



EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely, on Monday, 10 January 2022, at 4.30pm.

## **PRESENT**

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

## **OFFICERS**

Ian Smith – Finance Manager  
Maggie Camp – Legal Services Manager  
Tracy Couper – Democratic Services Manager  
Russell Wignall – Legal Assistant

### 27. **PUBLIC QUESTION TIME**

No public questions were received.

### 28. **APOLOGIES AND SUBSTITUTIONS**

Apologies for absence were received from Councillor Daniel Schumann.

### 29. **DECLARATIONS OF INTEREST**

No declarations of interests were made.

### 30. **MINUTES**

The Committee received the Minutes of the meeting held on 22 November 2021.

A number of questions relating to the Minutes 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.

The Chairman reported that she had received a number of requested amendments to the Minutes from Councillor Cane. She explained that one of these had related to the omission of Appendix 1 detailing Member questions and answers and this had been corrected, with amended version circulated to Councillors and published on the website. She apologised for the omission. The Chairman stated that the remainder of the amendments appeared to be differences in interpretation.

The Chairman reminded Members that Minutes were intended to be an accurate, concise and balanced summary of the main points discussed and agreed at a meeting and not a verbatim record. It was for the relevant Committee at the following meeting to determine whether this was the case and Members could propose, via a Motion, any valid corrections believed to be required on the grounds of accuracy in accordance with Council Procedure Rule 14.

The Chairman stated she had considered Councillor Cane's amendments and taken advice from officers and proposed the following Motion which was seconded by Councillor Sharp:

"That the Minutes be confirmed as a correct record and signed by the Chairman subject to the following amendment:

page 3, 5<sup>th</sup> paragraph, amend to read:

'External Audit expected to give an unqualified opinion on the authority's financial statements once all the necessary adjustments had been made.'

Councillor Cane questioned why the Chairman was not taking the remainder of the amendments and the Chairman reiterated that she had considered these and believed them to be more about differences in interpretation than accuracy. The Chairman read out Council Procedure Rule 14 for the sake of clarity.

Councillor Cane then proposed an amendment which was seconded by Councillor Inskip that the Minutes be amended to include all of her requested amendments as follows:

'1 - Item 21 – just over halfway down P3 it states "However, External Audit had given an unqualified opinion on the authority's financial statements." This statement is incorrect and the External Auditor did not say this. I suggest you check this with him, but I think he said that he expected to give an unqualified opinion once all the necessary adjustments had been made.

2 – Item 21 – 3 para from the bottom of P4 it states "Mr Hodgson stated that it would not make a difference from a public perspective but was significant in accounting terms, although it did not affect the outturn position." This is incorrectly recorded. What he actually said was "The misclassification of Covid related Grant income was unlikely to make a difference from a public perspective and made no difference to the outturn. The error in consolidation also did not affect the outturn but both errors were material."

3 – Item 21 - 2 para from the bottom of P4 starts with "Despite the above explanations..." This is a wholly inappropriate statement, which nobody made at the meeting, and should be deleted.

4 – Item 21 – 2 para from the bottom of P4 where it says "governance processes were improved to prevent such situations arising in the future." Is too vague – what was said was - governance processes were improved to ensure the audited and approved trading company accounts were received by ECDC in good time to consolidate the accounts before the audit.

5 – Item 22 - 3 para – should say "A motion to accept the recommendation in the report to approve the Statement of Accounts, subject to non-material changes, was proposed.

6 - Item 22 – 4 para from the bottom of P5 is missing a sentence. After “a member requested...material changes required.” It should say – Another member asserted that the changes were not material.

7 – Item 22 3 para from the bottom of P5 incorrectly records what the External Auditor said. It should say – Mr Hodgson confirmed that they were material, even though there was no impact on the outturn.

8 – Item 22 2 para from the bottom of P5 incorrectly records the discussion. It should say – Some members expressed their unwillingness to approve the resolution because as worded it would only allow non-material changes to the accounts being approved when it had already been clarified that material changes were required if the auditor was to give an unqualified opinion.

9 – Item 22 after the revised motion is set out it should say – a member expressed concern at approving accounts which were known to have material errors which members had only been informed of at the meeting and for which only verbal explanations had been given.

10 – Item 23 final para before the resolution – the discussion is incorrectly reported. It should say – the member asked why the committee was told at their July meeting that the leases had been signed when the Internal Audit report showed that they had still not been signed at the date of the report to this meeting.

11 – Item 24 – this is missing part of the discussion – A member asked the Chief Executive what significant issues were emerging from the review. He replied that he would provide written details to the Members of the Committee after the meeting.’

Councillor Cane explained in detail the reasons for each of the individual amendments. Another Member reiterated that the Minutes could not be a verbatim record and could not include every comment made by Members at a Committee. However, the requirement for fuller Minutes might need to be reviewed. During further discussion, Councillor Cane stated that she accepted that Minutes could not be a verbatim record, but felt particularly strongly about her amendments, as they covered key aspects of the proceedings and comments/undertakings made by Members and Officers. Particular attention was drawn to amendment 5 above, which it was stated was corroborated by a Tweet sent by Councillor Inskip in the meeting itself. Under the circumstances, the Chairman and seconder stated that they were prepared to amend the Motion to include item 5 of Councillor Cane’s amendments.

