



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

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

MEETING: **AUDIT COMMITTEE**

TIME: 4:30pm

DATE: **Monday 25 July 2022**

VENUE: **Council Chamber, The Grange, Nutholt Lane, Ely, CB7 4EE**

ENQUIRIES REGARDING THIS AGENDA: Tracy Couper

TELEPHONE: (01353) 665555 EMAIL: democratic.services@eastcamb.gov.uk

MEMBERSHIP:

Conservative Members

Cllr Lis Every (Chairman)
Cllr Dan Schumann (Vice-Chairman)
Cllr Alan Sharp

Substitutes:

Cllr Lavinia Edwards
Cllr Amy Starkey
Cllr Lisa Stubbs

Liberal Democrat Members

Cllr Charlotte Cane (Lead Member)
Cllr Mark Inskip

Substitutes:

Cllr Alec Jones
Cllr Christine Whelan

Lead Officer

Ian Smith, Finance Manager

Quorum: 3 Members

AGENDA

- 1. Public Question Time** [oral]
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. Minutes**
To confirm as a correct record the Minutes of the meetings of the Audit Committee held on 14 March and 19 May 2022

5. **Chairman's Announcements** [oral]
6. **External Audit – Initial Audit Plan**
7. **Internal Audit Annual Report & Opinion**
8. **Internal Audit Progress Report**
9. **Provision of Internal Audit Services Update**
10. **Corporate Risk Management Update**
11. **Code of Corporate Governance Review**
12. **Financial Management Code**
13. **Forward Agenda Plan**

EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS

That the press and public be excluded during the consideration of the remaining items 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 items there would be disclosure to them of exempt information of Category 7 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

14. Internal Audit Progress Report – Exempt Appendix

NOTES:

1. Members of the public are welcome to attend this meeting, but due to Covid-related room capacity restrictions they are asked, where possible, to notify the Democratic Services Manager (tracy.couper@eastcambs.gov.uk) in advance. Members of the public can gain entry by reporting to Reception during Office Hours or can enter via the door in the glass atrium at the back of the building for evening meetings.

The meeting will be webcast and a live stream of the meeting will be available. Further details can be found at www.eastcambs.gov.uk/meetings/audit-committee-25072022 Please be aware that all attendees, including those in the public gallery, will be visible on the livestream.

2. Public Questions/Statements are welcomed on any topic related to the Committee's functions as long as there is no suspicion that it is improper (e.g. offensive, slanderous or might lead to disclosures of Exempt or Confidential information). Up to 15 minutes is allocated for this at the start of the meeting. Further details about the Public Question Time scheme are available at: <https://www.eastcambs.gov.uk/committees/public-question-time-scheme>

3. The Council has adopted a 'Purge on Plastics' strategy and is working towards the removal of all consumer single-use plastics in our workplace. Therefore, we do not provide disposable cups in our building or at our meetings and would ask members of the public to bring their own drink to the meeting if required.
4. Fire instructions for meetings:
 - If the fire alarm sounds please make your way out of the building by the nearest available exit i.e. the back staircase or the fire escape in the Chamber. Do not attempt to use the lifts.
 - The fire assembly point is in the front staff car park by the exit barrier.
 - The building has an auto-call system to the fire services so there is no need for anyone to call the fire services.

The Committee Officer will sweep the area to ensure that everyone is out.

5. Reports are attached for each agenda item unless marked "oral".
6. 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
7. 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

Minutes of a meeting of the Audit Committee held at 4:30pm on Monday 14th March 2022 in the Council Chamber at The Grange, Nutholt Lane, Ely, CB7 4EE

PRESENT

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

OFFICERS

Ian Smith – Finance Manager
Maggie Camp – Legal Services Manager
Caroline Evans – Democratic Services Officer

IN ATTENDANCE

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

37. PUBLIC QUESTION TIME

No questions were submitted by members of the public.

38. APOLOGIES AND SUBSTITUTIONS

There were no apologies or substitutions.

39. DECLARATIONS OF INTEREST

No declarations of interest were made.

40. MINUTES

The Committee received the Minutes of the meeting held on 10th January 2022.

It was resolved:

That the Minutes of the Audit Committee meeting held on 10th January 2022 be confirmed as a correct record and be signed by the Chairman.

41. CHAIRMAN'S ANNOUNCEMENTS

The Chairman made the following announcements:

- The meeting would cover the last quarter of the year's work for the Audit Committee and all Members were thanked for having worked together to improve effectiveness and efficiency, including the introduction of earlier distribution of agenda papers, and written questions and responses in advance of each meeting.

- COVID-19 had caused key external personnel to be unable to attend some meetings during the year, resulting in some items unfortunately being postponed from one meeting to the next.
- For the next municipal year there had been some changes in timings, including moving the Final Report from External Audit to late November, and the intention was to plan meetings to ensure that completed papers could be presented.
- Referring to the Forward Agenda Plan and the resolution in Minute 36 of the previous meeting, all Members had been emailed with an explanation for why an extra April/May 2022 meeting was not being added to the calendar solely to receive the final Internal Audit Progress Report. Both the review of the Code of Corporate Governance, and the Anti-Fraud and Corruption Policy, had been added to the Forward Agenda Plan.
- The Audit Committee Effectiveness Checklist would be used as a resource during an informal meeting for all Members of the Committee. The informal meeting would provide an opportunity for Members to work together to identify how to use the suggestions within the Checklist to best improve the Committee's effectiveness.
- Mark Hodgson, the External Auditor, had been invited to the meeting to present the External Auditor's Annual Report, postponed from the previous meeting due to COVID-19.
- Rachel Ashley-Caunt, the Chief Internal Auditor, had been invited to the meeting to present the Internal Audit Progress Report and the Internal Audit Work Plan 2022/23. The two Internal Audit items would be taken in reverse order, with Agenda Item 8 being considered before Agenda Item 7.

