



EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Monday, 22 November 2021, at 4.30pm.

### **PRESENT**

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

### **OFFICERS**

Ian Smith – Finance Manager  
John Hill – Chief Executive  
Maggie Camp – Legal Services Manager  
Tracy Couper – Democratic Services Manager  
Anne Wareham – Senior Accountant  
Angela Tyrell – Senior Legal Assistant  
Russell Wignall – Legal Assistant

### **IN ATTENDANCE**

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

#### 15. **PUBLIC QUESTION TIME**

No public questions were received.

#### 16. **APOLOGIES AND SUBSTITUTIONS**

No apologies for absence were received.

#### 17. **DECLARATIONS OF INTEREST**

No declarations of interests were made.

#### 18. **MINUTES**

The Committee received the Minutes of the meeting held on 26<sup>th</sup> July 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.

In response to a request by a Member, it was agreed to include the responses to the Member queries answered in writing after the meeting held on 26<sup>th</sup> July 2021 as an Appendix to those Minutes, as otherwise there would be no record of the responses.

A Member also requested that an item on Audit Committee self-assessment checklist be added to the list of items to be considered for inclusion on the Forward Agenda Plan, as detailed in Minute 14 of the meeting held on 26<sup>th</sup> July 2021.

It was resolved:

That the Minutes of the meeting of the Committee held on 26<sup>th</sup> July 2021 be confirmed as a correct record and signed by the Chairman, subject to the two amendments detailed above.

19. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman gave her apologies for being unable to attend the last meeting and highlighted the key roles of the Committee, as defined in the Terms of Reference, in relation to the Statement of Accounts, External and Internal Audit and Risk Management. She again emphasised the independence and non-political nature of the Committee and the need to avoid straying into operational and policy matters which were not within the remit of this Committee. She expressed the hope that the Committee could work in a spirit of transparency and co-operation.

The Chairman also welcomed the agreement notified to Members in the preceding week to move the publication/despatch of agendas for this Committee, Council and the two Policy Committees to seven working days, to give Members a longer timescale to submit questions in advance of meetings.

Consideration also would be given under Agenda Item 12, to the possible changing of the day for meetings of this Committee.

20. **EXTERNAL AUDIT PLAN ADDENDUM – VFM RISK ASSESSMENT**

The Committee received the External Audit Plan Addendum giving an update on the value for money (VFM) Risk Assessment.

It was resolved:

That the External Audit the VFM Risk Assessment be noted.

21. **EXTERNAL AUDIT – AUDIT RESULTS REPORT**

The Committee considered the Annual Results Report, previously circulated.

Members were informed that the Audit had progressed well, would be completed within the timescale agreed with the S151 Officer and his Team and everything was on course for a sign-off by the deadline of 30 November. Mark Hodgson

then updated the Committee on the outstanding areas of work identified in the report at the time of publication as follows:

- Debtors & Creditors Testing – Creditors completed & no matters to report; Debtors 1 account to be completed
- Grant Receipts in Advance )
- Expenditure testing )
- Housing Benefit expenditure testing ) All completed, no matters to  
Related Party Transactions ) report
- Journals Testing )
- Narrative report – completed subject to final review, no matters to report
- Grant Income (including Covid related grants) – 1 issue of classification identified relating to Covid related Grant income, explained in more detail below
- Group Consolidation procedures – in process of completion, 1 issue identified, explained in more detail below

With regard to the single entity accounts, Mr Hodgson reported that there had been very few issues and none that impacted on the bottom line of the accounts.

With regard to the Group Accounts, 2 issues had been identified – one related to unadjusted differences amounting to £80K in respect of ECTC, which the Board had decided not to adjust on the grounds of materiality. The other related to an error in the consolidation of a sum of £2M at gross rather than net rate, which would be adjusted prior to the signing of the final accounts. This did not impact on the bottom line of the accounts.

With reference to the classification issue regarding Covid related Grant income, Mr Hodgson explained to Members the detail in terms of the difference between Agent/Principal in Central Government accounting terms.