Councillor Cane requested a recorded vote on her amendment.

Upon being put to the vote, the amendment was declared to be lost on the Chair’s casting vote, with voting as follows:

FOR: Councillors Cane and Inskip

AGAINST: Councillors Every and Sharp

The Chairman then asked for debate on the Motion, as amended. Councillor Cane particularly emphasised that she did not consider that the Minutes accurately summarised discussions on the Statement of Accounts, which was a key role for this Committee, and commented that she should have been afforded the courtesy of a response to her amendments before this meeting.

The Chairman acknowledged the latter point. Councillor Cane also asked for a recorded vote on the Motion, as amended.

Upon being put to the vote, the Motion, as amended, was declared to be carried on the Chair's casting vote, with voting as follows:

FOR: Councillors Every and Sharp  
AGAINST: Councillors Cane and Inskip

It was resolved:

That the Minutes be confirmed as a correct record and signed by the Chairman subject to the following amendments:

Minute 21 - page 3, 5<sup>th</sup> paragraph, amend to read:  
'External Audit expected to give an unqualified opinion on the authority's financial statements once all the necessary adjustments had been made.'

Minute 22 – 3 paragraph – amend to read:  
'A motion to accept the recommendation in the report to approve the Statement of Accounts, subject to non-material changes, was proposed.'

### 31. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reported that Mark Hodgson and Jacob McHugh from External Audit had advised that they were unable to attend the meeting as they were self-isolating. Therefore, Agenda Item 6 - Auditor's Annual Report, was being deferred to the meeting scheduled for 14 March 2022, as no representative from External Audit would be in attendance to present the report and respond to Member questions. The Member questions already sent and responded to in relation to this item also would be deferred to the March meeting.

Similarly, Rachel Ashley-Caunt from Internal Audit was unable to attend the Committee meeting, as she had advised that she too was self-isolating. However, the Finance Manager would introduce Agenda Item 8 - Internal Audit Progress Report on her behalf, respond to any questions he could answer and take away other questions to be responded to in writing after the meeting.

A Member expressed her best wishes to the Auditors for a speedy recovery.

A Member then questioned why the Statement of Accounts had not been published by the deadline date of 30 November 2021, as it was important to achieve this deadline. The Chairman stated that there were no procedural grounds to raise this matter under this item, but she would allow the question.

The Member also queried on what authority the Statement of Accounts had been signed-off, as they included a consolidation in relation to ECTC of £4M and not £2M as reported to the Committee, which was a material change not reported at the meeting. The Chairman stated that she had signed-off the Statement of Accounts on the advice of the S151 Officer and External Auditor. The Member highlighted the fact that the authority in the resolution in Minute 22

of the Committee on 22 November 2021, only authorised the sign-off of the Statement of Accounts with any further non-material changes. Another Member corroborated that the change in this sum to £4M was not identified and reported at the meeting. The Finance Manager stated that the consolidation issue was reported at the meeting and that the resolution to authorise the change referred to the issue, not the value.

32. **EXTERNAL AUDIT – AUDITOR’S ANNUAL REPORT**

Item deferred to March meeting.

33. **PROVISION OF INTERNAL AUDIT SERVICES**

The Committee considered a report (reference W131, previously circulated) detailing options for the future provision of Internal Audit Services in the light of the ending of the current partnering and delegation agreement on 31 March 2022.

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.

The Chairman proposed and Councillor Sharp seconded the recommendation in the report as follows:

That the contents of the report be approved and enter into a delegation agreement for our Internal Audit Service with North Northamptonshire Council for five years from 1<sup>st</sup> April 2022, authorising the Finance Manager, in consultation with the Legal Services Manager, to finalise the delegation agreement.

An amendment was moved by Councillor Cane and seconded by Councillor Inskip to amend the above Motion as follows:

- Change the word ‘approved’ to ‘noted’
- Change ‘Finance Manager’ to ‘Chief Executive’
- Change ‘5 years’ to ‘12 months’
- Add following wording at end: ‘and instruct the Chief Executive to draw up a full Internal Audit Options Paper for the Committee in July 2022 for a decision to be taken on the provision of Internal Audit Services from 1 April 2023.’

With regard to question 1 of the questions provided in advance of the meeting, a Member queried how the Finance Manager knew that North Northamptonshire Council were willing/able to continue with the contract, if there had been no direct discussions. The Finance Manager stated that Internal Audit had expressed a willingness for the service to continue, as had the other 3 non-partner Councils. The Member queried why Cambridgeshire County Council, West Northamptonshire Council and Milton Keynes Council were not continuing with the service. The Finance Manager stated that the 4 non-partner Councils were

continuing with the service. The Member then read an extract from the 'lessons learned report' regarding the contribution of Internal Audit to the failings at Northamptonshire County Council and asked in the light of this why this Council considered it appropriate to continue with the outsourced arrangement. The Finance Manager highlighted the sections in his submitted report regarding good standards of service delivery and resilience, compared to the previous in-house service reliant on 1 officer. The Member referred to the position tonight relating to the Chief Internal Auditor being unable to attend due to Covid-19, and the Finance Manager highlighted that, below the Chief Internal Auditor, the structure of the service gave access to auditors with a varied range of knowledge and expertise to conduct different audits.

