



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

THE GRANGE, NUTHOLT LANE,
ELY, CAMBRIDGESHIRE CB7 4EE
Telephone: 01353 665555

MEETING: FINANCE & ASSETS COMMITTEE

TIME: 4:30pm

DATE: Thursday 25th March 2021

VENUE: PLEASE NOTE: Due to the introduction of restrictions on gatherings of people by the Government due to the Covid-19 outbreak, this meeting will be conducted remotely facilitated using the Zoom video conferencing system. There will be no access to the meeting at the Council Offices but there will be Public Question Time at the commencement of the meeting in accordance with the Council's Public Question Time Scheme, as modified for remote meetings. Details of the public viewing arrangements for this meeting are detailed in the Notes box at the end of the Agenda

ENQUIRIES REGARDING THIS AGENDA: Caroline Evans

TELEPHONE:(01353) 665555 EMAIL: caroline.evans@eastcambs.gov.uk

Membership:

Conservative Members

Cllr David Brown (Chairman)
Cllr David Ambrose Smith
Cllr Ian Bovingdon (Vice Chairman)
Cllr Bill Hunt
Cllr Alan Sharp

Liberal Democrat Members

Cllr Alison Whelan (Lead Member)
Cllr Charlotte Cane
Cllr Simon Harries
Cllr John Trapp

Substitutes:

Cllr Anna Bailey
Cllr Dan Schumann
Cllr Jo Webber

Substitutes:

Cllr Matt Downey
Cllr Gareth Wilson
Cllr Christine Whelan

Lead Officer:

Emma Grima, Director Commercial

Quorum: 5 Members

AGENDA

1. Public Question Time

The meeting will commence with up to 15 minutes public question time

2. Apologies and Substitutions

[oral]

3. **Declarations of Interest** **[oral]**
To receive declarations of interest from Members for any Items on the Agenda in accordance with the Members Code of Conduct.
4. **Chairman's Announcements** **[oral]**

AUDIT ITEMS

5. **External Audit – Audit Plan 2020/21**
6. **Internal Audit Charter and Work Plan 2021/22**
7. **Internal Audit Progress Report**
8. **Risk Management Update**

ITEMS FOR DECISION

9. **Former Mepal Outdoor Centre**
10. **SLA Grants**
11. **Recommendation from Bus, Cycle, Walk Working Party**
12. **CIL Funding Request**

ITEMS FOR NOTING

13. **Assets Update**
14. **Forward Agenda Plan**

NOTES

1. Since the introduction of restrictions on gatherings of people by the Government in March 2020, it has not been possible to hold standard face to face public meetings at the Council Offices. This led to a temporary suspension of meetings. The Coronavirus Act 2020 has now been implemented, however, and in Regulations made under Section 78 it gives local authorities the power to hold meetings without it being necessary for any of the participants or audience to be present together in the same room.

The Council has a scheme to allow Public Question Time at the start of the meeting using the Zoom video conferencing system. If you wish to ask a question or make a statement please contact Caroline Evans, Democratic Services Officer, caroline.evans@eastcambs.gov.uk by 4:30pm on Tuesday 23rd March 2021. If you are not able to access the meeting remotely, or do not wish to speak via a remote link, your question/statement can be read out on your behalf at the Committee meeting.

2. A livestream of the meeting will be available on YouTube via the link at: <https://www.eastcambs.gov.uk/meetings/finance-assets-committee-25032021>
3. Reports are attached for each agenda item unless marked "oral".
4. If required all items on the agenda can be provided in different formats (e.g. large type, Braille or audio tape, or translated into other languages), on request, by calling Main Reception on (01353) 665555 or e-mail: translate@eastcambs.gov.uk
5. If the Committee wishes to exclude the public and press from the meeting, a resolution in the following terms will need to be passed:
"That the press and public be excluded during the consideration of the remaining item no(s). X because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s) there would be disclosure to them of exempt information of Category X of Part I Schedule 12A to the Local Government Act 1972 (as amended)."

East Cambridgeshire District Council

Outline audit planning report

Year ending 31 March 2021

08 March 2021

08 March 2021



Dear Committee Members

East Cambridgeshire District Council, 2020/21 Outline Audit planning report

We are pleased to attach our outline audit planning report for the forthcoming meeting of the Finance and Assets Committee. The purpose of this report is to provide the with a basis to review our proposed audit approach and scope for the 2020/21 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for East Cambridgeshire District Council. We have aligned our audit approach and scope with these. We have yet to complete our detailed audit planning and will report any changes to risks and areas of focus to the next Committee meeting.

This report is intended solely for the information and use of the Finance and Assets Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 March 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Patel', written in a cursive style.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Finance and Assets Committee and management of the Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Finance and Assets Committee, and management of the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Finance and Assets Committee, and management of the Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy





Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Inappropriate claims under the Local Government income compensation scheme	Fraud risk	New fraud risk	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through an claim through the Local Government Income compensation scheme in excess of the income lost by the Council
National Non-Domestic Rates (NNDR) Appeals Provision	Significant Risk	New significant risk	Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927m this financial year, and £1.2bn next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.
Accounting for Covid-19 related government grants	Significant risk	New significant risk	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.



Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Pension Valuation and Disclosures	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.
Bad debt provision and recoverability of debtors	Inherent Risk	New inherent risk	As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique.
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. As a result of our work last year we did not identify any material issues with the valuations. We are also not aware of any other trigger events that would give rise to a significant risk, and therefore this remains an inherent risk.
Group Accounting	Inherent Risk	No change in risk or focus	The Authority consolidates East Cambridgeshire Trading Company and East Cambs Street Scene into its group accounts. There is an inherent risk in ensuring that the group accounts reflect fairly the financial position and performance of each component. We identified the need for adjustments to be made to the prior year statements in respect of the consolidation and group accounts.
Collection Fund accounting	Inherent Risk	New inherent risk	During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief. There is therefore a risk of incorrect accounting based on the significant level of change in the year.

Overview of our 2020/21 audit strategy

Accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required. See page 18 for further details of the revised auditing standard.

Materiality

Planning materiality

£0.790m

Performance materiality

£0.593m

Audit differences

£39k

We have set materiality at £0.790 million for the financial statements which represents 2% of the prior years gross revenue expenditure of the Council. Materiality for the group financial statements is £0.889 million. The use of 2% of gross revenue expenditure is in line with the prior year and is our maximum threshold for local authorities reflecting the higher profile of local government financial resilience and financial reporting.

We have set performance materiality at £0.593 million for the single entity financial statements and £0.666m for the group financial statements. This represents 75% of materiality reflecting the lower level of errors we detected in the 2019/20 financial statements. We determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

We will report all uncorrected misstatements relating to the group financial statements over £39,000. We will communicate other misstatements identified to the extent that they merit the attention of the Finance and Assets Committee

Audit scope

This Outline Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council and Group financial statements for 2020/21. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the NAO, to the extent and in the form required by them, on the Whole of Government Accounts submission. We intend to take a substantive audit approach. When planning the audit we take into account key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes; Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Taking the above into account, and as articulated in this Outline Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response. The fees we have included in Section 08 reflect the work we need to undertake to address the risks we have currently identified. We will continuously review and update as necessary our understanding of your risks and discuss with management and the Finance and Assets Committee any significant changes.

Overview of our 2021 audit strategy

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- ▶ We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- ▶ The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at a date to be determined by the NAO.

Timeline

At the time of drafting this Outline Audit Plan, MHCLG were consulting on changing the date for the Council to publish its draft accounts to 1 August 2021. However, MHCLG has not yet outlined how that change impacts the target date for the Council to publish its approved and audited accounts. In their response to the Redmond Review, MHCLG indicated that for 2020/21 that target date would be 30 September 2021. We have communicated with the Chief Finance Officers for all local authorities in the East of England to share our proposal to phase the delivery of the 2020/21 audits by the end of the year. In Section 07 we therefore include a provisional timeline for the audit of East Cambridgeshire.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 08, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.



02

Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
 - ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
 - ▶ Consider of the effectiveness of management's controls designed to address the risk of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including:
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
 - ▶ Assessing accounting estimates for evidence of management bias, and
 - ▶ Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' and 'inappropriate claim under the Local Government income compensation scheme' are required.

Audit risks

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- ▶ Test PPE additions, and REFCUS if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Audit risks

Our response to significant risks

Inappropriate claim under the Local Government income compensation scheme *

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements could also be achieved through:

- ▶ A claim through the Local Government Income compensation scheme in excess of the income lost by the Council

If this were to happen it would have the impact of overstating revenue for the Council and understating any liabilities for repayment to Central Government

What is the risk?

In response to the Covid-19 pandemic, MHCLG introduced the local government income compensation scheme for lost sales, fees and charges as a result of COVID-19.

We have identified an opportunity and incentive to overstate claims through this grant, to increase income received against any ongoing losses. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the material nature of these claims.

This could then result in overstating income for funds inappropriately received, which may ultimately need to be repaid.

What will we do?

We will:

- ▶ Review a sample of claims made under the local government income compensation scheme for their overall accuracy and compliance with the requirements of the scheme
- ▶ Seek to understand the assurance MHCLG have over claims under the scheme. If no assurance, we will consider extending our own procedures.

Audit risks

Our response to significant risks

National Non-Domestic Rates (NNDR) Appeals Provision

Financial statement impact

The calculation of the NNDR Appeals Provision is estimate based. Given the impact of Covid-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of Covid-19.

What is the risk?

Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927m this financial year, and £1.2bn next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.

In light of this we consider there to be a significant risk of misstatement of the Council's NNDR appeals provision.

What will we do?

We will consider the Council's estimation of the NNDR appeals provision by performing the following:

- Review the assumptions made by the Council's NNDR appeals provision specialist; and
- Assess the reasonableness of any local adjustments made by the Council on the NNDR appeals provision;



Audit risks

Our response to significant risks

Accounting for Covid-19 related grant funding

Financial statement impact

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.

Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

What will we do?

We will consider the Council's judgement on material grants received in relation to whether it is acting as:

- An Agent, where it has determined that it is acting as an intermediary; or
- A Principal, where the Council has determined that it is acting on its own behalf.

We will encourage the finance team to provide its assessment of grant accounting well before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<ul style="list-style-type: none"> ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; and ▶ Test accounting entries have been correctly processed in the financial statements.
<p>Pension Liability Valuation & Pensions Assets</p> <p>The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. At 31 March 2020 the liability totalled £21.6 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<ul style="list-style-type: none"> ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council; ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 considering fund assets and the Authority's liability.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Group Accounting</p> <p>The Authority consolidates East Cambridgeshire Trading Company and East Cambs Street Scene into its group accounts. There is an inherent risk in ensuring that the group accounts reflect fairly the financial position and performance of each component. We identified the need for adjustments to be made to the prior year statements in respect of the consolidation and group accounts.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Review the group assessment prepared by the Authority; ▶ Scope the audit requirements for each of the companies based on their significance to the group accounts. Liaising with the external auditors of each and potentially issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts; ▶ Ensure the appropriate consolidation procedures and the Code of Practice are applied when preparing the group accounts.
<p>Bad debt provision and recoverability of debtors</p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies and outstanding management fees in respect of the leisure centre. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.</p>	<p>In order to address this risk we will:</p> <ul style="list-style-type: none"> ▶ Review the calculation of the bad debt provision for reasonableness and accuracy; and ▶ Consider the recoverability of debts in testing a sample of trade receivables.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Accounting for Collection Fund disclosures</p> <p>During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income.</p> <p>There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year,</p>	<p>We will consider the Council's accounting for Collection Fund disclosures by performing the following:</p> <ul style="list-style-type: none"> • Performing an analytical review of collection fund income, building in any changes in relief as appropriate; • Document our understanding of the process for the raising of specific additional reliefs • Review the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirements
<p>Going concern disclosure</p> <p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.</p> <p>The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.</p>	<p>We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> • Challenging management's identification of events or conditions impacting going concern. • Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. • Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. • Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.



Audit risks

Other areas of audit focus (Continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior years.



