line with the Code of Practice and Security policy.</p>
<p>Does the Lead Safeguarding Officer consider they have adequate time and resources to carry out their role? What proportion of their time is allocated to safeguarding?</p>	<p>Yes, there is sufficient time to carry out the role and the proportion of time varies depending on when safeguarding issues may arise. In terms of training, this is carried out as part of normal duties and other training.</p>
<p>How is the Lead Safeguarding Officer informed when Designated Safeguarding Officers leave employment?</p>	<p>Notified by HR.</p>

<p>Without a record of training how does the Lead Safeguarding Officer know staff have been adequately and appropriately trained?</p>	<p>Training has always been provided, what was missing is a central record. DSO's are trained adequately and appropriately. Staff refresher and induction training records are held by HR.</p>
<p>What process is in place for updating the Child and Adults at Risk Safeguarding Policy?</p>	<p>The legislative element of the policy is up-to-date. The Safeguarding Board, represented by multiple agencies, agreed, where possible, consistency of the policy would be reflected in the update. Once the Safeguarding Board has agreed the common elements, the Council can make necessary changes to the policy.</p>
<p>When will the updated Child and Adults at Risk Safeguarding Policy be updated and how will the update be shared with staff and members?</p>	<p>It is anticipated that this will be completed and circulated to staff and Members by the end of November.</p>
<p>What is in place to ensure the Child and Adults at Risk Safeguarding Policy is kept up to date?</p>	<p>This is monitored through the multi-agency Safeguarding Board.</p>
<p>Why does the Risk Management Group not think the residual risk for C4: Failure to achieve compliance with Data Protection legislation needs amending, given that 'compliance was not fully evidenced' for 2 of the controls, and the published guidance on the website is not up to date?</p>	<p>As can be seen in the next response, the actions from the review have been actioned. The Risk Management Group did not have a scheduled meeting and therefore review the risk until the actions had been completed, so at this point, there was no requirement to increase the residual risk score.</p>
<p>Has ARP responded to the ROPA update reminder and are we now compliant with Article 30 of the GDPR?</p>	<p>I can confirm that ARP has responded, the website up-dated and we are therefore fully compliant.</p>
<p>2/3 of the agreed management actions are overdue including 4 high priority – why is this?</p>	<p>The four high priority actions that are overdue relate to ICT. Members will be aware that the ICT team have been doing weekend work over three recent weekends, undertaking a disaster recovery test, removing data from servers that are getting towards their end of life and installing a new helpdesk. These actions are moving us towards the resolution of these audit recommendation (and those in the question below), but each takes considerable resource and work is having to be prioritised.</p>

<p>Two of the outstanding actions are on Cyber Security and ICT Outages. We were assured at our last meeting that 'outstanding matters [would] be resolved in a timely manner'. That was back in July, why have these actions not been completed and by when will they be completed?</p>	<p>The report does detail an up-date on these issues, making it clear that the actions are being progressed, if not yet fully concluded. (Please see the answer above.)</p>
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Item 11 - Impact of Company Accounts on Council Group Accounts

<p>It is disappointing that auditors picked up on these errors, rather than staff or Directors of ECTC. Were these errors recognised by ECTC's auditors or the Council's auditors?</p>	<p>The need for these adjustments were picked up by ECTC's auditors.</p>
<p>What is the process for changing the published Council Accounts for a prior year?</p>	<p>We will discuss the adjustments to the ECTC Accounts with the Council's Auditors when they arrive in January 2023 and if felt material, the Council's Group Accounts will be adjusted and the prior year restated.</p>