A Member queried whether the Internal Audit Plan would be delivered in full by 31 March 2022, as the answer to a Member question on the following Agenda item showed that only 50% of audits were at draft report stage as at 5 January 2022. The Finance Manager reported that all 4 non-partner Councils considered the service provided as good and wanted it to continue. The Member again asked if the Plan would be delivered in full by 31 March 2022 and what evidence there was that the service represented good value for money (VFM). The Finance Manager repeated his views regarding cost-effectiveness, resilience and access to a greater range of skills and expertise compared to a single officer. No specific VFM assessment had been carried out, but the hourly rate charged compared favourably and the quality of service provided remained good.

The Member also queried the issue of independence, given that Internal Audit had an involvement in risk management and risk assessment through membership of the Officer Risk Management Group. The Finance Manager clarified that Internal Audit facilitated the Group and worked to professional standards, which included maintaining independence.

The Chairman asked Councillor Cane to explain the rationale behind her amendment and asked the Finance Manager to explain the implications of a possible phased deferral of a decision on the continuation of the service. The Finance Manager stated that the Council could examine alternatives such as going out to tender or looking for other public sector providers, but there was no evidence to suggest that a better quality or priced service would result and the benefits of continuity of service and good professional working relationships were a great advantage in his view. A deferral of the decision would mean that this Council would not have concurrent service arrangements with the other 3 councils.

Councillor Cane stated that she wished to replace the Finance Manager with Chief Executive to ensure independence, as the Internal Audit role largely involved examining the work of the Finance Team and they had a close relationship. She had been minded to vote against the Motion, due to the fact that Members were being asked to enter into a 5 year contract based upon a report with little information/evidence and with a short timescale to the expiry of the current arrangements. However, a 12 month agreement would allow time for a full review to test the market and understand the pros and cons of the various options.

Another Member referred to the benefits of Internal Audit Services being supplied by an external provider and that the issues with Northamptonshire County Council were not relevant to this Council. However, the Member had some sympathy with the view that the Chief Executive should be responsible for the finalising of the agreement, in order to maintain independence due to the working relationship between the Finance Manager and Internal Audit. The Member expressed a willingness to support a 3 year agreement.

In that context, Councillor Cane agreed that she would be willing to amend her amendment as follows:

- Change the word 'approved' to 'noted' and add words 'and approval be given to' before 'enter into'
- Change 'Finance Manager' to 'Chief Executive'
- Change '5 years' to '2 years'
- Add following wording at end: 'and instruct the Chief Executive to draw up a full Internal Audit Options Paper for the Committee in July 2022 for a decision to be taken on the provision of Internal Audit Services from 1 April 2024.'

Councillor Inskip, as seconder, stated his agreement to these changes, as there was a need to look at whether other options were available compared to 5-6 years ago in the interests of due diligence and there may be benefits from a new supplier in terms of offering a different approach/perspective.

The Finance Manager referred to the fact that he had not discussed the possibility of a 2 year delegation agreement with North Northamptonshire Council and the current LGSS agreement terminated from 1 April 2022.

Upon being put to the vote, both the amendment and substantive motion were carried unanimously.

It was resolved (unanimously):

That the contents of the submitted report be noted and approval be given to enter into a delegation agreement for our Internal Audit Service with North Northamptonshire Council for two years from 1<sup>st</sup> April 2022, authorising the Chief Executive, in consultation with the Legal Services Manager, to finalise the delegation agreement and instruct the Chief Executive to draw up a full Internal Audit Options Paper for the Committee in July 2022 for a decision to be taken on the provision of Internal Audit Services from 1 April 2024.

#### 34. **INTERNAL AUDIT PROGRESS REPORT**

The Chairman asked Members of the Committee if they wished to defer this item due to the absence of a representative of Internal Audit. However, a Member stated that they had questions to the Finance Manager on the report.

The Committee considered a report (reference W132, previously circulated) advising Members of the work of Internal Audit completed for the financial year to date and the progress against the Internal Audit Plan.

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 referred to the Member question and response referring to the uncompleted essential action in Table 2. The Finance Manager stated that this was detailed in Appendix 3 and that Internal Audit would produce a follow-up report in quarter 4.

With regard to the Member questions and responses on Procurement Compliance, a Member asked how the Council could show that it was following Contract Procedure Rules, if this could not be evidenced by the completion of a contract, and why an audit opinion of 'satisfactory' had been given. They also queried if the 30% figure related to works/services not requiring the completion of a contract. The Finance Manager agreed to provide a written response to Members of the Committee.