03

Value for Money Risks



Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

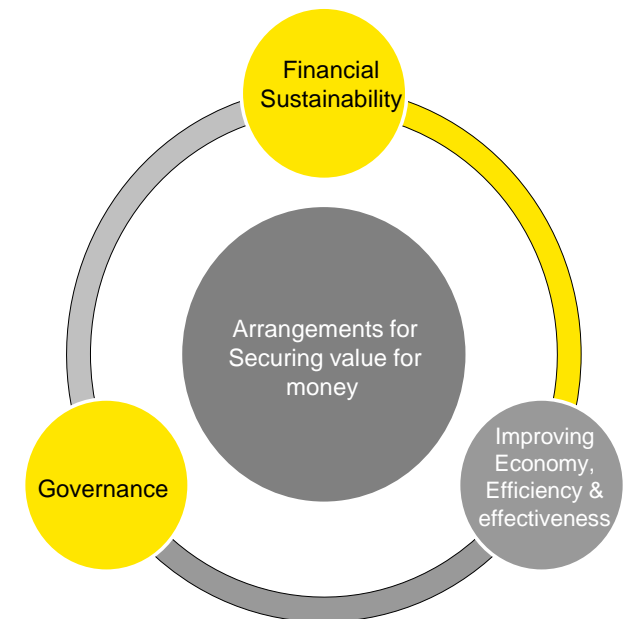
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to commence our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability in light of the impact of Covid-19 on the Council's finances. This includes arrangement with key business partners including subsidiary companies (in particular East Cambs Trading Company Ltd) and the Leisure Centre operator. We have not at the time of our issuing of the audit plan identified any significant risks in respect of Value for Money.

We will update the next Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.



04

Audit materiality



Audit materiality

Materiality

Materiality

For planning purposes, planning materiality for 2020/21 has been set at £0.790 million for the Council's financial statements. This represents 2% of the Council's prior year gross revenue expenditure (GRE) on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.



We request that the Finance and Assets Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.593 million for the financial statements which represents 75% of planning materiality. This reflects the relatively lower level of error detected in our 2019/20 financial statements audit.

Audit difference threshold - we propose that misstatements identified below this threshold of £39,000 are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Finance and Assets Committee, or are important from a qualitative perspective.



05

Scope of our audit



Scope of our audit

Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and, by exception, where we are not satisfied that the Council had established arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.



Scope of our audit

Audit Process overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect on these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that could have a material impact on the financial statements.

Scope of our audit

Group scoping

For 2020/21 the Council has determined that it should consolidate East Cambs Trading Company and East Cambs Street Scene to prepare group accounts. Our audit strategy for performing an audit of an entity components is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for the component within Appendix D.

1	A	Full scope audits
1	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Specific scope: where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: Where we do not consider it material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.



06

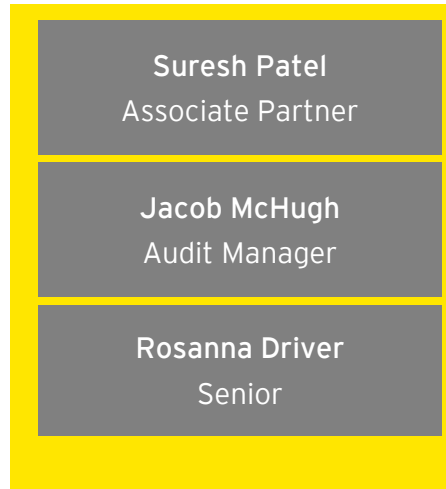
Audit team



 Audit team

Audit team

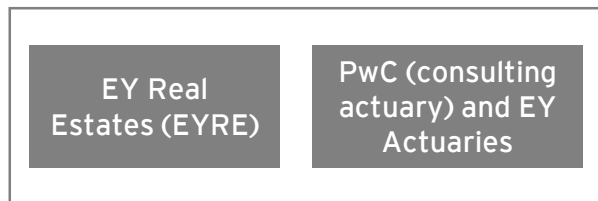
Audit team structure:



Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.





Audit team

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Hymans Robertson- Actuary to Cambridgeshire Pension Fund
Property, plant and equipment	Wilks Head & Eve are engaged by the Council for valuation of its PPE. EY Real Estates
NDR Appeals Provision	Wilks Head & Eve are engaged by the Council for support in the calculation of the NDR Appeals Provision.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline



Indicative Audit timeline

Indicative timetable of communication and planned deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the planned deliverables we have agreed to provide to you through the audit cycle in 2020/21. Please note that we will communicate any changes to this plan to officers and members as soon as we can. From time to time matters may arise that require immediate communication with the Finance and Assets Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Finance and Assets Committee Meeting timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	March 2021	Finance and Assets Committee Meeting	Outline audit plan
Completion of initial planning	March		
Interim audit testing and completion of walkthroughs	April		
	May		
	June		
	July	Audit Committee	Potential Updated Audit Plan
	August		
Year end audit Audit Completion procedures	September	Audit Committee	Verbal Update
Year end audit Audit Completion procedures	October		Annual Auditor's Report including commentary on VFM
	November	Audit Committee	Annual Auditor's Report including commentary on VFM



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

 **Independence**

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



09

Appendices



 Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21 (£)	Final fee 2019/20 (£)
Scale Fee - Code work [note 1]	31,955	31,955
Additional fees: [note 2]		
- Group consolidation	5,000-6,000	5,900
- 50% Performance Materiality	-	6,253
- Value for money risks	TBC	834
- Property, Plant and Equipment Considerations	TBC	2,750
- Going Concern	1,500-2,500	2,370
- Internal consultations due to additional disclosure requirements	TBC	2,603
- Pensions	TBC	1,126
- Reassessment of materiality	-	372
- Inefficiency of remote working due to Covid-19	TBC	2,394
Additional work to address new inherent & significant risks	TBC	-
Revised estimates auditing standard	TBC	-
Total audit	TBC	56,909
Non - audit services (Housing Benefits)	-	TBC
Total fees	-	TBC

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment;
- EY internal consultation on the audit report in line with 2019/20.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.




Notes:

1. We are currently in discussion with PSAA nationally about an increase to the scale fee. For Merton we proposed an increase of £18,209. This is yet to be determined by PSAA.
2. 2019/20 additional fees agreed with management. This remains subject to approval by PSAA. Ranges for 2020/21 additional fees based on prior year experience where appropriate.

Appendix B


Required communications with the Finance and Assets Committee




We have detailed the communications that we must provide to the Finance and Assets Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Finance and Assets Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan, March 2021 meeting of the Finance and Assets Committee.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, November 2021 meeting of the Audit Committee.

 Appendix B





Required communications with the Finance and Assets Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Outline Audit Plan, March 2021 meeting of the Finance and Assets Committee.</p> <p>and</p> <p>Audit Results Report, November 2021 meeting of the Audit Committee.</p>





 Appendix B

Required communications with the Finance and Assets Committee (continued)

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report, November 2021 meeting of the Audit Committee.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report, November 2021 meeting of the Audit Committee.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report, November 2021 meeting of the Audit Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report, November 2021 meeting of the Audit Committee.




 Appendix B

Required communications with the General Purposes and Standards Committee (continued)

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence and related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Outline Audit Plan, March 2021</p> <p>Audit results report, November 2021</p>

 Appendix B

Required communications with the Finance and Assets Committee (continued)

 Our Reporting to you		
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, November 2021 meeting of the Audit Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, November 2021 meeting of the Audit Committee.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report, November 2021 meeting of the Audit Committee.
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, November 2021 meeting of the Audit Committee.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, November 2021 meeting of the Audit Committee.

 Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Internal Audit Plan 2021/22

To: Finance and Assets Committee

Date: 25th March 2021

From: Head of Internal Audit

[V157]

1. ISSUE

- 1.1. To present the draft Internal Audit plan for 2021/22 and the Internal Audit Charter to the Committee for review and formal approval.

2. RECOMMENDATIONS

- 2.1. The Committee is asked to review and approve the proposed Internal Audit plan for 2021/22 and the Internal Audit Charter.
- 2.2. The Committee is asked to approve the delegation of authority to the Council's s151 Officer to approve in year amendments to the audit plan between Committee meetings, this in consultation with the Chair of the Committee.

3. BACKGROUND/OPTIONS

- 3.1. The Finance and Assets Committee is responsible for formally approving the annual Internal Audit plan. This effectively sets out the programme of work that will be delivered by the Internal Audit team during the financial year.
- 3.2. Internal Audit is required to provide 200 days of audit and assurance work in 2021/22. A two year plan has been prepared to illustrate how assurance can be provided over the longer term.
- 3.3. The Internal Audit plan should provide the Committee and senior management with the assurances required over key risks for the year ahead. A copy of the draft Internal Audit plan is provided in Appendix 1, supported by details of the audit planning process and any variations from the two year plan reviewed in 2020.
- 3.4. The plan will remain subject to ongoing review during the financial year to ensure it continues to address the Council's key risks and adds value. Should the risk environment change during the year, the audit plan should be updated accordingly. To enable the Internal Audit service to be responsive in addressing risks, it is recommended that delegated authority be given to the Section 151 Officer, in consultation with the Chair of the Committee, to approve audit plan changes between meetings should this be necessary. Any such changes would be reported to the subsequent meeting of Committee.

4. INTERNAL AUDIT CHARTER

- 4.1. The Internal Audit Charter is also brought to Committee for annual approval. This document sets out how the Internal Audit service will be delivered for the year ahead. This document was last formally approved by the Committee in 2020. No amendments to the Charter are proposed for this year.

5. ARGUMENTS/CONCLUSIONS

5.1. The attached draft audit plan should provide appropriate coverage for the Council.

6. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

6.1. There are no additional financial implications arising from this report. An Equality Impact Assessment is not required.

7. APPENDICES

- Appendix 1 – Draft Internal Audit plan 2021/22
- Appendix 2 – Internal Audit Charter

Background Documents

Location

Contact Officer

None

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Internal Audit Plan
2021/22
EAST CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT PLAN 2021/22

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at East Cambridgeshire District Council for 2021/22 for review and approval by the Finance and Assets Committee. Also provided is an indicator of proposed coverage for 2022/23.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, East Cambridgeshire District Council commissions 200 days for delivery of the Internal Audit service on an annual basis, under a delegated, shared service, led by Milton Keynes Council.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consultancy engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

2. The Audit Plan

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer and the Finance and Assets Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 2.2 At the centre of the organisation, is the core delivery of the Council's corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council's standing.
- 2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.

2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council’s objectives and services.

2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council’s delivery of value for money. Assurance over value for money is embedded within each audit assignment.

3. Planning process

3.1 During the last year, the Council has updated its corporate risk register to reflect the key risks facing the authority and changing risk profiles. As such, the content of the two year audit plan has been reviewed to ensure it is equally focused upon the Council’s key corporate risks. This has resulted in some re-prioritisation of assignments across the two year period.

3.2 In order to ensure that the Audit Plan for 2021/22 addresses the Council’s key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council’s risk register and Corporate Plan;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and identifying any other sources of assurance for each of the Council’s key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years; and
- Consultation with senior management and the Corporate Risk Group to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial.

3.3 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the councils across the LGSS client base.

3.4 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 3. If the risk environment changes during 2021/22, however, the Audit Plan can be amended accordingly.

3.5 The amendments to the 2021/22 audit plan from the two year plan previously reviewed by the Committee in 2020 are summarised in Tables 1 and 2, along with the reasoning for the amended risk assessment and prioritisation applied.