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

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.

With regard to the questions listed, which were still to receive a response from External Audit, Mr Hodgson updated the Committee as follows:

Question 1: Internal Control Weaknesses – this was not an area of reliance for External Audit, who triangulated the satisfactory assurances in the Annual Governance Statement AGS and expenditure testing to reach the conclusion that there were no significant control weaknesses.

Question 2: Appendix E Financial Stability – no issues had been identified with regard to the robustness of the MTFs and authorities frequently reported variances in Budget Outturn and Capital Programme slippage, which External

Audit assessed for reasonableness and had been comfortable with the justifications given.

Question 3: Savings/Increased Income – detailed work had not yet commenced on the 2023/24 Budget, but the Council had a good record on identifying savings/generating income, so External Audit were comfortable from a going concern perspective.

Question 4: Governance – the requirements of the Council during the Covid pandemic may have resulted in such arrangements.

Question 5: Improving Economy – Performance Monitoring arrangements were suspended during the Covid pandemic, but were to be reinstated for the forthcoming Financial Year. Our statements can be amended to reflect this.

Question 6: Contract Procedure Rules – External Audit have reviewed all entries in the Contract Register and tested materiality and no issues were identified.

Some Members expressed concern that the date of this meeting had not been deferred to enable a completed Audit Results Report to be submitted. However, the Chairman commented that the Audit was now substantially complete and the External Auditor had updated the Committee this evening on all of the outstanding areas.

In response to a question by a Member, Mr Hodgson explained the expenditure testing process. A Member then highlighted an issue whereby expenditure of £218K had been incurred in respect of the former Mepal Outdoor Complex when it appeared that only £30K had been authorised by full Council. The Finance Manager stated that an explanation of this issue had been provided on a number of occasions and that there was nothing further to add to those explanations.

A Member thanked External Audit for their clear and concise update of the current position regarding the audit and asked whether the Agent/Principal issue had any impact on the accounts. Mr Hodgson confirmed that the impact was limited, but was more of a technical issue.

Similarly, the Member queried if the consolidation of the sum of £2M at gross rather than net rate had any impact on the accounts. 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. Another Member then queried if the £2M impacted on the Income & Expenditure or Balance Sheet and Mr Hodgson confirmed that it impacted on both.

Despite the above explanations, some Members expressed concern at the impact of these items on the Accounts and asked what action the Council would be taking to ensure that the governance processes were improved to prevent such situations arising in the future. The Chief Executive agreed to provide a written response on this issue to be circulated to Members of the Committee.

The Chairman thanked External Audit for their attendance and clear and comprehensive explanations.

It was resolved:

That the Audit Results Report be noted.

22. **STATEMENT OF ACCOUNTS 2020/21**

The Committee received a report (reference W105, previously circulated) containing the Statement of Accounts for 2020/21.

The Finance Manager thanked the External Audit Team for their work and stated that the Audit had progressed well. The Accounts accorded with the prescribed format and had received an unqualified opinion.

A Motion to accept the recommendation in the report to approve the Statement of Accounts, subject to non-material changes, was proposed.

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 requested confirmation that the version of the Accounts contained within the report had not been corrected for the items relating to consolidation and Group Accounts referred to in the preceding Minute. The Finance Manager confirmed that these would be amended before the final version of the Accounts were signed, but had no material impact on the bottom line. The Member expressed grave concern at approving Accounts with such material errors.

Another Member commented that the Committee had been reassured that the process had been completed correctly and External Audit were satisfied and had provided clear explanation of the issues and an assurance given that these would be corrected before the final version of the Accounts were signed and published. Therefore, the Audit Committee had fulfilled its role.

A Member requested that a recorded vote be taken on the Motion to approve the Statement of Accounts due the number of material changes required.

Another Member requested clarification as to whether the changes were material and Mr Hodgson confirmed that they had been classified as material in accounting terms but that the net impact was nil.