Another Member referred to the fact that the Legal Team would need to work with Service Leads in a timely manner to identify any gaps in contract register entries in order to ensure that Internal Audit could report to the March Audit Committee meeting.

It was resolved:

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

### 35. **RISK MANAGEMENT**

The Committee received a presentation by the Finance Manager on the Council's current Risk Management arrangements, a copy of which is attached at Appendix 2. The Committee also considered a report (reference W133, previously circulated) containing revised drafts of the Risk Management Policy and Framework documents and the updated Corporate Risk Register.

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 the following questions and issues at the meeting with regard to the presentation and submitted documents:

Members queried if the Corporate Risk Register was submitted to full Council. The Finance Manager confirmed that it was considered and reviewed by this Committee. It was suggested that all Councillors needed to consider and review the Corporate Risk Register.

Members queried how new risks were identified and added to the Corporate Risk Register and the Finance Manager explained the process. Members commented that this should be reviewed.

Members stated that Risk Management training needed to be provided for all Councillors and refresher training carried out for Service Leads, having regard to the time that had elapsed since such training had been carried out.

With regard to the Impact Guidance in Appendix 5 of the Risk Management Policy, Members commented that the descriptions seemed very vague and were open to different interpretations by different people. Therefore, some form of quantified numerical guidance was required, such as percentage rates or probability rates, to assist the assessment process.

Members queried how the risk appetite of 15 had been established and the reasons for this. The Council needed a proper definition of its risk appetite and a justification for it. The Risk Scoring Matrix also needed to be reviewed to include real examples of what the scoring meant in terms of impact and likelihood.

A Member commented that the 'Action RAG' column in the Corporate Risk Register had not been completed in every case and a number of the entries in the 'Target Date' column were shown as 'ongoing'.

A Member queried the relationship between Internal Audit (IA) reports and the reflection of risks in the Corporate Risk Register, using the examples of the IA report on contract compliance and the statement that out of date versions of corporate policies were published on the internet/intranet.

Members stated that they could not recommend the updated Risk Management Policy and Framework documents to full Council for approval at this stage, as they needed to be reviewed further by the Risk Management Group having regard to the above comments from this Committee.

Members also raised questions and made comments on the Corporate Risk Register to be considered by the Risk Management Group, based upon the Member questions and responses relating to this item in Appendix 1, as follows:

Risk A2 – How is the rating for this risk in relation to ECTC based upon the £500,000 figure evidenced? Why is there a single risk for the 2 Trading Companies when both different in nature and consequences of failure? Should be listed and risk rated separately. How does Risk Management Group evidence decision to keep together as key controls the same?

Risk A3 – How is the rating for this risk evidenced bearing in mind only 57 affordable housing units completed on a target of 130 per year?

Risk B3 – How evidence issues and assessment relating to Brexit and Covid in relation to ECSS shortage of HGV drivers? Why is this risk not correlated/reflected in Risk D8 on staff recruitment, absence and retention?

Risk C2 – Outlook issue in January 2022 may have been supplier issue, but how evidence that correct controls in place to deal with such issues? Also happened on 1 January but Members/public not notified of issue until 4 January. Need to consider how effectively notify Members/public, etc, under such circumstances, e.g. blanket texts, posting messages on social media. Disaster Recovery Plan not tested and Cyber Security Review raised a number of issues. How are these to be mitigated by ICT staff when already overstretched and so is the risk rating correct?

Risk C4 – is risk rating correct when are issues with non-compliance on LG Transparency Code and GDPR?

The Chairman acknowledged the need for an effective flow of corporate monitoring information to this Committee, whilst avoiding duplication with the role and responsibilities of the Policy Committees, and stated that she would be discussing the role and relationship of this Committee and the Policy Committees further with the Chief Executive.

It was resolved (unanimously):

That the presentation on current Risk Management arrangements; the updated Risk Management Policy and Framework documents and Corporate Risk Register attached to the submitted report be noted, and the Risk Management Group be requested to consider the comments of the Committee detailed in these Minutes and respond to the July meeting of the Committee, including with regard to a programme of training for Members and Officers.

36. **FORWARD AGENDA PLAN**

The Committee received and considered the Forward Agenda Plan.

It was resolved:

That the Forward Agenda Plan be noted and the Chairman and Lead Officer for the Committee consider the inclusion of the following items:

- The requirement for an additional meeting of the Committee in April/May 2022;
- Review of the Anti-Fraud and Corruption Policy;
- An Audit Committee Effectiveness Checklist
- Review of the Code of Corporate Governance.

The meeting closed at 7.50pm.

Chairman:.....