Table 1: Proposed additions to 2021/22 audit plan against previous two year plan

Audit assignment amended	Days added or reduced within 2021/22 plan	Basis for amendment
Covid-19 recovery	15	Addition to the plan to provide assurance over the management of the Council's response to the pandemic and implications for the controls environment arising from amended ways of working.
Environment and Climate Change Strategy	10	<p>The Council declared a climate emergency in 2019 and has, in 2020/21, adopted an Environment and Climate Change Strategy.</p> <p>Addition to the plan to provide assurance over embedding of the new strategy and effective delivery of the associated actions and vision.</p>
Development control	10	<p>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.</p> <p>There has been no coverage of this area in the last four years.</p>
IT Asset management	8	To provide assurance over the Council's IT asset records and management – in light of increased flexible working in 2020/21.
Procurement compliance	9	Added to the Audit Plan for 2021/22 to continue to follow up on actions agreed in the 2019/20 audit work and assurances sought by the Finance and Assets Committee.
Performance management	3	Days allocation increased by three days to enable an informed review of performance management across the Council, rather than limited to Key Performance Indicators.
	55	

Table 2: Proposed deductions from 2021/22 audit plan against previous two year plan

Audit assignment amended	Days added or reduced within 2021/22 plan	Basis for amendment
Fees and charges	5	Assessed as lower risk than other assignments and no related risks/issues highlighted by management. Postpone to 2022/23.
Staff claims	6	Assessed as lower risk/value than other assignments and no related risks/issues highlighted by management. Postpone to 2022/23.
Safeguarding	8	No concerns highlighted from horizon scanning or consultation and good level of assurance from last review. Postpone to 2022/23.
Use of agency staff	7	Assessed as lower risk than other assignments and no related risks/issues highlighted by management. Postpone to 2022/23.
Enforcement policy compliance	7	Assessed as lower risk than other assignments and no related risks/issues highlighted by management. Postpone to 2022/23.
Homelessness	7	No concerns highlighted from horizon scanning or consultation and good level of assurance from last review. Postpone to 2022/23.
ICT systems – general	10	Focus on IT Asset Management considered of greater value in 2021/22 considering new ways of working.
Emergency planning	5	Assessed as lower risk than other assignments and no related risks/issues highlighted by management. Postpone to 2022/23.
	55	

4 Resources

- 4.1 The audit assignments for all of the shared service clients are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider shared team, providing the resilience and stability of a shared service.
- 4.2 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 4.3 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 3: Draft Internal Audit Plan 2021/22 and 2022/23

Audit	2021/2 2	2022/2 3	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Anglia Revenues Partnership						
Council Tax	10	10	Revenues and Benefits	<i>Sound Financial Management</i>	B1	To provide assurance over the controls operating in the management of revenues and benefits services – given the high volume and value of transactions.
Benefits & Overpayments	15	15				
National Non Domestic Rates	10	10				
Counter Fraud and Corruption						
Counter Fraud Procedures	5	5	Cross-cutting	<i>Sound Financial Management</i>	<i>Fraud risks</i>	To review the Council's counter fraud policies and procedures against best practice and to review their robustness in light of latest trends/developments.
National Fraud Initiative	10	10	Cross-cutting		<i>Fraud risks</i>	Support with reviewing and investigating matches identified by the National Fraud Initiative.
Key Financial Systems						
Bank reconciliation	6	6	Finance	<i>Sound Financial Management</i>	B1	To review the design of, and compliance with, key controls within the Council's financial systems - working on a cyclical basis. Providing assurance over the controls to prevent and detect fraud and error.
Creditors	7	7	Finance		B1	
Debtors	6	6	Finance		B1	
Payroll	7	7	Finance		C5	
Treasury management	5	5	Finance		B1	
Budgetary control	5	5	Cross-cutting		B1	
Fixed assets	7	-	Finance		B1	
Risk management						
Risk management support	12	12	Cross-cutting	<i>All</i>	All	Administration and reporting of corporate risk register, supporting documents and review of the framework against best practice.
Making every penny count						
Procurement compliance	9	9	Cross-cutting	<i>Sound Financial Management</i>	B1	Selection of a sample of transactions over £500, to be checked against the published list, to ensure compliance with contract procedure rules and achievement of value for money.
Key policy compliance						
Fees and Charges	-	5	Cross-cutting	<i>Sound Financial Management</i>	C3	To provide assurance over compliance with key Council policies and procedures, based on sample testing.
Use of agency staff	-	7	Cross-cutting			
Staff claims	-	6	Cross-cutting			
Staff recruitment	7	-	Cross-cutting			

Audit	2021/2 2	2022/2 3	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
checks						
Safeguarding	-	8	Cross-cutting			
Enforcement policy compliance	-	7	Cross-cutting			
Risk Based audits						
Covid-19 recovery	15	-	Corporate	<i>Sound Financial Management</i> <i>Social and Community Infrastructure</i>	A5 A6	To provide assurance over the management of the Council’s response to the pandemic and implications for the controls environment arising from amended ways of working.
Performance management	8	-	Cross-cutting	<i>All</i>	C6	A Council-wide audit that will seek to provide assurance that the following risk areas are sufficiently controlled: a) Use of performance indicators across the Council; b) Reporting of performance indicators including both positive and negative performance; and c) Deriving value from performance indicators.
Financial management	-	8	Corporate	<i>Sound Financial Management</i>	B1	To assess the Council’s financial management arrangements against the latest CIPFA Financial Management Code.
Environment and climate change strategy	10	-	Cross-cutting	<i>Cleaner, Greener East Cambridgeshire</i>	C3	The Council declared a climate emergency in 2019 and has since adopted an Environment and climate change strategy. To provide assurance over embedding of the new strategy and effective delivery of the associated actions and vision.
Development control	10	-	Planning	<i>Social and Community Infrastructure</i>	B2	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.
Food safety	-	8	Commercial	<i>Social and Community Infrastructure</i>	C3	The audit will provide assurance on the processes and procedures for supporting the Food Standards Agency’s Rating Scheme, including businesses food safety management systems and people fitness to work arrangements.
Community right to bid	-	6	Corporate	<i>Social and Community Infrastructure</i>	C3	To provide assurance over the Council’s consistent and compliant handling of applications for assets of community value.
IT asset management	8	-	ICT	<i>All</i>	C2 C6	To provide assurance over the Council’s IT asset records and management – in light of increased flexible working in 2020/21.

Audit	2021/2 2	2022/2 3	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Controls review of critical systems /cyber security	-	10	ICT	All	C2	To provide assurance over the robustness of critical IT systems, including review of user access controls, disaster recovery and cyber security.
Client Support						
Advice and guidance	5	5	Cross-cutting			
Follow up of agreed actions	5	5	Cross-cutting			
Annual report and Head of Internal Audit opinion	5	5	Cross-cutting			
Audit plan development	3	3	Cross-cutting			
Committee and Management reporting	10	10	Corporate			
Total	200	200				



INTERNAL AUDIT CHARTER AND STRATEGY

1. INTRODUCTION & CONTEXT

1.1 As austerity continues, the context for local government and for the overall governance, risk and control environment within which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Council. Services have become increasingly sophisticated in their understanding of risk management and may accept greater levels of controlled risk in order to achieve their aims. This is accompanied by a greater expectation of transparency, scrutiny of public expenditure and governance set by Central Government, plus the emerging complexity of alternative delivery models such as partnerships, joint ventures. This context will affect the overall governance, risk and control environment.

1.2 Internal Audit is required to maintain an Internal Audit Strategy and Charter. The core governance context for Internal Audit is summarised below:

The Accounts and Audit Regulations (2015) set out that:

A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective;

and

(c) includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3;

and

(b) prepare an annual governance statement

The Public Sector Internal Audit Standards (PSIAS) include the need for risk-based plans to be developed for internal audit and to receive input from management and the 'Board' (usually discharged by the Council's equivalent Governance and Audit Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS : 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS : 2450 - "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."

1.3 The purpose of the audit charter and strategy is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that:

- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations;
- Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;
- Provides an independent Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
- Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
- Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
- Supports the S151 officer in maintaining prudent financial stewardship for the Council.

1.4 The following definitions apply throughout the Charter and Strategy:

- The Finance and Assets Committee – acts as the PSIAS defined Council 'Board';
- The LGSS Chief Internal Auditor – is the PSIAS defined 'Chief Audit Executive'. In practice, a number of the key roles and responsibilities will be delegated to the LGSS Head of Internal Audit, unless otherwise stated;
- East Cambridgeshire Council's Corporate Management Team (CMT) – is the PSIAS defined 'senior management' team;
- Internal Audit – is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;
- Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. E.g.s include financial, performance, compliance, system security and due diligence; and
- Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility - examples include counsel, advice, facilitation and training.

2. STRATEGY & VISION

2.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed. The 'Mission' for Internal Audit is therefore:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

2.2 Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Service Leads are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

2.3 LGSS Internal Audit will provide a robust high quality audit service that delivers honest, evidenced assurance, by:

- Focusing on what is important. Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
- Being flexible and responsive to the needs of the Council. The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.
- Being outward looking and forward focused. The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
- Providing Assurance. There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
- Balancing independent support and challenge. Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.
- Having impact. Delivering work which has buy-in and which leads to sustained change.
- Enjoying a positive relationship with and being welcomed by the 'top table'. Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.
- Strengthening the governance of the Council. Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

2.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:

- Local Government / Public Sector;
- The Council and its community; and
- Professional Audit and Corporate Governance standards.

- 2.5 All staff within the audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

3. AUTHORITY

- 3.1 In accordance with PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Resource & Finance Committee, and the senior management team.
- 3.2 Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit's remit extends across the entire control environment of the Council.
- 3.3 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers and councillors without prior notice if necessary.
- 3.4 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Councils business held by contractors or partners.
- 3.5 All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.
- 3.6 The Finance and Assets Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of IA functions.
- 3.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.8 To provide for independence the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor/Head of Internal Audit who report to the Finance and Assets Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 3.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and equivalent Governance and Audit Committees at his/her discretion, including private meetings with the Chair of the Finance and Assets Committee.

4. INDEPENDENCE & OBJECTIVITY

- 4.1 Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 4.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 4.3 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.

- 4.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least 2 years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 4.5 The Chief Internal Auditor will confirm to the Finance and Assets Committee, at least annually, the organisational independence of the internal audit service.

5. HOW THE SERVICE WILL BE DELIVERED

Audit Planning

- 5.1 The audit plan guides the work of the service during the year. The planning principles are:
- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
 - Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
 - Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
 - Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
 - Being flexible so that the plan evolves through the year in response to emerging risks and issues;
 - Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and antifraud responsibilities; and
 - Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice from management and sources.
- 5.2 Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.
- 5.3 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.
- 5.4 In order to deliver the Annual Audit Plan at the required quality and professionalism we strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.
- 5.5 The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:
- Risk based system audit

- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Risk Management
- Fraud/investigation work
- Value for money audit
- Control self-assessment techniques
- Consultancy and advice

5.6 Internal Audit may procure external audit resource to enhance the service provision as necessary.

Internal Audit Annual Opinion

5.7 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

Conduct of work

5.8 The principles of how we conduct our work are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from ex-employees and other stakeholders where appropriate;
- Ensuring that risks identified in planning are followed through into audit work;
- Ensuring that the right skills and right approaches are in place for individual assignments;
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate;
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work; and
- Having high standards of behaviour at all times.

Reporting

5.9 The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, brief, clear and professional manner;

- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
- Always seeking management’s response to reports so that the final report includes a commitment to action;
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels; and
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

5.10 A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless, in the opinion of the Head of Internal Audit and Client Lead / Management, a written report is unnecessary. Each report will:

- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management’s response and timescale for corrective action;
- provide management’s explanations for any risks that will not be addressed; and
- identify individuals responsible for implementing agreed actions Senior Management shall ensure that agreed corrective actions are introduced.

5.11 All audits and follow ups receiving a limited audit opinion will be highlighted to the Corporate Management Team, and the Finance and Assets Committee. Regular reports to the Finance and Assets Committee shall highlight each limited report until controls have been restored to satisfactory levels at least.

5.12 To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex B):

- 1) Assess and test the CONTROL ENVIRONMENT,
- 2) Test COMPLIANCE with those control systems, and
- 3) Assess the ORGANISATIONAL IMPACT of the area being audited.

Actions / Recommendations

5.13 Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Action is imperative to ensure that the objectives for the area under review are met
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Standard	Action recommended to enhance control or improve operational efficiency

Follow up

- 5.14 All Essential and Important actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of promoting the action owner to proactively inform Internal Audit and provide evidence when an action has been fully implemented to inform the follow up process. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities

Quality Assurance

- 5.15 The Internal Audit function is bound by the following standards:
- Institute of Internal Auditor's International Code of Ethics;
 - Seven Principles of Public Life (Nolan Principles);
 - UK Public Sector Internal Audit Standards;
 - All Council Policies and Procedures;
 - Professional standards and Code of Ethics required by auditor's respective professional bodies;
 - Internal Audit Strategy, Charter and Audit Manual; and
 - All relevant legislation.
- 5.16 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:
- An audit manual documenting methods of working;
 - Supervision and review arrangements;
 - Customer feedback arrangements;
 - Quality Standards;
 - Annual Internal review;
 - Periodic external reviews;
 - Performance measures, including:
 - i) Proportion of Plan completed, including spread of areas covered
 - ii) Proportion of agreed actions implemented
 - iii) Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up
 - iv) Productive/direct time as a % of total time
 - v) Customer satisfaction levels
- 5.17 The completion of every assignment shall be monitored against:
- end to end time
 - days taken to complete
 - time between key audit stages e.g. draft issue to final report issue
 - customer satisfaction
- 5.18 The Finance and Assets Committee, Corporate Management Team and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Limited

opinion reports and key actions not implemented are discussed in more detail as appropriate with CMT, the Section 151 Officer and / or the Finance and Assets Committee.

5.19 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIMA) and being suitably experienced; and
- encouraging, and where appropriate acting on, customer feedback.

6. FINANCE AND ASSETS COMMITTEE OVERSIGHT

6.1 The Chief Internal Auditor/Head of Internal Audit will provide regular update reports to the Finance and Assets Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.