Some Members still expressed their unwillingness to approve the accounts due to the material errors and the Finance Manager and External Auditor highlighted the fact that these issues had been explained to the Committee and would be corrected before the Accounts were signed and published.

*In that connection, the meeting was adjourned from 5.40pm to 5.47pm to enable wording to be included in the Motion to approve the Statement of Accounts to reflect the material changes required.*

On re-convening, the following revised Motion was accepted by the proposer and seconder:

'That the 2020/21 Statement of Accounts as set out in Appendix 1, which will incorporate additional differences in relation to Agent/Principal and Group Accounts identified and reported by the External Auditor at the meeting in the previous Agenda item, be approved subject to the Section 151 Officer, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make any final non-material changes, as required, prior to final sign-off by EY on/or around the 30<sup>th</sup> November 2021.'

Upon being put to the vote, the revised Motion was carried, with voting as follows:

FOR (3): Councillors Every, D Schumann, Sharp

AGAINST (2): Councillors Cane and Inskip

ABSTENTIONS (0):

It was resolved:

That the 2020/21 Statement of Accounts as set out in Appendix 1, which will incorporate additional differences in relation to Agent/Principal and Group Accounts identified and reported by the External Auditor at the meeting in the previous Agenda item, be approved subject to the Section 151 Officer, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make any final non-material changes, as required, prior to final sign-off by EY on/or around the 30<sup>th</sup> November 2021.

## 23. **INTERNAL AUDIT PROGRESS REPORT**

*Following a request by Councillor Cane, the Chairman stated that she had agreed to amend the order of business to take this item prior to the final draft Annual Governance Statement (AGS).*

The Committee considered a report (reference W108, 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.

Rachel Ashley-Caunt summarised the content of the update report highlighting the amendments to the Plan detailed in section 2.5 to accommodate the audits of ICT outages and the Financial Management Code requested by the Committee at the previous meeting. Ms Ashley-Caunt also reported that 2 further audits had been completed relating to Staff Recruitment Checks and Development Control, the results of which were detailed in section 2.3 of the update report, and no issues of concern had been identified arising from these. The audit of Fixed Assets also was due to be signed-off in the forthcoming week.

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 highlighted that 3 priority items remained outstanding for more than 3 months and asked how Internal Audit would ensure that these would be resolved before the next meeting of this Committee. The Finance Manager reported that he would provide written details to Members of the Committee after the meeting.

With regard to the outstanding issue in relation to Asset Management, the Member asked why the issue of not having signed lease agreements in place for properties still had not been resolved, despite assurances given at the previous meeting of the Committee. The Legal Services Manager stated that the two outstanding leases would be signed on Wednesday. Following further comments from Members regarding the need for a proper brought forward process/arrangements for lease renewals, the Legal Services Manager and Internal Audit Manager agreed to pursue this to enable the Audit to be closed.

It was resolved:

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

24. **FINAL DRAFT ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report (reference W106, previously circulated) containing the final draft of the Annual Governance Statement (AGS) for 2020/21.'

The Chief Executive reminded Members that the AGS was the responsibility of Corporate Management Team and was reviewed by Internal Audit. He highlighted a number of amendments made the final draft version in 'track changes' resulting from comments by the Committee at the previous meeting.

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 Motion to accept the recommendation in the report to approve the Annual Governance Statement was proposed and seconded.

In response to a question by a Member, the Chief Executive explained how sufficient assurance was obtained as to the adequacy of the Council's governance arrangements. The Member challenged the statement in section 6 on page 12-13 of the AGS regarding the impact of the Covid-19 pandemic, and asked how this impact would be assessed and reviewed by the Council and Internal Audit. The Chief Executive reminded the Committee that a review of Covid-19 recovery had been included in the Internal Audit Plan for the current year and next year's AGS would reflect the findings from this.

The Member highlighted that the outstanding issues of 3 months or more referred to in the preceding item were not reflected in the AGS and asked that these be included in a schedule in the AGS. The Finance Manager stated that the format of the AGS was a matter for individual Councils to determine and

that outstanding Audit recommendations were an operational issue which was regularly reviewed and reported to this Committee by Internal Audit.

