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**FINANCIAL MANAGEMENT CODE**

Committee: Audit Committee

Date: 25<sup>th</sup> July 2022

Author: Finance Manager

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1. ISSUE

- 1.1 To update Committee on the Council's application of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

2. RECOMMENDATION

- 2.1 Committee is asked to note the contents of this report.

3. BACKGROUND / OPTIONS

- 3.1 Further to previous discussion at Committee regarding the Council's application of the CIPFA Financial Management Code, Internal Audit were tasked with undertaking an independent review to determine how the Council has applied the Code and what further actions are potentially required.
- 3.2 The Internal Audit report is attached in full as appendix 1 to this report.

4. ARGUMENTS / CONCLUSIONS

- 4.1 Firstly, to say, it is my view as your Section 151 Officer, that the Internal Audit report is broadly positive of the financial management arrangements in place at East Cambs.
- 4.2 The Internal Audit report details a number of potential areas for improvement, which are considered in this covering report. In doing this it should be remembered that the Financial Management Code is published to support all local authorities regardless of their size, and it is therefore not necessarily realistic for a small authority such as East Cambs, to cover all the actions to the level that the Code implies.
- 4.3 The reference letter for each comment below, refers to the letter used in the Audit report.
- 4.4 A - The service planning process has now been reintroduced, with all services having shared service plans with their respective committees. Up-dates will be provided to these committees later in the year.

- 4.5 Q - A survey will be undertaken during the Summer to obtain the views of members, senior officers and service leads on the adequacy of financial reports.
- 4.6 L - As the Council has not reduced services or put up Council Tax in its budget in recent years, no budget consultation with residents has been considered necessary. If however, any significant service changes were to be considered in the future, a specific consultation around the service area concerned would be considered on a case by case basis.
- 4.7 M - The Council has robust contract procedure rules, which ensure value for money in procurement. With regard to capital projects, the small number of these that are undertaken, means that it is better to use a methodology best suited to the service under review, rather than having a one size fits all process.
- 4.8 K - The current size of the Surplus Savings Reserve provides confidence over the Council's budget sustainability for at least the next two years, however especially with inflation becoming an increasing issue, it may be appropriate to consider some sensitivity analysis in the budget report for 2023/24.
- 4.9 F – As detailed in the Internal Audit report, while commissioning an independent financial resilience assessment would be a nice to have, because of the financial position of the Council, it is not considered necessary at this point.
- 4.10 N – The current process of separate financial and performance reporting is considered fit for purpose at this time, but consideration will be made to see if this can be integrated at a future point.
- 4.11 E – The Finance Team have already started making initial plans to undertake finance training for budget holders / service leads over the summer months.
- 4.12 G – The Council's current Medium Term Financial Strategy for revenue is four years, the budget year, please three future years. With the level of uncertainty, this is considered appropriate, and clearly identifies the level of budget pressures in future years (assuming the assumptions within it remain robust). For capital, the Council's capital programme is relatively small with no new schemes currently identified beyond the budget year.

## 5 APPENDICIES

- 5.1 Appendix 1 – Internal Audit Report on the CIPFA Financial Management Code

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
	Room 104 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>