6.2 The Chief Internal Auditor/Head of Internal Audit will also present an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition the Finance and Assets Committee will:

- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
- approve, but not direct, the draft audit plan and subsequent changes so that internal audit independence is maintained, and to ensure that coverage reflects the key risks of the Council;
- be informed of results from the quality assurance and improvement programme; and
- be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

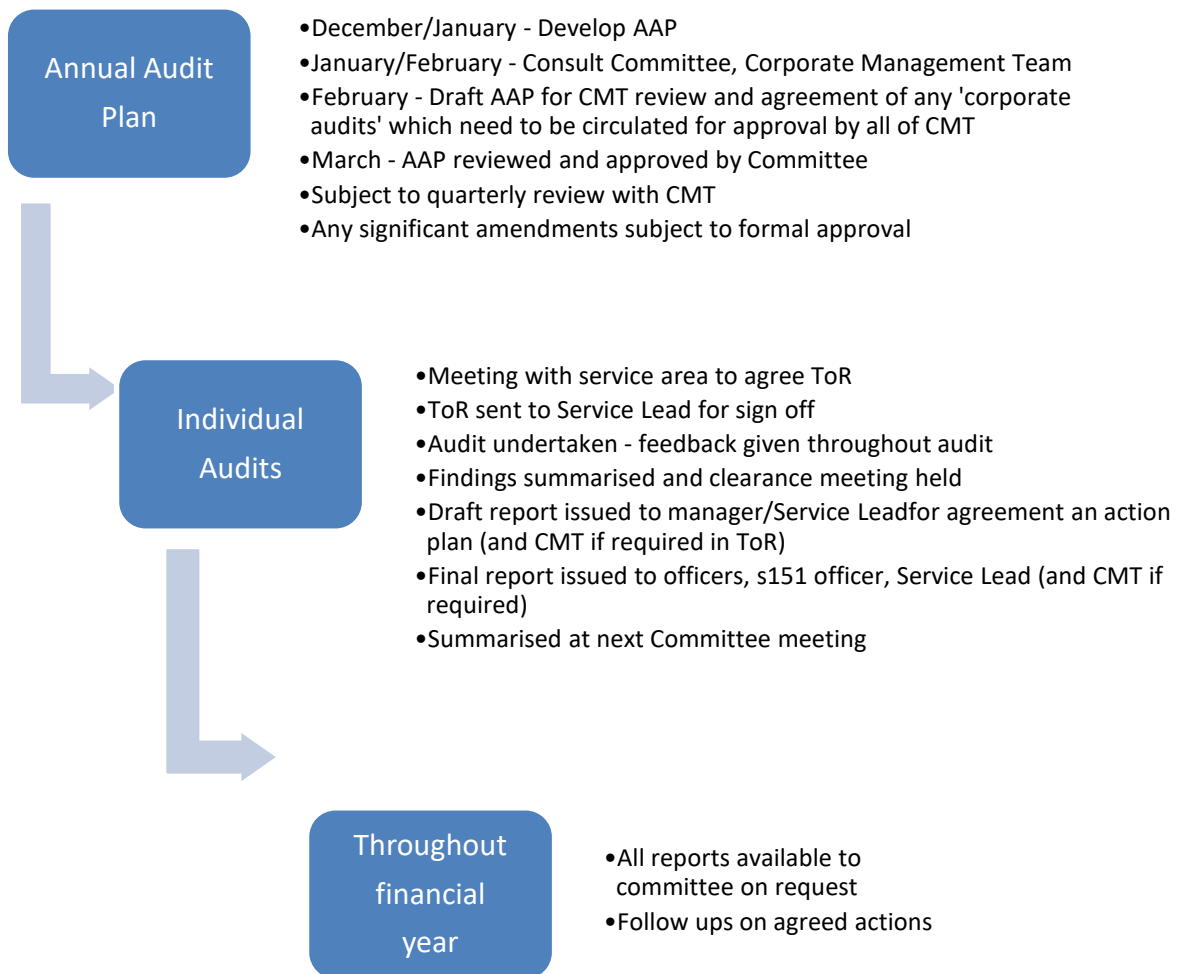
7. ANTI-FRAUD AND ASSOCIATED ISSUES

7.1 The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:

- Anti-Fraud and Corruption policy
- Whistleblowing policy
- Anti-Money Laundering Policy

7.2 All Internal Audit staff will be alert to possibility of fraud during all work but are not responsible for identifying fraud.

Annex A – Audit Planning & Delivery Process



Annex B – Audit Definitions

There are three elements to consider when determining an assurance opinion as set out below.

Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems 'police/ enforce' good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring 'ease of use'. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to the Corporate Management Team along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a system to prioritise our recommendations, as follows:

Essential	Important	Standard
<p>Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The improvement is critical to the system of internal control and action should be implemented as quickly as possible.</p>	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.</p>	<p>The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should implement promptly or formally agree to accept the risks.</p>

Internal Audit Progress Report

To: Finance & Assets Committee

Date: 25th March 2021

From: Chief Internal Auditor

[V158]

1. ISSUE

- 1.1. To advise Members of the work of Internal Audit completed during the period November 2020 to March 2021, and the progress against the Internal Audit Plan.

2. RECOMMENDATION

- 2.1. That the Committee notes the progress made by Internal Audit in the delivery of the Audit Plan and the key findings.

3. BACKGROUND/OPTIONS

- 3.1. The role of Internal Audit is to provide the Finance and Assets Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.
- 3.2. At the time of reporting, 100% of assignments within the plan are either complete or in progress. This is despite the Internal Audit team agreeing to cease audit testing in any areas impacted by the pandemic response during quarter one, in order to minimise any disruption and support the Council during this difficult period.
- 3.3. Since November 2020, six actions arising from audit reports have been implemented by officers. There is one action which remains overdue and is subject to ongoing follow up from Internal Audit.

4. ARGUMENTS/CONCLUSIONS

- 4.1. The attached report (Appendix 1) informs Members on the progress to date against the Audit Plan.

5. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 5.1. There are no additional financial implications arising from this report. Equality and Carbon Impact Assessments are not required.

6. APPENDICES

- Appendix 1 – Internal Audit Update Report – March 2021

Background Documents**Location****Contact Officer**

None

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Ely

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Appendix 1



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

EAST CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
MARCH 2021

Date: 25th March 2021

Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2020/21 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Finance and Assets Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

Performance

2.1 Delivery of the 2020/21 Audit Plan

At the time of reporting, fieldwork is either complete or underway in relation to 100% of the planned work.

Progress on individual assignments is shown in Table 1.

2.2 Are clients satisfied with the quality of the Internal Audit assignments?

To date, four survey responses have been received in relation to feedback on completed assignments for the 2020/21 audit plan and results are summarised in Table 4.

2.3 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

Since the last Committee meeting, four audit reports have been finalised. To date, the audit work has not highlighted any issues or weaknesses which would impact upon the overall Internal Audit opinion. The key findings from the report were as follows:

Treasury Management

The Council is responsible for its treasury decisions and activity and must ensure that it complies with treasury management regulations and best practice, whilst balancing the security and return on investments. The Council has remained debt free, and at the end of November 2020, investments with approved counterparties totalled £18.28 million. The audit of the treasury management system forms part of the 2020/21 suite of annually performed key financial system reviews and is undertaken in order to inform the Head of Internal Audit's overall opinion on the control environment, which supports the Annual Governance Statement.

Overall the governance arrangements for treasury management were found to be sound. The Council has in place a Treasury Management Strategy for the financial year 2020/21 and has also

produced a Capital Strategy for the financial year 2020/21 in accordance with the CIPFA revised Prudential and Treasury Management Codes. These were approved by Full Council in February 2020. These are supported by operational procedure notes and Treasury Management Practice notes. Testing of a sample of investments made by the Council confirmed that in each case there were sufficient surplus funds available to make the investments, investments were made within the approved counterparty limits, and were approved either by the Finance Manager or Director Commercial. Testing of a sample of investments recalled confirmed that there was a justified reason for monies to be recalled, they were appropriately authorised and had been received back into the Council’s bank account on the due date.

There are monthly control reconciliations completed for both investments and interest between the loans records (Treasury Management Spreadsheet) and the general ledger which are prepared by the Senior Accountant and reviewed by the Finance Manager. At the time of the audit these had been completed up to November 2020. Testing of two months’ reconciliations confirmed that they had been completed in a timely and accurate manner.

Based on the work performed during the audit, overall substantial assurance can be given that there are effective controls in operation. The assurance opinions are given as follows:

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Substantial	●
Organisational Impact	Minor	●

Bank Reconciliations

The maintenance of accurate and complete bank reconciliations is vital to the Council’s overall financial control framework. The effective operation of controls to maintain accurate records is pivotal in ensuring that the Council’s financial statements are produced promptly and accurately. The bank reconciliation process ensures that transactions appearing on the Council’s accounting records are compared with bank statements allowing differences to be appropriately managed. Generally, these will be timing issues such as cheques being issued but not presented or cash in transit.

There are written operational procedure notes covering the bank reconciliation process and these provide assurance over the resilience of the process should there be a change in staffing or loss of key personnel through absence. The audit review tested the accuracy of the completed bank reconciliations for the months of September 2020 and December 2020 and confirmed that the figures included in the reconciliations could be matched to supporting records and that they had been promptly prepared. This included the verification of monies in transit at the end of each month. Each of the bank reconciliations completed for the months April 2020 to December 2020 included a small balancing item of £223.16 - this difference has been raised with the Senior Accountant who has stated that as it is not a material item, it will remain as an unreconciled item for the remainder of the financial year.

Completed reconciliations are held electronically and signed off by both the preparer (Senior Accountant) and reviewer (Finance Manager) and this was evidenced on each of the completed reconciliations for the period April 2020 to December 2020.

Based on the work performed during the audit, overall substantial assurance can be given that there are effective controls in operation. The assurance opinions are given as follows:

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Substantial	●
Organisational Impact	Minor	●

Data Protection

The General Data Protection Regulation (GDPR) came into force on 25th May 2018 and together with the Data Protection Act (DPA) 2018 replaces former legislation on data protection. Whilst many of the GDPRs main concepts and principles are consistent with those detailed in the former DPA 1998, the GDPR does include new elements and significant enhancements, with greater emphasis on the documentation that data controllers must keep to demonstrate their accountability. The objective of this review was to provide assurance over compliance with the GDPR and DPA in handling data across the Council.

The Council has issued policies, codes of practice and guidance for staff which are available on the Council’s intranet, the majority of which have been reviewed and revised since their first issue. The Council does not currently have a clear desk policy and consideration should be given to how risks are managed, particularly with increased homeworking. A review of the Council’s corporate Data Retention Schedule and Record of Processing Activity were found to be complete with the exception of information relating to the information ICT Service. It is essential that the Council holds a complete and up to date record of data held to comply with statutory requirements so this omission should be addressed as a matter of urgency. It is the responsibility of Service Managers to maintain a register of documents destroyed within their service. From discussion with a small number of Service Managers, this requirement is not being consistently complied with.

Review of service specific privacy notices confirmed that they correctly identified the lawful basis for processing personal data and special categories of personal data, the data retention period and individual’s rights to complain. A review of subject access requests records showed that of the 47 completed requests in the period covered by the review of the 46 (92%) had been responded to within the one-month timescale. There are procedures in place to ensure that new employees and Members are provided with appropriate GDPR training as part of the induction process, and there is a requirement for annual data protection training to be completed. For the last round of training (2019) approximately 70% of staff and 20% of Members completed the training, therefore there is scope for improvement in this area.

Based on the work performed during the audit, overall good assurance can be given that there are effective controls in operation. The assurance opinions are given as follows:

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Satisfactory	●
Organisational Impact	Minor	●

Local authority trading companies

The East Cambs Trading Company (ECTC) was incorporated in March 2016 by East Cambridgeshire District Council. The property and community housing division was set up to deliver high-quality and design-led housing of all tenures, generating future dividends for the Council. The commercial services division was set up to manage and operate the Ely Markets on behalf of the Council and provide grounds maintenance services. The Finance and Assets Committee acts as the ‘shareholder committee’ for ECTC.

The East Cambs Street Scene (ECSS) is the company owned by East Cambridgeshire District Council that was incorporated in January 2018 to provide the recycling and waste service across the District. The Operational Services Committee acts as the ‘shareholder committee’ for ECSS.

The two main objectives of this audit were to review and comment on:

- the ongoing governance arrangements within the Council that exist to regulate both companies’ relationship with the Council; and
- the contract management arrangements in place to ensure that services provided by the two companies are in accordance with the Council’s requirements and expectations.