The Member also highlighted that the AGS no longer included reference to shareholder arrangements and how conflicts of interest between the Council and its Trading Companies were dealt with. The Chief Executive stated that the wording of the AGS could be amended to clarify these issues.

Another Member also expressed concern at the statement in section 6 the AGS regarding the impact of the Covid-19 pandemic and the suspension of the Council's Service Planning process during the period of the pandemic and commented that this suspension needed to be referred to in section 6.

As a result of the above discussions, the Chief Executive suggested that the wording of the Motion to approve the Annual Governance Statement be amended as follows and this was agreed by the proposer and seconder:

'That the Annual Governance Statement for the financial year 2020/21, as detailed in Appendix 1 to the report, be approved, subject to the inclusion of a statement of the governance arrangements between the Council and its Trading Companies.'

A recorded vote having been requested, upon being put to the vote, the revised Motion was carried, with voting as follows:

FOR (3): Councillors Every, D Schumann, Sharp

AGAINST (2): Councillors Cane and Inskip

ABSTENTIONS (0):

It was resolved:

That the Annual Governance Statement for the financial year 2020/21, as detailed in Appendix 1 to the report, be approved, subject to the inclusion of a statement of the governance arrangements between the Council and its Trading Companies.

## 25. **PSAA - APPOINTMENT OF EXTERNAL AUDIT**

The Committee considered a report (reference W107, previously circulated) requesting consideration as to whether this Council wished to either opt-in to the appointing persons regime, or to establish an auditor panel and conduct their own procurement exercise, under the requirements of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.



**It was resolved TO RECOMMEND TO COUNCIL (unanimously):**

**That this Council opts-in to the appointing persons arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external audit.**

26. **FORWARD AGENDA PLAN & POTENTIAL CHANGE OF DAY FOR MEETINGS**

The Committee received the Forward Agenda Plan and considered the current day/dates for meetings of the Committee. Following discussion, Members agreed to continue with Monday as the day for meetings for the remainder of the current and for the forthcoming Municipal Year.

A Member requested that, in future, the Internal Audit report be listed before the Annual Governance Statement on Agendas.

A Member queried why the items listed under this item at the previous meeting had not all been added to the Agenda Plan. The Chairman referred to the Minute which had stated that the inclusion of the items would be discussed by the Chairman and Finance Manager.

A Member asked that an item on Performance Monitoring be added to the Agenda Plan for the next meeting, due to concerns regarding the suspension of this process. However, Members were reminded that the Performance Monitoring and Service Delivery Plan process was to be re-started from April 2022.

A Member asked that a report on the Corporate Risk Management process and risk scoring criteria be included on the Agenda Plan for the next meeting, and a rolling programme of presentations from risk owners timetabled, as requested at the previous meeting of the Committee. In response, the Finance Manager stated that he would submit a report explaining the Corporate Risk Management process and risk scoring criteria to the next meeting of the Committee.

It was resolved:

That the Forward Agenda Plan be noted and the day for meetings of the Committee remain as Monday for the remainder of the current and the forthcoming Municipal Year.

The meeting closed at 6.56pm.

Chairman:.....

Date:

**AUDIT COMMITTEE  
22 NOVEMBER 2021  
QUESTIONS FROM MEMBERS OF COMMITTEE**

### General Questions

#### Questions from Councillor Cane

As most of members queries were answered in writing after this meeting, please could these answers be added to the Minutes otherwise there is no record of the responses.	Agreed
Why was this meeting not postponed to allow for the audit work to be completed?	The Statement of Accounts are required to be approved by Committee in advance of being sign-off by External Audit. Therefore, in line with previous practice, they have been presented to this evenings meeting for approval. Our external auditors will be updating Committee on progress on the audit and remain on target to sign-off the Statements by the end of November, subject to their approval this evening.
Why have none of the items requested by members been added to the Forward Agenda?	A number of items raised at the last meeting have been included on the forward agenda plan. Risk Management is only discussed at Committee six-monthly so this is on the agenda for January. The CIPFA Financial Management Code is now subject to an internal audit review, so once this is completed a more informed discussion on this can take place. The anti-fraud and corruption policy forms part of the Constitution and was last approved by Full Council in October 2019.
Minutes P4 2nd bullet – has the issue of outstanding purchase orders now been resolved?	Yes
You noted that you are ‘the group administrator for the Bankline system, which includes the accounts for ECTC and ECSS, and so has the ability to move money between all accounts.’ What are the separation of duties to control such payments?	The Finance Manager can only approve / authorise payments on Bankline, details of the payment request need to be made onto the system by a different officer and so the separation of duties occurs at this level.

What checks have been done to assess whether or not the manual system for ensuring all payments over £50k are approved at Director Level?	The manual system is in place and the files are being reviewed prior to release. There is no evidence to suggest that this is not working as planned.
Do we now have an Asset Management Plan and Development Programme? If not, what are the plans to draw them up?	In October 2021 the Finance & Assets Committee received an update on expenditure against Council owned assets. This update report included a commitment to develop an Asset Development Plan that would be approved by the Finance & Assets Committee in March 2022.

## Item 7 – External Audit - Audit Results Report

### Questions from Councillor Cane

Re Internal Control weaknesses – at the last Committee meeting Internal Audit informed members that 90% of payments over £50k had not been authorised at Director level between April to December 2020. It subsequently transpired that the system did not require this level of approval, despite it being in our Financial Procedure Rules. The system will not be adjusted, instead this will continue to depend on staff remembering and following the rule. In the light of this, how do you judge that there are no significant weaknesses in internal controls?	External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.
<b>Appendix E Financial Stability</b> Para 1 – have you considered the robustness of the MTFs, given that there are historically significant variances from the budgets, particularly with the capital budget.	External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.
Para 2 – given that the Fin Man has highlighted the need to find savings/increase income to balance the 2023/4 budget – what evidence have you seen that work is progressing to find those savings/increased income?	External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.
<b>Governance</b> Para 4 – is this happening in practice, or is it just the policy? Several decisions have gone straight to full Council without consideration by Committee, eg the loans to ECTC the loan to East Cambs CLT, the increased fee to ECSS to cover increased staffing costs and decisions on closing the Mepal Outdoor Centre and building a crematorium. The Q1 report was not submitted when due to the	External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.

meeting on 18 June, with the Chair announcing “Members may have expected to see a report on Finance for both the Council and ECTC. There will be a full report going to Council in July.” The report which came to Council on 16 July was titled Covid-19 Impact on Council Finances and contained recommendations to: “Approve new loan facilities for East Cambs Trading Company from 31st March 2021, specifically: ▪ original £5m loan (due to be repaid by 31st March 2021) – a new loan with a final repayment date of 31st July 2023 and with a reduced interest rate of 3.50% per annum, this compared to 5.22% for the original loan; ▪ MOD loan (due to be repaid by 31 March 2021) – a new loan with a final repayment date of 31st March 2023 and with a reduced interest rate of 3.50% per annum, this compared to 5.22% for the original loan; (v) Approve an increase in management fee of £91,000 to East Cambs Street Scene, to cover the first six months additional costs of the waste and recycling service.” The Q1 report was finally submitted to F&A on 23 July after these material financial decisions had been made. The report contained the following about East Cambs Street Scene (ECSS) / Waste “ECSS have maintained a full service throughout the pandemic. However, in order to do this, when a number of staff have been either shielding or self-isolating, additional agency staff have been employed resulting in additional costs being incurred. ECSS has requested that the Council reimburse it for these additional costs, this via an initial increase in management fee for the first six months of 2020/21 of £91,000. This will be reviewed over the remainder of the financial year and then at yearend, to determine a final amount of additional funding, although clearly this will be influenced by future cases, especially if there is an outbreak within the ECSS workforce. The resolution passed by the ECSS Board on the 3rd July read: • To approve a request to the Council for an increase in management fee for the first six months of 2020/21 (only) of £91,000 to cover the additional costs of agency staff during the Covid-19 pandemic. These additional costs are needed for the continuation of service during this period. • To approve that a further recommendation is made to Council, that these costs, as with all costs