Date:

**AUDIT COMMITTEE  
10 JANUARY 2022  
QUESTIONS FROM MEMBERS OF COMMITTEE**

Item 4 – Minutes

**Questions from Councillor Cane**

<p><b>Why were members informed that everything was on course for the accounts to be signed off by the deadline of 30 November when the process was delayed because all 3 of the key personnel had leave between the 22-30 November. It should have been clear by 22 November that the 30 November deadline would not be met due to these leave arrangements and members should have been informed accordingly.</b></p>	<p>At the time of the meeting, there was every expectation that the 30<sup>th</sup> November deadline would be achieved, and arrangements were in place to work around the leave arrangements of those concerned.</p>
<p><b>When will we receive the written response from the Chief Executive on the actions to be taken to improve the governance processes so that the trading company accounts are received by the Council in good time to consolidate prior to the audit?</b></p>	<p>The Chief Executive instructed the ECDC Finance Manager to work with the ECTC/ECSS Finance Manager to ensure that sign off processes align and do not cause delay to the Council.</p> <p>A timetable is being established. The Chief Executive will write to Members of the Audit Committee to confirm this prior to the March meeting.</p>
<p><b>Please can we have a schedule of all the changes, material and non-material, between the final published accounts and the accounts approved by the audit committee.</b></p>	<p>Deficit movement of £177K = £159 Loss on disposal of Fixed Assets + £19K Impairment on the same</p> <p>CIES: Income and Expenditure change of 9176K for Agent to Principle grants. No Net difference Net Expenditure changed +£19 for Impairment on Sale of Fixed Assets Loss on disposal of Non Current Assets +£159</p> <p>MIRS: Movement on Loss on Disposal of Fixed Assets £159K + Impairment £19K</p> <p>Note 8 Income &amp; Expenditure: Same as CIES</p>

	<p>Movement to Other service expenses from Government grants for Agent to Principle accounting.  Loss on disposal of Non-Current Assets added  Note 8A – Grant Income:  Change for Agent to Principle accounting as Note 8  Table for Agent grants added</p> <p>Note 11 – Change for Disposal of Fixed Assets + Impairment</p> <p>Note 12: Assets held for sale moved outside of the main table</p> <p>Group Accounts – CIES  Change from Net to Gross on Income &amp; Expenditure - No impact on Net.  (ECTC 1,888 &amp; ECSS 2,158)  £159K Disposal of Fixed Asset and £19K Impairment feeding through from ECDC CIES  Interest £50K eliminated from Group accounts</p> <p>Group MIRS:  -£159K Loss on disposal of FA +£83  Pension adjustment moved from 2019/20 to 20/21</p> <p>Group Balance sheet:  Interest £50K eliminated from WIP - £159K on Loss on disposal of FA</p>
<p><b>When did the Finance Manager provide written details to members of how the 3 priority items outstanding for more than 3 months would be resolved before the next meeting of the committee?</b></p>	<p>There was only a limited time between the previous meeting and the agenda dispatch for this meeting, so unfortunately no separate up-date was provided, but this is included in Agenda item 8.</p>
<p><b>Please can we see copies of the 2 signed leases.</b></p>	<p>These will be provided to Members.</p>
<p><b>What progress has been made on implementing proper brought forward process/arrangements for lease renewals?</b></p>	<p>The Legal Services Manager is working with Finance colleagues to identify software that will enable the Council to effectively monitor leases going forward.</p>

Item 6 – External Audit – Auditor’s Annual Report

**Questions from Councillor Cane**

<b>Why was the Audit Results Report Update Addendum issued on 7 December not circulated to members?</b>	It was considered sufficient that Committee receive the Auditor’s Annual report as included on the agenda for this meeting, but Members can be sent a copy of the document if they so wish.
<b>What is the amount of the adjustment for consolidation errors in 2020/21– is it the £2m reported to November’s Audit Committee or the £4m shown in the final report?</b>	It is the £4m
<b>When was the error on the 2019/20 consolidation identified?</b>	20 <sup>th</sup> November 2021
<b>P22 It is noted that the Council has ‘Contract Procedure Rules’ which ensure that services are procured appropriately and the expected benefits are realised. Given that Internal Audit found in their testing that 30% of the sample had no written contract and 80% of the sample were not included on the contracts register how can this be considered an effective assurance? It should be noted that concerns about shortcomings in procurement documentation and compliance have been raised by Internal Audit since at least October 2020, so this is relevant to the 2020/21 accounts.</b>	Noted, further procurement training was provided to staff on the 22 <sup>nd</sup> June 2021, to further highlight the importance of ensuring all documentation is correctly prepared.

Item 7 – Provision of Internal Audit Services

**Questions from Councillor Cane**

<b>What discussions has the Finance Manager, or other ECDC Officers, had with North Northants Council about the continuation of this contract?</b>	No discussions were held, however, in reaching the recommendation the Finance Manager reviewed reports from other Council’s and noted an equally positive response on the quality of service that they had received.
<b>Item 7 para 3.5 – what is the evidence that the plan is delivered in full each year and represents ‘good value for money’?</b>	The internal audit plan has been delivered in full during each year of the delegation.