The audit concluded that the governance and contract management arrangements are operating in line with current governing documents for both companies. Legal advice previously received by the Council stated that current governance arrangements effectively manage the relationship that exists between the Council and the companies, and audit testing confirmed those arrangements to be working in practice. In total, six recommendations have been made in respect of further strengthening the governance arrangements currently operating.

The current pandemic has precipitated a number of financial risks to both trading companies. This audit confirmed that there are reporting and monitoring processes in place that should provide Council officers and members with regular and transparent financial performance information for ECTC and ECSS.

The audit further confirmed that the Council has arrangements in place to oversee delivery of services provided by the two companies (ECTC - Ely markets and grounds maintenance; ECSS – waste management and street cleansing).

Based on the work performed during the audit, the following assurance opinions have been given:

Assurance Opinion		
Control Environment	Good	●
Compliance	Good	●
Organisational Impact	Minor	●

2.4 Implementation of audit recommendations by officers

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation. In order to provide the Committee with assurances that these actions are being implemented in a timely and effective manner, a more robust follow up process has been implemented for the 2020/21 financial year.

Since the last Committee meeting, six agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there is one action which remains overdue for implementation, further details are provided in Table 3.

Table 1 - Progress against 2020/21 Internal Audit Plan

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Governance & Counter Fraud							
Counter Fraud Procedures	Q2	Complete		Consultancy			
National Fraud Initiative	Q3	Complete	Data upload in Q3	Consultancy			
Risk Management support	Q1 – Q4	In progress		Consultancy			
Annual Governance Statement	Q1	Complete	Not applicable	Consultancy			
Procurement compliance	Q4	Fieldwork underway					
Key Financial Systems							
Bank Reconciliation	Q3	Final report issued	<i>To review the design of, and compliance with, key controls within the Council's financial systems, working on a cyclical basis. Providing assurance over the controls to prevent and detect fraud and error.</i>	Substantial	Substantial	Minor	See section 2.3
Creditors	Q4	Fieldwork completed					
Debtors	Q4	Fieldwork underway					
Payroll	Q4	Fieldwork underway					

					<i>Assurance Opinion</i>				
<i>Assignment</i>		<i>Planned start</i>	<i>Status</i>		<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
Treasury Management		Q4	Final report issued		<i>To review the design of, and compliance with, key controls within the Council's financial systems, working on a cyclical basis. Providing assurance over the controls to prevent and detect fraud and error.</i>	Substantial	Substantial	Minor	See section 2.3
Budgetary Control		Q4	Planning						
Key policy compliance									
Off contract spend		Q4	Fieldwork underway						
Risk based audits									
Local Authority Trading Companies		Q3	Final report issued		<i>To seek assurance over the ongoing governance arrangements that exist to regulate both companies' relationship with the Council; the contract management arrangements in place to ensure that services provided by the two companies are in accordance with the Council's requirements and expectations.</i>	Good	Good	Minor	See section 2.3
Asset management		Q3	Fieldwork completed						
Data protection/GDPR		Q3	Final report issued		<i>To provide assurance over compliance with the GDPR and Data Protection Act in the handling of data across the Council.</i>	Substantial	Satisfactory	Minor	See section 2.3

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
S106 monitoring	Q2	Fieldwork completed					
Disabled facilities grants	Q1	Final report issued	<i>To provide assurance over the management of DFGs in relation to the application and verification process to manage the risk of fraud, and the delivery of value for money from spend.</i>	Good	Good	Minor	Summarised at September 2020 committee meeting
Building control	Q2	Final report issued	<i>To provide assurance over the efficient and effective delivery of the service and recovery of costs.</i>	Good	Substantial	Minor	Summarised at November 2020 committee meeting
Cyber Security	Q3	Fieldwork underway					

Table 2 - Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	1	100%	4	80%	1	100%	6	86%
Actions overdue by less than three months	-	-	-	-	-	-	-	-
Actions overdue by more than three months	-	-	1	20%	-	-	1	14%
Totals	1	100%	5	100%	1	100%	7	100%

Table 3 – Actions overdue more than three months (high or medium priority)

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
DFGs						
2019/20	Disabled Facilities Grants (DFGs)	<i>To implement a procurement framework specific to DFG works.</i>	Medium	Environmental Services Manager	30/09/2020	It was agreed to go out to tender out for tender for a four year framework contract in relation to bathroom adaptations, internal alterations, and external access door alterations. Work is underway to prepare for the tender, with advertising planned for May 2021.






Table 4: Customer Satisfaction




At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There has been one survey response received during the year to date.

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	1	3	-	-
Communication during assignment	1	3	-	-
Quality of reporting	1	3	-	-
Quality of recommendations	-	2	-	-
Total	3	11	-	-

Note – For two reviews there were no recommendations so question on quality of recommendations not asked

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances			
Level		Control environment assurance	Compliance assurance
Substantial		There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good		There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory		There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited		There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No		There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level		Definition
Major		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Finance and Assets Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Corporate Risk Management – Policy and Update

To: Finance & Assets Committee

Date: 25th March 2021

From: Head of Internal Audit

[V159]

1. ISSUE

- 1.1. To provide Members with a copy of the latest Corporate Risk Register and framework.

2. RECOMMENDATION

- 2.1. Members are requested to note the Corporate Risk Register as set out in Appendix 2.

3. BACKGROUND/OPTIONS

- 3.1. Finance and Assets Committee is responsible for overseeing the Council's Corporate Risk Register and recommending revisions to the Council's Risk Management policy.
- 3.2. Updates on the Corporate Risk Register are provided on a six monthly basis. The Finance & Assets Committee last received an update in September 2020. The updates to the Register are collated by Internal Audit but remain the responsibility of senior management.
- 3.3. The Corporate Risk Register (Appendix 2) has been updated to reflect the latest risks for the Council, including those posed by the Covid-19 pandemic.

4. ARGUMENTS/CONCLUSIONS

- 4.1. Appendix 1 of this report provides Members with some background information on Corporate Risk Management. The updated Risk Management policy was reviewed by the Committee in September 2020 and approved by Full Council in October 2020.
- 4.2. The Risk Management group met in March 2021 and agreed the latest scorings and risk entries. Appendix 1 sets out the key updates, including any amendments to risk scores.
- 4.3. Appendix 2 provides the updated Corporate Risk Register.

5. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

There are no additional financial implications arising from this report. An Equality Impact Assessment is not required.

6. APPENDICES

Appendix 1 – Corporate Risk Management Report – March 2021

Appendix 2 – Corporate Risk Register

Appendix 3 – Corporate Risk Register Heat Map

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	Room 207 The Grange Ely	Duncan Wilkinson, Chief Internal Auditor duncan.wilkinson@milton-keynes.gov.uk Rachel Ashley-Caunt Head of Internal Audit RAshley-Caunt@rutland.gov.uk

Appendix 1 – Corporate Risk Management Report – March 2021

Background

1. Risk management is a key element of East Cambridgeshire District Council’s Code of Governance.
2. The Finance and Assets Committee is responsible for overseeing the Council’s Corporate Risk Register.
3. The Risk Management Policy was last reviewed by the Finance and Assets Committee in September 2020 and approved by Full Council in October 2020.
4. Six monthly updates on the Corporate Risk Register are presented to the Finance and Assets Committee.

Corporate risk register updates

5. The Corporate Risk Register has been updated, and is attached at **Appendix 2**.
6. The register includes scores for **inherent** risks (before any mitigating controls are considered) and **residual** risk (after taking account of key controls, which are listed). Any planned actions to further mitigate risks are also shown.
7. The risk appetite is illustrated in the scoring matrix, which is also used to highlight the significance of the residual risks in a “heat map”, which accompanies the Corporate Risk Register.

The Corporate Risk Register is reported to the Committee twice per year. Changes to the risk register, and relevant updates, are reported to the Committee for awareness. Current developments are detailed below:

Risk	Description
A6 Council unable to manage impact of Coronavirus (Covid-19) on Council services	This risk entry has been updated to reflect the work of the recovery group and the strategic co-ordinating group.
B2 Failure to achieve expected levels of development and planning income.	The inherent score has been reduced by amending the likelihood score from 4 to 3, reflecting reduced impact of Covid-19 restrictions on recovery of payments.

Risk	Description
<p>C2</p> <p>Loss of data or access to ICT systems due to a breach of information security or weaknesses in the IT infrastructure.</p>	<p>The scoring of the current risk has been amended to reflect controls now in place for disaster recovery planning. The likelihood has been reduced from 3 to 2, reflecting the preventative controls implemented. The impact has also been reduced from 4 to 3 on the basis of controls in place to support the Council in securing and accessing back up data and resuming business as usual.</p>
<p>C4</p> <p>Failure to achieve compliance with the General Data Protection Regulations (GDPR) and Data Protection Act.</p>	<p>This entry has been updated to reflect the findings of the recent Internal Audit review of compliance with Data Protection requirements.</p>
<p>D2</p> <p>Failure to deliver upon strategic development plans and requirements.</p>	<p>The action for 'Members to determine whether to commence work on a new Local Plan' has been removed following its completion.</p>

Corporate residual risk heat map

8. An updated risk heat map is included at **Appendix 2** which shows the residual risk level for each of the risks. This gives a quick view of where each risk sits in relation to the Council's risk appetite, i.e. there should be no risks with a residual score greater than 15, unless there are exceptional circumstances.

Conclusion

9. Risk management processes follow good practice, and are proportionate. These are documented in a Risk Management Policy, with a supporting framework.
10. The Risk Management Group continue to review the Risk Register on a quarterly basis to ensure all risks are recognised and up to date.
11. The Council has a Corporate Risk Register and each risk shows the owner and the key controls, both in place or planned, designed to minimise any impact on the Council and its provision of services to stakeholders.
12. The Risk Management Policy requires managers to keep all risks under review, and the Corporate Risk Register has been updated accordingly.

Corporate Risk Register

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
CUSTOMER PERSPECTIVE															
A2	East Cambridgeshire Trading Company and East Cambridgeshire Street Scene Ltd fail to deliver upon business plans and expected levels of performance.	Poor performance by the companies with a lack of challenge and oversight. Failure to embed effective governance arrangements and segregation of duty.	Failing to achieve corporate priorities and Medium Term Financial Strategy. Reputational risk.	D-CS	3	5	15 (A)	Business Plans, Articles of Association and Shareholder Agreements. Established shareholder arrangements. Regular reporting to Finance and Assets and Operational Services Committees (in remit as Shareholder committee) and Full Council. Independent Chairperson. Independent external audit review of accounts, and opportunity to commission ad-hoc advice if required. S151 Officer and Monitoring Officer present as non-voting members at Board meeting.	2	4	8 (A)				
A3	Failure to deliver the housing strategy, and provide affordable housing to residents within the district.	Challenges to future supply due to housing market and Government policy.	Failure to deliver the Council's commitment to 'genuine affordable' housing.	D-O D-CS	3	4	12 (A)	Council Support Programme to Community Land Trusts. Community Led Development SPD.	2	3	6 (A)				
A4	Homelessness in the District.	Increase in homelessness driven by external factors such as Universal Credit and the Homelessness Reduction Act.	Impact on the Council finance and resources.	D-O	4	5	20 (R)	Frontline resources focussed on preventing homelessness. Council retained hostels.	2	2	4 (G)				

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
A5	Council unable to manage impact of Coronavirus (Covid-19) on Council services.	Lack of capacity to cope with the increase in community needs, as well as business as usual tasks, as a result of the virus. This will be caused by increased needs from the community as well as reduced staffing availability due to staff becoming ill themselves or needing to self-isolate or being unable to work due to caring for others. Technology constraints may also limit the amount of work able to be undertaken remotely. Availability of workforce from contractors as well as Council will have a negative impact on continuing the compliance related work.	Work will need to be prioritised resulting in some services either being scaled back or not delivered at all.	CM T	3	3	9 (A)	<p>Regular meetings of multi-agency groups and internal business continuity groups.</p> <p>Reviewed approach and implementation of improved IT infrastructure to allow homeworking.</p> <p>Regular communication with all stakeholders, including contractors.</p> <p>Risk assessment produced to comply with the Government guidance document <i>Offices and Contact Centres – Working Safely During Coronavirus (COVID-19)</i> and the associated Council building risk assessments.</p> <p>Corporate buildings are now 'COVID-19 Secure' in line with Government guidance control measures.</p> <p>Reviewed business continuity plans to ensure priority services are correctly assessed and continue to prioritise based on emerging needs and capacity.</p>	2	3	6 (A)	<p>Continue to ensure staff, members and the community are kept informed as the situation develops.</p> <p>Ongoing monitoring of 'Working Safely in East Cambridgeshire District Council Buildings' risk assessments.</p>	CM T DV	Ongoing Ongoing	G G