<p>within the ECSS cost base, be monitored through the remainder of the year, with the intention to adjust the additional payment to reflect the true position at yearend.” Members were at no point informed that ECDC’s agreement with ECSS explicitly mentioned staffing costs, including any increases, as the sole responsibility of ECSS. Nor were they informed that in agreeing this recommendation they would change the agreement between ECDC and ECSS by default. Members therefore waived their right to hold ECSS to this aspect of the agreement without even being made aware that they were doing so.</p>	
<p><b>Improving Economy</b> 2 – members haven’t been monitoring performance it was dropped due to Covid. As our auditor, do you consider that members can properly monitor performance if the Committees do not receive regular reports? What oversight do members have if it is CMT which decides to suspend reporting and CMT which decides to reject members’ request that reporting resume from November 2021?</p>	<p>External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.</p>
<p>4 – what work have you done to confirm this statement is correct? there are several examples of the council not following contract procedure rules</p>	<p>External Audit has been unable to provide a written response to this question, but will provide a verbal up-date in the meeting.</p>

**The Section 151 Officer has sought responses for the following two questions from the Directors of ECTC and ECSS.**

<p>Why has there been a delay to providing audited accounts to the Council’s auditor and backing documentation from the Companies’ auditor?</p>	<p>Both ECTC and ECSS need to follow their own governance in order to approve the respective accounts. The Council’s External Auditors would not accept a copy of the approved accounts until such time they were signed by the Managing Director of the respective trading company.</p>
<p>Are you now fully cooperating with the Council’s auditor?</p>	<p>The Section 151 Officer is not aware of any outstanding paperwork needed by the Council’s External Auditors in relation to its trading companies.</p>

## Item 8 – Statement of Accounts

### Questions from Councillor Sharp

On the accounts, I think on page 16, the narrative should read "Net increase in cash and cash equivalents" rather than Net Increase or Decrease	This will be corrected in the final published version
On the Group Balance Sheet, is the long term borrowing of £18,327k the loan from CPCA in respect of the ex-MOD site or are there some loans relating to the Haddenham CLT site?	This amount relates to the CPCA loans for both Haddenham and the Ely MOD site
The Notes to Group Accounts on Page 80, shows a table of the impact upon the Reserves of the Group. Could you explain the workings of that table, because the movement column seems strange, as the loss of the Trading Company for 20/21 is £515k, not the total reserves amount. Or is a CIPFA form of accounting?	The transactions between ECDC and ECTC and ECSS are eliminated so only the net I&E goes on to the consolidation in the MIRS. It is CIPFA accounting for Group consolidations.

### Questions from Councillor Cane

How many car park spaces were included incorrectly in Fixed Assets? How do we check the number of parking spaces? How did this error arise?	Our valuers had inadvertently duplicated 386 car park spaces on their report to us, this unfortunately was not initially picked up as an error.
How are you progressing the planning for IFRS16 and how will you keep members informed	Work started on this in 2019 before the deferment was announced. We have only a small portfolio of leases. (14 lines + 11 photocopiers). ECDC are looking at the possibility of obtaining CIPFA software to deal with both the fixed Assets register and IFRS16 leases. As this matter is an operational matter it is not intended that Members would be formally updated on the practicalities of applying IFRS16.