<p><b>Para 3.6 – what is the evidence that the Internal Audit Team have demonstrated their ability to be independent? How does this square with them facilitating the Risk Management Group and having ‘developed good relationships with senior management?’</b></p>	<p>‘Good relationships with senior management’ does not relate to any relationship that would impair the independence of the internal audit service. Rather, direct access to the Council’s senior management and reporting relationships are a requirement of the Public Sector Internal Audit Standards and provide the service with ability to build an understanding of the organisation and its risks.</p> <p>The risk management group facilitation provides internal audit with an insight into the Council’s risk management activity and assurance over how risk management is operating. Internal Audit’s input to this group is limited to sharing good practice/examples of risk activity at other local authorities, to trigger consideration of comparable risks and opportunities; retaining a central master copy of the risk register document; and providing independent advice to members of the group. Internal audit have no input on the content/scoring or responsibility for risks or actions.</p>
<p><b>What Internal Audit provision have you compared this provision to?</b></p>	<p>This was compared to the Council having it’s own directly employed Internal Auditor.</p>
<p><b>Which of the Councils in the original shared services scheme have stayed in this scheme, which have left and which have indicated that they are likely to leave?</b></p>	<p>The original shared service has been repatriated to partner councils. East Cambs is one of four non-partner councils who had delegated their internal audit service to the former shared service. All three of the other councils remain satisfied with the service and are in the process of delegating their internal audit service to North Northamptonshire Council from 1<sup>st</sup> April 2022.</p>
<p><b>What consideration has been given to the involvement of this Internal Audit service with Northamptonshire County Council prior to it being issued with a Section 114 notice?</b></p>	<p>The Council has focused on the quality of the service that it has received and is assured that this quality service will continue.</p>
<p><b>What consideration has been given to the Lessons Learned Report from the</b></p>	<p>The Council has focused on the quality of the service that it has received and is</p>

<b>Intervention at Northamptonshire County Council, which noted that the outsourcing of Internal Audit had contributed to the ‘failure to accept challenge’?</b>	assured that this quality service will continue.
<b>What inflation measure will be used to increase the annual fee?</b>	The national pay award % - given that the service is primarily staff costs.

Item 8 – Internal Audit Progress Report

**Questions from Councillor Cane**

<b>What percentage of the assignments are completed?</b>	As of 5 <sup>th</sup> January 2022, 50% are at least in draft report stages. This does not reflect those assignments in advanced stages of delivery.
<b>2.3 Bank Reconciliations p3 – How many reconciliations had not been signed by the reviewer; how many did you check; how were you able to gain assurance that the reconciliations which had not been signed had been reviewed? What actions have been taken to prevent a recurrence of this issue?</b>	<p>A review of the completed reconciliations between the finance system and the cash book for the period April 2021 to October 2021 confirmed that monthly reconciliations had been completed.</p> <p>All of the monthly bank reconciliations for the period had been signed with the name of the preparer and the reviewer. It was noted, however, that the signatures of the preparer of the April 2021 and May 2021 reconciliations had not been dated and no dates were recorded against the signature of the reviewer. As such, these were not considered to have been ‘fully signed’ and it is not possible to provide assurance over the timeliness of completion.</p>
<b>2. Counter Fraud p3 – Please can we have a schedule of policies and codes of practice which need to be updated and those which had different versions on the internet/intranet.</b>	The Employee Code of Conduct sets out the rules concerning how staff should conduct themselves whilst undertaking employment duties. It covers all the relevant areas expected in such a document however it has not been reviewed since 2014, and referred to a post no longer in the Council’s establishment (HR & Facilities Service Manager) and the role of the Senior Planning Officer regarding personal interests in planning applications (now Planning Manager).

	<p>The Council's Whistleblowing Policy is dated 2014 and provides guidance on how staff should raise concerns within the Council. There is information contained in the Policy which is out of date as there is reference to the Audit Commission which no longer exists and Public Concern at Work which changed to Protect in 2018.</p> <p>There are different versions of the same documents published on the Council's website. There is a Community Engagement Strategy covering the period 2018-2023 which replaced the former Consultation Policy but the latter is still included on the Council's website. A Press &amp; PR Protocol or Corporate Communication Strategy dated 2007 is posted on the website under Policies, Strategies and Plans, but a revised Press &amp; PR Protocol dated November 2019 is included in the Council's Constitution.</p> <p>The Council's Code of Corporate Governance has been developed in accordance with the Delivering Good Governance in Local Government Framework, which builds on the seven Principles for the Conduct of Individuals in Public Life. The current version of the Code was approved in 2017 and would benefit from a review to ensure that it reflects current committee arrangements, policies, strategies, codes and plans.</p>
<p><b>8.2 Procurement Compliance p4 – 30% of the items tested had no documented contract in place and 80% were not included on the contracts register –</b></p> <p><b>a) how can that be described as 'minimal control weakness'?</b></p> <p><b>b) If 30/80% is minimal, what level would be required for significant or fundamental control weaknesses?</b></p>	<p>The opinion is based on the overall control compliance, not specific to any one control. The weaknesses identified were in relation to timely completion of contract documentation (30%) and inclusion in the contract register (80%).</p> <p>Wider testing included compliance with procurement rules in the seeking of appropriate quotations/competitive tendering/use of frameworks/seeking appropriate approvals etc.</p>