Inherent Risk								Residual Risk					Actions		
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
A6	Impact of Coronavirus (Covid-19) on the business and communities of East Cambridgeshire.	The various lockdowns and other restrictions have had and continue to have a significant impact on the economy. Whilst the Furlough scheme has helped protect jobs in the short term there is an expectation that unemployment and dependency on welfare and support will increase over the coming months. This in turn may create greater financial, physical and mental health challenges and put pressure on housing. Whilst the Council has provided support to businesses in East Cambridgeshire through government grant schemes, there is a risk that some businesses do not survive.	Higher unemployment, greater dependency on welfare, impacts on physical and mental health, impacts on business survival rates, increased homelessness	CM T	4	4	16 (R)	<p>The Council continues to work closely with partner agencies in the LRF to ensure response are co-ordinated and as effective as possible.</p> <p>Recovery group meets twice a week. Strategic coordinating group meets three times a week with health, PHE and all other cat 1 responders.</p> <p>Strategy and action plan is regularly monitored and updated. This plan has enabled the Council to bid for extra monies - £330k so far) which is purely to assist residents.</p> <p>The Council has established recovery structures to fully assess impacts and identify appropriate responses. These have been discussed with Members and with partners.</p> <p>Resources are being diverted to those areas where the Council anticipates greater demand but to an extent the Council, and the public sector more generally, will require ongoing government support to mitigate the substantial impacts there will be.</p> <p>Fraud risk assessments completed in relation to business grants.</p> <p>Members are being regularly up-dated on the pandemic, both regarding the national position and the actions being taken locally.</p> <p>Sub regional road map under development.</p>	3	3	9 (A)	<p>Continued involvement, leadership and engagement within the LRF and support to local partners and businesses as required.</p> <p>Review of Corporate Strategy to incorporate key recovery actions.</p>	CM T	Ongoing	G
												CM T	Ongoing	G	

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
FINANCE AND RESOURCES															
B1	Inability to balance the Council's budget.	<p>Reductions in public sector funding.</p> <p>Uncertainty and changes in Government funding such as the Spending Review 2021, fair funding review and 75% retention of business rates, all planned to be introduced on 1st April 2022.</p> <p>Lack of opportunity to make further savings.</p> <p>Not maximising the opportunities from the Combined Authority deal and other income opportunities.</p>	Failure to achieve budgets savings leading up to 2020/21 and undermining the revised Medium Term Financial Strategy.	FM	3	5	15 (A)	<p>Agree Medium Term Financial Strategy (MTFS) each February as part of budget setting process.</p> <p>The draft MTFS was reported to Full Council in February 2021.</p> <p>Quarterly budget monitoring through Management Team and relevant Committees, including the impact of Covid-19 on expenditure and income.</p> <p>Partnership working (principally with the Combined Authority) and ongoing consideration of potential opportunities linked to the key ambitions.</p> <p>Strong leadership from members and officers.</p> <p>Government non-ringfenced Grant and other ring fenced funding to respond to the pandemic.</p> <p>Reporting impact of the pandemic to the Ministry of Housing, Communities and Local Government.</p>	3	4	12 (A)				
B2	Failure to achieve expected levels of development and planning income.	<p>The viability and delivery of residential and commercial development.</p> <p>Changes in legislation such as the Planning for the Future White Paper.</p>	Council failing to deliver its growth trajectory and not generating projected s106 and CIL income.	D-CS	3	4	12 (A)	<p>Ongoing Service Plan reviews</p> <p>CIL Implementation</p> <p>CLT support programme</p> <p>Business Plan (Property)</p>	3	4	12 (A)	Monitor and respond to the outcomes of the Planning for the Future White Paper	IS M	Ongoing	G

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
B3	Failure to plan for and accommodate the impact of Brexit.	The UK leaving the EU with impacts on regulations and the economy.	The Council suffers from consequences of leaving the EU with impacts on procurement and employment through changes in EU/UK regulation, income and public services. Business Rate income is reduced as businesses fail in the different trading climate.	CEX	2	3	6 (A)	Engagement in local forums and networks, including the local resilience partnership. Participation in workshops with other public sector partners and forward planning.	2	3	6 (A)				
PROCESSES AND SYSTEMS															
C1	Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources.	Major civil emergency potentially due to: <ul style="list-style-type: none"> • Loss of access to premises • Severe weather events • Fuel shortages • Communications failure • Pandemics • Loss of power • Terrorist events • Supply chain failure 	Inability to access key staff or resources resulting in reduced ability to deliver services. Increased requests for Council resources and services Health and safety impact on staff and vulnerable residents Damage to Council property and impact on residents Reputation damage	CEX	3	5	15 (A)	Business Continuity Plan (BCP) updated. Business Continuity Training and exercises. Member's handbook. Emergency Management Plan with supporting plans for specific activities e.g. rest centres. Rest Centre plans reviewed by National Resilience Forum. Registration process and template forms aligned to other Councils so they can mutually assist each other as responders. Improved ICT functionality allows more staff to work remotely, aiding the response. Note – specific risk on Covid-19 pandemic added to risk register.	3	2	6 (A)				
C2	Loss of data or access to ICT systems due to a breach of information security or weaknesses in the IT infrastructure.	ICT systems abuse, intrusion or failure. Under investment in IT infrastructure and lack resource to implement change. Employees not having the right tools for the job to work efficiently.	Business interruption resulting in reduced ability to deliver services. Not prepared for disaster recovery. Non-compliance with legislation, resulting in financial penalties up to £0.5m and reputational risk. Inefficient working.	D-O	3	4	12 (A)	ICT Disaster Recovery Plan. System and Penetration testing regime. ICT Security Policy. Government Connect and Public Sector Network compliance.	2	3	6 (A)				

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
C3	Non-compliance with legislative and regulatory requirements.	Changes in legislation from Central Government or Professional bodies can impact many areas, for example: <ul style="list-style-type: none"> • health and safety, • equalities, • safeguarding, • environmental legislation, • employment law. 	Financial penalties for non-compliance. Reputational risk.	MT	4	3	12 (A)	Monitoring changes to legislation that impacts the Council. Topical examples include H&S sentencing guidelines, and earlier closedown of accounts. Procedural changes and training is delivered as required. Safeguarding policy in place and refreshed in 2017/18. Safeguarding leads nominated and all staff have received safeguarding training. Health and safety risk assessment programme. Disaster Recovery Plan and supporting systems / hardware.	2	3	6 (A)				
C4	Failure to achieve compliance with the General Data Protection Regulations (GDPR) and Data Protection Act.	New legislation from Central Government and Europe.	ICO warnings, bans on processing data, fines. Compensation claims and reputational damage.	LSM	3	5	15 (A)	Information Officer post created and filled. All Council staff briefed. Comprehensive GDPR action plan completed and subject to Internal Audit review. Record of Processing Activity in place and maintained by trained officer. Staff e-learning and Member briefing.	2	4	8 (A)	Complete gap analysis of action plan and implementation of actions arising from audit report.	LS M		G
C5	Payroll and HR system not meeting the needs of the whole organisation.	Midland HR do not meet our service requirements.	Salaries are not paid correctly to employees Pensions and subsequent pension reports are not completed properly for HMRC and LGSS	FM	3	5	15 (A)	Regular communication with Midland HR Effective communication between HR and payroll Service Level Agreement to be adhered to	2	5	10 (A)				

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
C6	Failure of corporate governance and counter fraud and corruption controls.	Attempts at fraud and corruption from internal or external sources are successful due to inadequate corporate governance and counter fraud controls.	Financial losses and reputational damage. Impact on service delivery.	MT	3	3	9 (A)	Counter fraud training for officers as part of induction process. Gifts and hospitality registers. Counter fraud and ethical governance policies and procedures. Anti-money laundering policy added to Constitution. Internal control framework including segregation of duties and authorisations. Reviewed annually for Annual Governance Statement. Participation in National Fraud Initiative. Fraud awareness promotion on annual basis, with targeted reminders in year. Fraud reporting tool available internally and externally. Fraud risk assessments completed in relation to Covid-19 business grants and post payment assurances.	2	3	6 (A)				
LEARNING AND GROWTH															
D2	Failure to deliver upon strategic development plans and requirements.	The Council not being able to demonstrate a five-year land supply for housing or an up-to-date Local Plan. However, on 21 st April 2020 the Council did regain its five year land supply, though developers are challenging this. Lack of up to date Local Plan. Lack of delivery of permitted schemes by developers.	Planning applications can only be refused if the adverse impacts significantly and demonstrably outweigh the benefits of the proposal, in accordance with the presumption in favour of the sustainable development. More speculative development Not delivering quantity of housing/employment to meet needs of the district	D-CS	3	4	12 (A)	Development Management to manage speculative applications when submitted. Work with developers to help delivery of sites. Robustly defend appeals in order to maximise chances of success (note: ultimately, it will be a planning inspector, in reaching a decision on an appeal, that will determine whether the inherent risk materialises).	3	4	12 (A)				

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
D8	Difficulties with staff recruitment, absence and retention – leading to lack of resources.	Lack of staff resources in terms of numbers due to high turnover or failed recruitment exercises. Lack of staff resources in terms of knowledge, skills and behaviours due to poor staff retention.	A shortage of staff in roles across the Council and Trading Companies and a loss of knowledge and skills, could lead to service failure, which could result in an increased level of complaints, poor reputation and financial penalties from breaches in legislation or failure to follow rules, procedures and meet deadlines.	MT	4	3	12 (A)	Pay Review exercise linked to revised Job description questionnaires (JDQ) implemented in December 2019, this to ensure that all staff are being paid an appropriate salary for the job they are undertaking. Investment in training and up-skilling existing staff. Absence Management policy. Effective implementation of Service Delivery Plans and performance management Management Development training has been delivered to all Service Leads and team leaders.	4	2	8 (A)				

Corporate Priorities:

- 1 Sound financial management
- 2 Improving transport
- 3 Housing
- 4 Cleaner, greener East Cambridgeshire
- 5 Social and community infrastructure

Key to risk owners (above):

CEX Chief Executive
D-O Director, Operations
D-CS Director, Commercial Services
FM Finance Manager and S151 Officer
LSM Legal Services Manager and Monitoring Officer
ISM Infrastructure and Strategy Manager
HSM Health & Safety Manager
HRM Human Resources Manager
MT Management Team

Appendix 3 - Corporate Risk Register Heat Map

Summary of Residual Scores for Corporate Risks

Impact	Very High	5		C5			
	High	4		A2, C4	B1, B2, D2, C2		
	Medium	3		A3, A5, B3, C3, C6	A6		
	Low	2		A4	C1, C2	D8	
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
Likelihood							

Red scores – in excess of the Council's risk appetite. Action is needed to redress, with regular monitoring. In exceptional circumstances residual risk in excess of the risk appetite can be approved if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to Corporate Management Team, Resources and Finance Committee and Council.

Amber scores – likely to cause the Council some difficulties (risk score 5 to 15) – six monthly monitoring.

Green scores (risk score 1 to 4) – low risk, monitor as necessary.

Code	Title
A2	East Cambridgeshire Trading Company and East Cambridgeshire Street Scene Ltd fail to deliver upon business plans and expected levels of performance.
A3	Failure to deliver the housing strategy, and provide affordable housing to residents within the district.
A4	Homelessness in the district.
A5	Council unable to manage impact of Coronavirus (Covid-19) on Council services.
A6	Impact of Coronavirus (Covid-19) on the business and communities of East Cambridgeshire.
B1	Inability to balance budget.
B2	Failure to achieve expected levels of development and planning income.
B3	Failure to plan for and accommodate the impact of Brexit.
C1	Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources.
C2	Loss of data or access to ICT systems due to a breach of information security or weaknesses in the IT infrastructure.
C3	Non-compliance with legislative and regulatory requirements.
C4	Failure to achieve compliance with the General Data Protection Regulations & Data Protection Act.
C5	Payroll and HR system not meeting the needs of the whole organisation.
C6	Failure of corporate governance and counter fraud and corruption controls
D2	Failure to deliver upon strategic development plans and requirements.
D8	Difficulties with staff recruitment, absence and retention – leading to lack of resources.

PROPOSED DEMOLITION WORKS, FORMAL MEPAL OUTDOOR CENTRE

Committee: Finance & Assets Committee

Date: 25 March 2021

Author: Director Commercial and Open Spaces & Facilities Manager

[V160]

1.0 ISSUE

1.1 Demolition of existing structure at the former Mepal Outdoor Centre site.

2.0 RECOMMENDATION(S)

2.1 Members are requested to authorise the demolition of the existing structures at the former Mepal Outdoor Centre site and instruct the Open Spaces & Facilities Manager to submit a planning application to implement the demolition of existing structures.