## Item 9 – Annual Governance Statement - Final Draft

### Questions from Councillor Cane

<p>How can members monitor performance if the Committees do not receive regular reports? What oversight do members have if it is CMT which decides to suspend reporting and CMT which decides to reject members' request that reporting resume from November 2021?</p>	<p>CMT took the decision to suspend the preparation and adoption of Service Delivery Plans for 2021/22 to enable services the opportunity to review their service needs, where relevant, in light of the COVID-19 pandemic. Service Managers are now in the process of producing Service Delivery Plans for 2022/23 and these will be presented to the relevant committees in March 2022.</p>
<p>We cannot be sure our services are running well if we do not review their performance. If Covid response is using so much resource that the Council can't manage performance reports – why do we not bring in more resource?</p>	<p>CMT has ensured that there is adequate resource in place to continue to maintain services. Service Managers have identified with the relevant members of CMT any resourcing issues that have been experienced and where necessary this has been actioned.</p> <p>The Council has employed additional resources during the COVID-19 pandemic to assist with COVID specific matters, for example, COVID-19 Recovery Co-ordinator.</p>
<p>How has 'openness and comprehensive stakeholder engagement' been assured and 'good practices in transparency, reporting and audit to deliver effective accountability' implemented when you haven't allowed officers to attend the meetings of the audit committee, even if they are invited by members?</p>	<p>It is usual practice for report authors to attend committee to present reports and answer questions from Members. It has been acknowledged that the report author is not always able to answer all of the questions that could be raised by Members on the item. As a result of this, new procedures have been put in place to encourage Members to ask questions in advance so that, wherever possible, answers can be made available to Members of the committee. This process is in addition to Members being able to ask questions of Officers at committee.</p> <p>The Chief Executive wrote to all Members on 10 August 2021 on this matter.</p>
<p>Various things have been delayed or suspended 'due to Covid -19' – eg Finance addressing outstanding Purchase Orders and suspension of performance reporting. Why is this report not explicit about that in Section 5 para 6 rather than claiming 'little or no effect on 'business as usual'?</p>	<p>Officers continued to deliver services throughout the COVID-19 pandemic, where there was any temporary change to service delivery, as a result of restrictions, these were logged. Members were informed of any change to service delivery through updates.</p> <p>The examples provided did not materially affect the services that were being delivered.</p>

<p>Why have you not noted that planning visits haven't happened in the normal way, which has been a significant cause of concern for local residents?</p>	<p>This is an operational rather than Corporate Governance matter. Planning site visits were suspended as a result of restrictions. This was entered on to the log that was produced and Members were updated on this. Members have been encouraged to carry out site visits and this matter is being reviewed.</p>
<p>What consideration was given to CIPFA guidance when deciding not to provide a table identifying control issues, implications for the Council and actions to be taken? Why have you decided to recommend that we don't follow CIPFA guidance?</p>	<p>It is a matter for the Council to decide how to design the Annual Governance Statement. The information referred to in this question is provided to Members through the Internal Audit reports.</p>
<p>The legal advice on conflicts of interest is not relevant to this AGS. The AGS last year sought to cover this, why have you decided not to include that this year?</p>	<p>Members were advised on situations where conflicts may arise for Officers of the Trading Companies. During 2021/22 no such conflicts arose.</p>
<p>AGS P7 last bullet point - How does the Strategic Business Continuity Plan ensure the Council can 'continue service delivery and business operations at an acceptable level'. When email has been out of use for several days on three occasions? This was particularly problematic when people were working remotely, as was required by Covid restrictions.</p>	<p>Members will be aware that the Council is migrating to Office 365. Once this migration is complete these issues should not arise.</p>
<p>The Q1 report was not submitted when due to the meeting on 18 June, with the Chair announcing "Members may have expected to see a report on Finance for both the Council and ECTC. There will be a full report going to Council in July." The report which came to Council on 16 July was titled Covid-19 Impact on Council Finances and contained recommendations to: "Approve new loan facilities for East Cambs Trading Company from 31st March 2021, specifically: ▪ original £5m loan (due to be repaid by 31st March 2021) – a new loan with a final repayment date of 31st July 2023 and with a reduced interest rate of 3.50% per annum, this compared to 5.22% for the original loan; ▪ MOD loan (due to be repaid by 31 March 2021) – a new loan with a final repayment date of 31st March 2023 and with a reduced interest rate of 3.50% per annum, this compared to 5.22% for the original loan; (v) Approve an increase in management fee of £91,000 to East Cambs Street Scene, to cover the first six months additional costs of the waste and recycling service." The Q1</p>	<p>The 18th June is before the end of the first quarter which ended on the 30<sup>th</sup> June 2020, so it was never the intention to bring a quarter one report to the June meeting.</p>