<p><b>c) How can it be described as “mainly operated as intended”?</b>  <b>If 30/80% is mainly operated as intended, what level would be required for not operated as intended or fundamentally broken down?</b></p>	<p>The overall opinion takes the findings on all key controls into consideration. The lack of evidence of a documented contract and inclusion on the register remains a breach of the CPRs/expected controls and, as such, reflects the ‘Satisfactory’ compliance opinion and ‘moderate risk’ assigned to the overall audit report. It was noted that these cases pre-dated work by the Council to strengthen controls in this area.</p>
<p><b>8.2 Procurement Compliance p4 – the non-compliance leaves the Council open to medium risk – where is this risk on the Corporate Risk Register?</b></p>	<p>The legislative element of the risk is identified in C3.  The audit findings pre-dated work to promote compliance with the Contract Procedure Rules.</p>
<p><b>Table 2 – why does it show that all essential actions have been completed, when table 3 shows an uncompleted essential action?</b></p>	<p>Noted – error in categorisation in Table 2.</p>

Item 9 – Risk Management

**Questions from Councillor Cane**

<p><b>What consideration has been given to members’ previous suggestions?</b></p>	<p>Members had raised specific queries in relation to A2, A3, C2, C3, C4, C5 and D8. The risk management group considered each of the queries raised when discussing each of the risks.</p>
<p><b>App 1 – why is the summary of changes for V1.2 blank? Please can we have a schedule of the changes</b></p>	<p>Apologies this was not completed, the changes related to tightening up some of the language to make the process clearer</p>
<p><b>App1 section 7 states that the RMF is regularly reviewed by the CMT – what does regular mean in this context?</b></p>	<p>The Finance Manager &amp; S151 Officer is the CMT representative on the Risk Management Group which meets quarterly.</p>
<p><b>App1 S5 states our maximum residual risk is 15 – what is the justification for this? Does it apply to all activities?</b></p>	<p>It is good practice to define a risk appetite/tolerance and that is what this is seeking to do.</p>
<p><b>App1 Section 7 penultimate para – what is the link for the Framework?</b></p>	<p>The link will be provided to Members once the document has been formally approved and available on the website.</p>
<p><b>App1 S8 Please can we have details for the training, workshops and briefings, including what has been delivered; how many sessions have been delivered; how many staff and</b></p>	<p>There has been no training in the last 12 months. The Finance Manager will arrange for staff and Member training in 2022.</p>

<b>members have attended over the last 12 months.</b>	
<b>Item 9 App 2 S3.7 – 3 options for mitigating risks seems very light. Why is there no reference to prioritising the risks, accepting some risks, avoiding some risks, monitoring risks and further preventing risks?</b>	The three categories are broad enough to encapsulate the categories suggested.
<b>Item 9 App 2 S3.9 – please can we see a copy of the current Action progress report?</b>	Appendix 4- the final columns are the action log.
<b>Item 9 App2 S3.12 p10 if ‘effective contract...management is of vital importance’ and ‘contract management tools are used to minimise risks’ – what is the impact of a lack of documented contracts with about 30% of suppliers and 80% of contracts not being included on the contracts register?</b>	The Risk Management Group will discuss this specific concern at its next meeting.
<b>Item 9 App 4 C2 – please can we have a copy of the Cyber Security Audit report and the actions arising?</b>	This will be provided to Members.
<b>What is the definition of ‘occasional’, ‘frequent’ or ‘regular’ as used in assessing Likelihood?</b>	The standard definition of these words is used.
<b>How is ‘regular’ a useful word in this context? Regular suggests a pattern rather than any measure of frequency – something can happen regularly every Century or every 15 minutes. Indeed, if its regular, the risk is more easily managed as we know when the event will occur. And can take appropriate mitigating action at that time.</b>	While the point on regular is noted, it is trying to portray something that is very likely to happen.
<b>A2- Cllr Inskip suggested that the different business models and therefore different types of risk between the 2 trading companies meant that this risk should be split into 2 different risks. What reasons made the Risk Management Group decide that Cllr Inskip was wrong?</b>	It was agreed at the Risk Management Group to keep these together as the Key Controls are the same.