3.0 BACKGROUND/OPTIONS

3.1 Since the cessation of the recreational activities relating to the Mepal Outdoor Centre, the current site and the structures within the site, have been subject to fire, unauthorised access and trespass, vandalism and theft of materials. These events have had a significant effect on the structure and safety of the existing buildings. A schedule of the existing structures and their current condition is detailed in Appendix 1.

3.2 The Council's insurance company and Building Control Service have made a number of recommendations to ensure the protection and stability of structures which have financial implications as detailed in paragraph 5.1.

4.0 OPTIONS/CONCLUSIONS

4.1 The Council need to consider the case for the demolition of the existing structures at this time, given their current condition and the requirement to make significant financial investment to reduce the risk of public safety and further damage.

4.2 From an asset management case, there is a clear case for total demolition of the existing structures on the Mepal Outdoor Centre site. Although the condition of individual structures and the costs of making them safe vary, there will remain significant asset risk in retention and future financial viability for maintenance and eventual demolition.

4.3 In recent past the Council has been approach by outside organisations for items to be donated, for example, the climbing wall within the tented building. If this

proposal is approved the Council will seek to donate any relevant items to organisations where possible.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT

5.1 The estimated cost of demolition of the site is £53,000. The cost to retain the existing structures are estimated at £24,500 as a one-off cost, however, there will be additional cost if fencing/shuttering needs to be replaced as a result of vandalism/theft.

5.2 There will be ongoing costs related to maintaining the security of the site prior to any future development of £1,000 per month. It is estimated that this Council have already incurred £61,000 since the site became vacant.

5.3 Equality Impact Assessment (EIA) not required

5.4 Carbon Impact Assessment (CIA) completed. In summary, the CIA concluded as follows:

This proposal will have a mix of positive and negative carbon implications.

This proposal will have some limited negative carbon impact, via vehicle movements associated with the demolition of the building.

However, such impact is to be offset by the recycling of materials from the demolition, thereby lowering the embodied energy (or embodied carbon) of future construction elsewhere (with such other construction elsewhere otherwise relying on virgin materials of a much higher embodied content).

It is difficult to quantify the scale of both the negative and the positive carbon implications, but, and reflecting on the scale of material to be recycled and the high embodied energy/carbon content of such materials, it is probable that the proposal overall will have a positive carbon impact compared with the alternative of 'do nothing' (i.e. leaving the buildings as they are).

6.0 APPENDICES

6.1 Appendix 1- Condition of existing buildings

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	The Grange, Ely	Emma Grima Director Commercial (01353) 665555 E-mail: emma.grima@eastcambs.gov.uk

Existing Structure Condition

Structure	Condition
Tented Building including reception area	<p data-bbox="810 497 1174 528">Extremely poor condition.</p> <p data-bbox="810 566 1107 598">Fire damage in 2016</p> <p data-bbox="810 636 1382 745">Canvass roof is no longer protecting the building from weather elements and is not repairable</p> <p data-bbox="810 784 1286 848">Has been subjected to significant vandalism</p> <p data-bbox="810 887 1382 1039">If entrance was gained the climbing wall structure within the structure could pose a risk (item could be donated to an external organisation)</p> <p data-bbox="810 1077 1326 1187">To maintain public liability insurance cover the area will need to be fenced/shuttered</p>
Accommodation Block	<p data-bbox="810 1227 1315 1292">Subject to previous arson attack on 2020</p> <p data-bbox="810 1330 1377 1440">The area has been fenced off, however to maintain insurance more fencing and shuttering would be required.</p> <p data-bbox="810 1478 1382 1700">Insurance company and building control has assessed the structure as unsafe/dangerous and recommends the removal of the gable end, additionally there the remaining roof and rubble needs to be removed</p> <p data-bbox="810 1738 1355 1848">The fire escapes on the second floor have been stolen and could result in a potential fall from height</p> <p data-bbox="810 1886 1286 1951">Has been subjected to significant vandalism</p>

	In order to maintain public liability insurance cover further shuttering will be required
Toilet Block	<p>Subjected to significant vandalism/theft</p> <p>All pipework has been stripped out</p> <p>Back wall has been demolished when the hot water tanks were stolen. The back wall has support to maintain structural soundness of the building</p> <p>Further mitigation required to maintain public liability insurance cover</p>
Wooden Half Brick Castle	<p>Mainly wooden structure which poses a fire risk (based on previous arson attacks elsewhere on the site)</p> <p>Vandalism to roof, 50% of the roof tiles have been removed</p> <p>Further mitigation required to maintain public liability insurance cover</p>

TITLE: Service Level Agreement Funds- Leisure 2020/21

Committee: Finance & Assets Committee

Date: 25 March 2021

Author: Victor Le Grand (Senior Leisure Services Officer)

[V161]

1. ISSUE

- 1.1. To review the current position of the leisure facility trusts operating in East Cambridgeshire and make appropriate recommendations.

2. RECOMMENDATION

- 2.1. Members are recommended to approve the recommendations set out in paragraph 5 of this report.

3. BACKGROUND

- 3.1. The built leisure facility stock in East Cambridgeshire comprises the Hive (owned by ECDC and operated for us by GLL) and a number of other centres operated by local trusts and academies. These sites vary in facilities and resources, but operate similarly to local authority sports centres, and for the same purpose.
- 3.2. The centres have historically received advisory support and modest grants from ECDC, to support capital improvements or programme developments in order to strengthen the long-term sustainability of the facility, or to extend the scope of their community provision. Otherwise they are self-financing, their operating costs met from user charges.
- 3.3. This structure respects the centres' operational independence and local origins, but was not designed to address the business shock created by the pandemic. Like all leisure operations, the trusts have seen their income reduced for extended periods, and incomes are likely to be heavily reduced even when able to re-open. Each of the centres have taken reasonable measure to mitigate their losses and some centres have secured external grants. Despite these endeavours it has not been possible for the centres to mitigate their loss of income. This report summarises the known issues and considerations; and makes recommendations accordingly.

4. ARGUMENTS

Scope of Problem

- 4.1. As noted above, the cost of operating community leisure facilities in East Cambridgeshire is met almost entirely from user charges, with little or no external subsidy. Income and expenditure are finely balanced even in normal conditions; and the closures over the last year has cut off the trusts' income streams

completely for extended periods, and operating restrictions have seriously affected their income when open. Details vary, but across the network income over the year appears to be approximately one-third of normal levels.

- 4.2. Operating costs have been controlled so far as possible by the centres, and this has been helped by the furlough schemes and NNDR relief. The smaller sites also benefitted from the national lockdown grants last spring. The larger centres however – which tend to have higher core costs and were ineligible for that funding tranche - have sustained significant deficits during the year.
- 4.3. The position has been partially mitigated by the current Tier 4 and National Lockdown grants, but there remain some gaps in funding, and further work is needed to quantify these gaps. The Council has also been successful in a bid to the National Leisure Recovery Fund grant, and this will help to support most of the centres as they re-build their operations and services over the next six months; but further work is needed to understand how this will operate and what further support may be needed.

Implications and Options

- 4.4. The importance of the facility network, and the potential threat to its viability, is generally recognised. Any loss of facilities or services would be felt by the community, and the implications of this are not confined to leisure. Physical activity is widely recognised as contributing to physical and mental health, as reflected in the support from Public Health for the Let's Get Moving (now 'Healthy You') programme, the increasing adoption of social prescriptions by primary health, and current linkages to obesity and diabetes programmes. The various central government initiatives have helped to underpin the centres, and will continue to do so in some measure over coming months, but some direct financial support at local level may also be necessary.
- 4.5. For ECDC the two most immediate levers are the existing 'SLA' grants and business rate relief.
 - 4.5.1. Service Level Agreement Grants were introduced some years ago, and are generally focused on development projects or facility improvements, rather than on general revenue support. This remains the preferred direction of travel, but it does not address the current circumstances, in which recovery has become the priority. It is therefore proposed that grants for this year and for 2021-22 should be used where necessary to alleviate the current financial pressures and support centres through the business recovery phase, complementing the NLRG grant. As noted above however, it is not yet fully clear how and where this support should be best deployed. It is therefore proposed that the 2020-21 budget should be carried over to 2021-22, allowing a more focused and effective response to what remains an evolving situation.
 - 4.5.2. All of the Trusts benefit from 80% mandatory NNDR relief, and supplementary relief from ECDC capped at £2,000 per centre. The residual NNDR liabilities vary from around £3,500 per annum at Ross Peers to approximately £12,000 per annum at Littleport and Paradise. For 2020-21, central government has granted full relief to all leisure and hospitality businesses, and this provision will continue until the end of June 2021. There is then a mandatory discount to businesses

for the remainder of the financial year but this will not benefit the trusts. It is therefore recommended that s.149 Hardship Relief (a provision for businesses which serve the community and are experiencing short-term financial difficulties) should be adopted wherever necessary for the coming year.

5. RECOMMENDATIONS

- 5.1. Members are requested to approve:
 - 5.1.1. The full carry forward of the 2020/21 Service Level Agreement grants budget into 2021/22;
 - 5.1.2. The use of the Service Level Agreement grants budget for 2020/21 and 2021/22 to directly support operations, where necessary, in order to address the financial pressures created by the pandemic; and
 - 5.1.3. An agreement to provide hardship relief to all community-owned leisure centres for 2021-22 following the end of the government-mandated full relief

6. FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT / CARBON IMPACT ASSESSMENT

- 6.1. The request is to carry forward the 2020/21 budget and utilise the 2021/22 budget to be applied to the centres to enable, so far as possible, a sustainable recovery of the centres. Decision of allocation will reserved to the relevant committee at the time where new Service Level Agreements are proposed.
- 6.2. The proposals do not specifically affect any particular participation group or protected characteristic. No new equalities implications therefore follow from these proposals.
- 6.3. There are no direct positive or negative carbon impact implications for ECDC.

Background Documents

None

Contact Officer

Victor Le Grand

Senior Leisure Services Officer

(01353) 616361

RECOMMENDATION FROM THE EAST CAMBRIDGESHIRE BUS, CYCLE, WALK WORKING PARTY

Committee: Finance & Assets Committee

Date: 25 March 2021

Author: Infrastructure and Strategy Manager

[V162]

1.0 ISSUE

1.1 To consider a recommendation from the East Cambridgeshire Bus, Cycle, Walk Working Party.

2.0 RECOMMENDATION(S)

2.1 Members are requested to:

- i) Note the recommendation made by the East Cambridgeshire Bus, Cycle, Walk Working Party, as set out in 3.2 of this report; and
- ii) Approve the course of action set out in 4.4 of this report.

3.0 BACKGROUND

3.1 On 10 March 2021 the East Cambridgeshire Bus, Cycle, Walk Working Party met to progress the development of the East Cambridgeshire Cycling and Walking Routes Strategy. It was agreed at the meeting that Finance & Assets Committee would receive a report that would consider the allocation of £30,000 towards feasibility studies for proposed new cycle routes that have been identified.

3.2 At the Working Party Members expressed a desire for the Finances & Assets Committee to make £30,000 available to the Working Party to fund feasibility studies for new cycle routes. It is further requested that the Working Party would have delegated authority to determine which routes could be selected for a feasibility study depending on the quotes that are returned. Sustrans (who could carry out such studies) has indicated that the cost of the feasibility work varies, dependent on the size and complexity of the scheme. Estimates for each assessment would range from £5,000 to £20,000 plus.

4.0 ARGUMENTS/CONCLUSIONS

- 4.1 The Working Party has not yet completed its work to prioritise cycling and walking routes for further development. Good progress has been made to identify evaluation criteria to enable this. Completion of the criteria will be based upon the mapping of routes that have been identified in the consultation.
- 4.2 It had previously been identified that the Council would consider what funding intervention could reasonably be made by the Council once the prioritisation exercise is complete.
- 4.3 Once the prioritisation exercise is complete the Council will be in a better position to understand what routes could be included in other organisations' strategies, for example, the Cambridgeshire County Council LCWIP and what can reasonably be considered for funding through Section 106 Agreements and Community Infrastructure Levy funding. Further, the Council will need to be reasonably assured that it can maximise the limited funds, that it may apply, that can be utilised to achieve maximum benefit to the delivery of any scheme identified.
- 4.4 It is recommended that the Committee awaits the results of the prioritisation work to ensure that the prioritised routes are capable of progression. In addition, quotes for a number of route feasibility studies should be requested from Sustrans to ensure that any funds utilised can be maximised and a report be presented to a future Finance & Assets Committee meeting.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 5.1 There are no financial implications arising from this report.
- 5.2 Equality Impact Assessment is not required
- 5.3 Carbon Impact Assessment (CIA) not required.