<p>report was finally submitted to F&amp;A on 23 July after these material financial decisions had been made. In the light of this, does the statement in the AGS that 'The [F&amp;A] Committee reviewed and noted quarterly budget monitoring reports' cover what happened in an open and comprehensive way? Whilst the Committee did receive a quarterly report it was not at its 18 June meeting, as expected, but at its 23 July meeting. Given that material financial decisions were taken at the Council meeting on 16 July, how did this represent 'good practice in transparency, reporting and audit and deliver effective accountability?</p>	
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**Item 11 – Internal Audit Progress Report**

**Questions from Councillor Cane**

<p>Minutes P3 item 9 5th para - Where is the summary of the Procurement Compliance audit?</p>	<p>This was an oversight and the Head of Internal Audit will ensure that an overview is included in the next committee report. The assurance opinions remained as reported at the July 2021 Audit Committee meeting and the report was agreed with management in July 2021. The key findings arising from the report were that, based on sample testing, there remained gaps in the Council's contracts register and there remained some gaps in procurement documentation – but it was noted that these cases pre-dated the actions taken by management to address non-compliance in this area, which were reported to the Finance and Assets Committee in March 2021. There were two audit recommendations arising from this audit and both have been confirmed as implemented.</p>
<p>As our Internal Audit Manager do you consider that members can properly monitor performance if the Committees do not receive regular reports? What oversight do members have if it is CMT which decides to suspend reporting and CMT which decides to reject members' request that reporting resume from November 2021?</p>	<p>From an Internal Audit perspective, we would look for assurance over how the Council ensures effective organisational performance management and accountability and regular performance reporting to Members would usually be an expected control in this area. It is noted that some other local authorities suspended their performance reporting during the pandemic in 2020/21, where resources required diverting to support the pandemic response and recovery. Internal Audit coverage has not recently assessed how</p>

	<p>this is currently being managed at the Council and what mitigating controls are in place to ensure effective performance management.</p>
<p>In your Audit Plan the review of development control was described as - "The audit will provide assurance that the Council operates in accordance with key legislation, it monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached." However you appear only to have tested for time frames for decisions; that correct fees had been paid; and decisions were taken within correct delegations and published. You do not appear to have checked that applications were properly reviewed before being accepted or that notices were properly displayed and the public properly consulted. These are key elements about which some concerns have been expressed. Why did you not review those?</p>	<p>Internal Audit can confirm that the sample testing also included checking that applications had been properly reviewed (validated) prior to processing the application; that the relevant notices had been generated (including the dates these were posted and expired) and/or neighbours had been contacted; and that consultation had taken place.</p>
<p>It is disappointing that the ICT outages audit hasn't been completed yet, given that the Committee expressed some urgency. Will it be completed for our January meeting?</p>	<p>Management advised that a key action taken in light of the issues identified was the roll out of Office 365. As such, it was requested that the audit work be scheduled for November 2021 in order to enable the ICT team to focus on this work. Internal Audit have held a planning meeting with officers and have issued the terms of reference for the review – proposing that the assignment conclude by early January 2022. Management responses to the terms of reference are expected this week. Given the lead in time for January's Audit Committee papers, it may not be achievable to finalise the audit report before the deadline, but if this is not possible a verbal update will be provided at the meeting in January 2022.</p>
<p>If only 53% of the planned work is completed or underway how confident are you of completing the work by 31 March 2022?</p>	<p>Additional work relating to grants in Q1/Q2 has placed some pressure on resourcing but Internal Audit expect to deliver at least 90% of the audit plan by the end of March, as planned. The majority of assignments planned for the last quarter relate to financial system key controls, which should be delivered in the last period to enable sufficient coverage of the financial year.</p>