<p><b>A2- The Combined Authority has said:</b>  <b>That the projected repayment profile on the loan to East Cambridgeshire for the MOD housing at Ely continues to slip. This is due to the continuing delay in sale of the fifteen ‘affordable’ housing units, and a slower than projected rate of sale of the market price units. The Combined Authority is monitoring East Cambridgeshire Trading Company’s performance closely. The Combined Authority has confirmed that ECTC is not defaulting on the loan. However, it says, “there is an increasing likelihood that in order to repay the loan in March 2023 then the borrower may need to re-finance the remaining market units in the scheme that might be unsold in March 2023.”</b>  <b>On what basis did the Risk Management Group decide that I was ‘unlikely’ that ECTC would fail to deliver upon its business plan and expected level of performance?</b></p>	<p>In relation to ECTC the primary corporate risk for the Council is the repayment of the loan.</p> <p>The Risk Management Group will review the risk description as soon as possible to provide clarity</p>
<p><b>On what basis did the Risk Management Group decide that the financial impact if ECTC failed to deliver upon its business plan and expected level of performance was less than £500,000 given that the loan from East Cambs alone is significantly more than £500,000?</b></p>	<p>The inherent risk score reflects the value of the loan and the residual risk score reflects the mitigation.</p>
<p><b>A3- How many residents have moved into affordable housing in the last 12 months?</b></p>	<p>The Council does not have a record of this information. The Council monitors completions in the Annual Monitoring Report. In 2021 57 Affordable Housing Units were completed.</p>
<p><b>A3- How many affordable dwellings are estimated to be needed across East Cambs?</b></p>	<p>The estimated need for affordable housing is approximately 130 units per annum.</p>
<p><b>A3- The Combined Authority has noted that East Cambs has not joined with all other authorities in the Eastern Community Homes to support community homes groups</b></p>	<p>The Council has directly employed a Community Led Housing Advisor to support Community Led Development Groups in the district.</p>

<p><b>and has had is housing support grant cut by government (because of the actions of the previous Mayor) In the light of this, why did the Risk Management Group consider that ‘Engagement with the CPCA to access Housing Fund’ was a key control which would reduce risk?</b></p>	<p>Access to the Housing Fund would enable additional affordable housing units to be built in the area. For example, a developer may have been willing to convert open market units to affordable housing units and a grant may have been available to achieve this.</p>
<p><b>A3- Why did the Risk Management Group consider that the loan to ECCLT to deliver shared ownership units in Ely was a key control? How many of these units are now occupied? If not all 15, when are the rest expected to be occupied?</b></p>	<p>The top-up loan facilitated the delivery of the Shared Ownership units. The properties are not yet occupied and it is understood that occupations will happen in the next few months.</p>
<p><b>A3- Are we now delivering on the housing strategy and if not why did the Risk Management Group consider the failure to deliver was unlikely?</b></p>	<p>There is no set target. The key controls are the various actions that the Council will use to deliver affordable housing across the district. The Council can either facilitate or take direct action to enable the provision of affordable housing in the district and this is being done.</p>
<p><b>B2- On what basis did the Risk Management Group consider that the 2015 Local Plan was up to date, given that the Council had sought to produce a new Local Plan which it withdrew as a result of criticisms by the Inspector?</b></p>	<p>The Council can demonstrate a five year land supply. The current published land supply report demonstrates that there is 7+ years.</p> <p>The Council is currently carrying out a single issue review on policy GROWTH 1.</p>
<p><b>B3- ECSS have a shortage of HGV drivers which is impacting on our waste collection services. Many commentators have suggested that Brexit is a significant factor in the national shortage of HGV drivers. What evidence does the Risk Management Group have that in the case of ECSS Covid, rather than Brexit, was the overriding issue?</b></p>	<p>The current score reflects the current status of the COVID 19 pandemic and this will be reviewed on a regular basis.</p>
<p><b>C2- Email has been interrupted several times in the last year and was interrupted again this January for more than a whole working day, causing inefficient working amongst other things.</b></p>	<p>Noted. The issue in January was a national issue.</p>

<p><b>C2- On what basis did the Risk Management Group decide that this might occur as there is a history of occasional occurrence, rather than a history of frequent or even regular occurrence?</b></p>	<p>The Risk Management Group are awaiting the outcome of the Audit findings and will discuss this at a future meeting.</p>
<p><b>C3- Given that 80% of expenditure over £5k which were tested was not included on the contracts register making the Council 'not compliant with the Local Government Transparency Code' according to our Internal Auditor, on what basis did the Risk Management Group decide that it was 'highly unlikely' that the Council would be non-compliant with regulatory requirements?</b></p>	<p>Since this time staff have received further training and all staff are reminded of the need to ensure that contracts are registered on the contracts register.</p>
<p><b>C3- Why does the paper state 'There are no known issues of non-compliance' when the Internal Auditor has stated that the Council is 'not compliant with the Local Government Transparency Code'?</b></p>	<p>The Risk Management Group are awaiting the outcome of the Internal Review in Q4 and will make the necessary adjustment (if required).</p>
<p><b>D8- The Risk Management Group reduced the likelihood of difficulties with staff recruitment and retention because of low staff turnover. What consideration did they give to the counter evidence of ECSS' difficulty in recruiting and retaining HGV drivers, which has led to a reduction in waste collection services?</b></p>	<p>It is for ECSS to manage the risk of staff turnover and issues with HGV drivers.</p> <p>ECDC has a low staff turnover.</p>
<p><b>Why does the Risk Management Group consider that the impact of staff shortages would only be low? How would we deliver full services without full staff?</b></p>	<p>The impact of the risk has been reduced by the remote working policy, particularly in relation to staff absence.</p>