6.0 APPENDICES

- 6.1 None

Background Documents

None

Location

Room 13
The Grange,
Ely

Contact Officer

Sally Bonnett
Infrastructure and
Strategy Manager
(01353) 616451
E-mail:

Sally.bonnett@eastcamb.gov.uk

TITLE: COMMUNITY INFRASTRUCTURE LEVY FUNDING REQUEST

Committee: Finance & Assets Committee

Date: 25 March 2021

Author: Infrastructure and Strategy Manager

[V163]

1.0 ISSUE

- 1.1 To consider the allocation of £180,000 to the first phase of improvements to Gardiner Memorial Hall and to provide an in principle agreement to support the opportunity for further funding of Phase 2.

2.0 RECOMMENDATIONS

- 2.1 Members are requested to:

- i) Approve the allocation of £180,000 to Phase 1 of the Gardiner Memorial Hall Project improvement Project; and
- ii) Agree an in principle agreement to provide future funding for Phase 2 of the Gardiner Memorial Hall Improvement Project as set out in 4.6 and 4.7 of this report

3.0 BACKGROUND/OPTIONS

- 3.1 East Cambridgeshire District Council introduced the Community Infrastructure Levy (CIL) on 1st February 2013. The contributions raised through this levy are used to fund, in whole or in part, the necessary infrastructure to support growth and development in the district.
- 3.2 In order for infrastructure to benefit from CIL funding, it must be included on the Council's Community Infrastructure Levy Infrastructure List.

4.0 ARGUMENTS/CONCLUSIONS

- 4.1 On 23 February 2021 (Agenda Item 11), Members approved the inclusion of the Gardiner Memorial Hall Improvement Project on the CIL Infrastructure List.
- 4.2 Since the Council meeting, Officers have met with Burwell Parish Council representatives to discuss the proposals for Gardiner Memorial Hall. Burwell Parish Council has confirmed that the project has been split into two phases. The first phase is the refurbishment of Gardiner Memorial Hall which include improvements to the kitchen, stage, toilets and utilities. In addition the roof will be insulated, the windows will be replaced with double glazing, LED lighting will be installed and the electric heating will be replaced by an air source heat pump heating system.

- 4.3 The first phase of project has been costed at £563,000 and Burwell Parish Council is requesting a contribution from ECDC CIL funding of £180,000.
- 4.4 The first phase of the project will include funding from Burwell Parish Council's own CIL fund, funding from Cambridgeshire County Council and a bid has been submitted to another external funder. The funding from Burwell Parish Council's own CIL fund has been formally approved by the Parish Council, as has funding from Cambridgeshire County Council. Burwell Parish Council await the outcome of the bid from the other external funder.
- 4.5 Due to the fact that not all of the funding required for the refurbishment of Gardiner Memorial Hall has been secured, release of CIL funds will be conditional upon the Council receiving written confirmation from Burwell Parish Council that the project is fully funded.
- 4.6 The second phase of the project is a new build extension to Gardiner Memorial Hall that would create a flexible multi-purpose meeting space including two Business Hub pods. This phase of the project is not yet funded. However, Burwell Parish Council has requested that Finance and Assets Committee consider an 'in principle agreement' that the District Council would be willing to make a contribution which equates to no more than a third of the overall project costs for Phase 2 of the project.
- 4.7 Currently the estimated cost for Phase 2 is estimated at £115,000. Members do not need to make a decision to release funds at this stage and once the Parish Council has made progress on other funding streams for Phase 2, a formal request will be considered by the Finance & Assets Committee at a future meeting.
- 4.8 Improvements to Gardiner Memorial Hall is included on the Council's Infrastructure List and as such is capable of benefiting from CIL funding.
- 4.9 There are sufficient funds in the CIL account to meet this request and as such, for the reasons set out above, Members are recommended to approve the allocation.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT

- 5.1 The amount of CIL funding requested is available from CIL receipts.
- 5.2 Equality Impact Assessment (EIA) not required.
- 5.3 Carbon Impact Assessment (CIA) completed. In summary, the CIA concluded as follows:

Directly, this proposal will not affect ECDC's energy/carbon consumption (because ECDC is simply grant funding a separate body), but as ECDC is the

part funder of a project, then the impact has been assessed on the basis of the end product rather than just the decision to award the grant.

Overall, the project should have a net carbon benefit. On the plus side, the proposal will refurbish an existing building (which is less carbon intensive than a demolish/re-build proposal), and improve the energy efficiency of that building significantly. On the negative side, the refurbishment will involve some construction and use of materials, which will have an embodied energy / embodied carbon element. Overall, however, it is probably that in the long term, the net result will be to reduced carbon emissions.

6.0 APPENDICES

6.1 None

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
ECDC CIL Infrastructure List – February 2021	Room 12 The Grange, Ely	Sally Bonnett Infrastructure and Strategy Manager (01353) 616451 sally.bonnett@eastcambbs.gov.uk
Minutes of the Council meeting held on 23 February 2021		

TITLE: ASSETS UPDATE

Committee: Finance & Assets Committee

Date: 25 March 2021

Author: Director Commercial and Open Spaces & Facilities Manager

[V164]

1.0 ISSUE

1.1 To receive an update on Council owned assets.

2.0 RECOMMENDATION

2.1 Members are requested to note the update on Council owned assets.

3.0 BACKGROUND/OPTIONS

3.1 On 26 September 2019 (Agenda Item 16) Finance & Assets Committee received a report detailing Council owned assets which provided a summary of each asset. This report provides an update to assets contained within that report.

3.2 Members last received an update report on Council owned assets on 4 March 2021. At the meeting the Director Commercial provided Members with a verbal update on progress on the lease for 70 Market Street, Ely.

3.3 The Director Commercial confirmed that the original applicant has withdrawn from the process, due to a change of their circumstances and that discussions were being held with Cambridgeshire County Council to use the premises as a potential site for COVID-19 Lateral Flow Testing.

3.4 At the time of writing this report these discussions are ongoing. The Council is prepared to make this premises available, free of charge, until the end of June 2021 and this aligns with the requirements of Cambridgeshire County Council. If successful the Council will enter in to a temporary licence to occupy the premises with Cambridgeshire County Council.

4.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT/CARBON IMPACT ASSESSMENT

4.1 There are no financial implication arising from this report.

4.2 An Equality Impact Assessment (EIA) is not required.

4.3 A Carbon Impact Assessment (CIA) is not required.

5.0 APPENDICES

5.1 None

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Finance & Assets Committee- 26 September 2019- Agenda Item 16	Room 106, The Grange, Ely	Spencer Clark Open Spaces & Facilities Manager (01353) 616960 E-mail: spencer.clark@eastcambes.gov.uk

LEAD OFFICER: Emma Grima, Director Commercial

DEMOCRATIC SERVICES OFFICER: Caroline Evans

Meeting: Thursday 25 March 2021 (4:30pm)		Meeting: Monday 7 June 2021 (4:30pm)		Meeting: Thursday 22 July 2021 (4:30pm)	
Report deadline: 4pm Mon 15 March 2021		Report deadline: 4pm Tues 25 May 2021		Report deadline: 4pm Mon 12 July 2021	
Agenda despatch: Wed 17 March 2021		Agenda despatch: Thurs 27 May 2021		Agenda despatch: Wed 14 July 2021	
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
Forward Agenda Plan	DSO	<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO
Internal Audit Charter & Work Plan 2021/22	Internal Audit	Forward Agenda Plan	DSO	Forward Agenda Plan	DSO
External Audit – Audit Plan 2020/21	External Audit	<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer	<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer
Internal Audit Progress Report	Internal Audit	Assets Update	Open Spaces & Facilities Mgr	Assets Update	Open Spaces & Facilities Mgr
Assets Update	Open Spaces & Facilities Mgr	<i>Bus, Cycle, Walk WP notes</i>	DSO	<i>Bus, Cycle, Walk WP notes</i>	DSO
Recommendation from Bus, Cycle, Walk WP	Infrastructure & Strategy Mgr	Annual Reports of Representatives on Outside Bodies	DSO	Financial Outturn Report 2020/21	CFO
SLA Grants	Senior Leisure Services Officer	<i>Appointments, Transfers, Resignations [EXEMPT]</i>	HR Manager	Treasury Operations Annual Performance Review	CFO
CIL Funding Request	Infrastructure & Strategy Mgr	Assets Update	Open Spaces & Facilities Manager	ECTC Management Accounts (April-June 2021) [EXEMPT]	ECTC Finance Manager
Risk Management Update	Internal Audit	ECTC Management Accounts (Jan-March 2021) [EXEMPT]	ECTC Finance Manager	<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>	
Former Mepal Outdoor Centre	Dir. Commercial	Palace Green Homes (ECTC) – Office Accommodation Final Report			
		<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>			

Notes: 1. Agenda items which are likely to be “urgent” and therefore not subject to call-in are marked *
2. Agenda items in italics are provisional items / possible items for future meetings.

FINANCE & ASSETS COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO 14

LEAD OFFICER(S): Emma Grima, Director Commercial

DEMOCRATIC SERVICES OFFICER: Caroline Evans

Meeting: Thursday 23 September 2021 (4:30pm)		Meeting: Thursday 25 November 2021 (4:30pm)		Meeting: Monday 24 January 2022 (4:30pm)	
Agenda Planning meeting:		Agenda Planning meeting:		Agenda Planning meeting:	
Pre-meeting briefing:		Pre-meeting briefing:		Pre-meeting briefing:	
Report deadline: 4pm Mon 13 Sept 2021		Report deadline: 4pm Mon 15 Nov 2021		Report deadline: 4pm Wed 12 January 2022	
Agenda despatch: Wed 15 September 2021		Agenda despatch: Wed 17 November 2021		Agenda despatch: Fri 14 January 2022	
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO
Forward Agenda Plan	DSO	Forward Agenda Plan	DSO	Forward Agenda Plan	DSO
<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer	<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer	<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer
Assets Update	Open Spaces & Facilities Mgr	Assets Update	Open Spaces & Facilities Mgr	Assets Update	Open Spaces & Facilities Mgr
<i>Bus, Cycle, Walk WP notes</i>	DSO	Treasury Management Update	Finance Manager	<i>Bus, Cycle, Walk WP notes</i>	DSO
Finance Report	Finance Mgr	<i>Bus, Cycle, Walk WP notes</i>	DSO	<i>Appointments, Transfers, Resignations [EXEMPT]</i>	HR Manager
<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>		Annual Infrastructure Funding Statement (prior to publication)	Dir. Commercial	2022/23 Annual Treasury Mgt Strategy MRP & AIS	Finance Mgr & S151 Officer
		<i>ECTC Half Yearly Report</i>		CIL/S106 Income & Expenditure Update	Dir. Commercial
		ECTC Management Accounts (July-Sept 2021) [EXEMPT]	ECTC Finance Manager	Finance Report	Finance Mgr & S151 Officer
		<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>		Revenue Budget 2022/23	Finance Mgr & S151 Officer
		Local Council Tax Reduction Scheme (LCTRS) Review & Discretionary Business Rates Relief	S151 Officer	ECTC Management Accounts (Oct-Dec 2021) [EXEMPT]	ECTC Finance Manager
				<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>	

Notes: 1. Agenda items which are likely to be "urgent" and therefore not subject to call-in are marked *
2. Agenda items in italics are provisional items / possible items for future meetings.

FINANCE & ASSETS COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO 14

LEAD OFFICER(S): Emma Grima, Director Commercial

DEMOCRATIC SERVICES OFFICER: Caroline Evans

Meeting: Thursday 24 March 2022 (4:30pm)			
Agenda Planning meeting:			
Pre-meeting briefing:			
Report deadline: 4pm Mon 14 March 2022			
Agenda despatch: Wed 16 March 2022			
Chairman's Announcements	Chairman		
<i>Actions taken by the Chief Executive on the grounds of urgency (if any)</i>	DSO		
Forward Agenda Plan	DSO		
<i>Write off of unrecoverable debt (if any)</i>	Finance Manager & S151 Officer		
Assets Update	Open Spaces & Facilities Mgr		
<i>Bus, Cycle, Walk WP notes</i>	DSO		
<i>ECTC Board Meeting Minutes (if any) [EXEMPT]</i>			
ECTC Annual Business Plan 2022/23			

Notes: 1. Agenda items which are likely to be "urgent" and therefore not subject to call-in are marked *
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