42. EXTERNAL AUDIT – AUDITOR'S ANNUAL REPORT

The Committee considered the Auditor's Annual Report for the year ended 31st March 2021, as previously circulated.

Mark Hodgson, Associate Partner, Ernst & Young LLP (the Council's External Auditors) introduced the report which was a summary document containing the results of the 2020-21 audit. It built upon the November 2021 report, the addendum issued on 7th December 2021, and the Opinion issued on 8th December 2021. The certificate confirming completion of the audit for 2020/21 had not yet been issued due to the Government guidance for 2020/21 having been delayed.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the External Auditor.

In response to a Member's further questions, the External Auditor gave the following additional information:

- The known position on the consolidation error had been reported at the November meeting. That £2m error had impacted both the expenditure and the income, consequently there was a total £4m error. The mapping had not been completed before the November meeting and therefore the error was not known about at that point.
- The final differences in respect of ECTC were £153k, an earlier value of £80k had been prior to completion of all procedures.

A Member stressed to the Chairman the importance of the Committee receiving the completed audit report prior to approving the accounts, and requested that meetings be timetabled with that in mind. The Chairman agreed that receipt of completed reports had been the aim this year and would also be in the future. The Finance Manager reminded Members that the Committee needed to sign off the accounts before the External Auditors could sign off their report, however, once timings had been agreed with the External Auditor then the Committee meetings could be arranged accordingly.

In response to a Member's concern about the timings of trading company schedules, given that most of the errors that had arisen after the November meeting related to the trading companies, the Finance Manager informed the Committee that a schedule had been agreed with the auditors of the trading companies earlier that day. The 2021/22 audit would start on 3rd May, there would be two weeks of fieldwork, the initial findings would be reported on 24th May, and the draft final accounts would be provided to the company boards for approval by the end of June. He confirmed that this timetable would allow sufficient time for consolidation and checking.

It was resolved (unanimously):

That the External Auditor's Annual Report be noted.

43. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report (W153, previously circulated) advising Members of the work completed by Internal Audit during the financial year to date, and the progress against the Internal Audit Plan. The Chairman introduced Rachel Ashley-Caunt, the Chief Internal Auditor, and commented that the Committee would be keen to understand how close the work was to completion, whilst recognising that there was still some time available before 31st March 2022.

The Chief Internal Auditor explained that there had been further progress in some areas since completion of the written report two weeks earlier. In particular, all assignments detailed on pages 8-10 of the report's appendix were either complete or underway, with the expectation that 90-100% would be completed by the end of the financial year as per the agreement.

Regarding the audit reports that had been finalised since the previous meeting, a fixed assets audit had revealed some anomalies when comparing the records with on-site inspections, although she reassured Members that the insurance records were all correct. At the time of the audit a new software system was being implemented which would improve the maintenance of fixed asset records. A climate change strategy audit had been undertaken since it was a key area for the Council, and had been given a substantial level of assurance that the required actions were in progress. The Council's response to the COVID-19 pandemic had been audited, as was the case for all councils in the shared audit service, considering in particular how governance processes had adapted and how the Council was managing the recovery stage. The COVID-19 recovery grants had not been specifically included in this audit. A good to substantial level of assurance had been given. As discussed at the previous meeting, the ICT email outages had been reviewed in terms of the root causes and whether the same situation(s) could reoccur. Some areas for improvement had been identified, mainly relating to record

keeping, and actions had been specified for implementation, including improving the record-keeping for incident management and the formalising of monitoring strategies.

Regarding the implementation of audit recommendations, as summarised in Table 2 of the report's appendix, one action had been completed since the publication of the report and therefore there remained six outstanding actions. The outstanding action detailed in Table 3 of the report's appendix had previously been reported to the Committee and the Chief Internal Auditor was pleased to be able to inform Members that the reconciliation of the procurement compliance work had been completed earlier that day.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the Chief Internal Auditor.

Cllr Cane thanked the Chief Internal Auditor for all the answers that had been provided to her submitted questions. She confirmed that she would still like to receive a copy of the full report into the ICT email outages but no longer required the COVID-19 report since it did not include the business recovery grants.

Some Members expressed concern that the outstanding actions related to ICT, and stressed the importance of the follow-up work being reviewed *via* either Audit Committee or the Operational Services Committee since the use of email was so crucial and in the current climate the cyber-security-related actions were particularly important. When asked about the most recent testing of the disaster recovery plan, the Chief Internal Auditor stated that she understood that there had not been a test within the previous two years.

In response to a Member's question asking whether the climate change audit work had assessed the likelihood of meeting the targets within the plan, the Chief Internal Auditor explained that some targets had been examined on a sample basis, for example, the percentage of staff who had undertaken training.

It was resolved (unanimously):

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

44. INTERNAL AUDIT PLAN 2022-23

The Committee considered a report (W152, previously circulated) presenting the draft Internal Audit Plan for 2022/23 and the Internal Audit Charter, both of which were recommended for approval and adoption by the Committee.

The Chief Internal Auditor explained that Table 1 of the report detailed the proposed changes to the 2022/23 plan as compared to the initial two-year plan that the Committee had considered previously. A follow-up to the asset-related audits had been added to consolidate the actions from this year's audit work. Performance-management and ICT asset-management audits that were postponed from 2021/22 had been included for 2022/23 along with grant claim audits that were necessary since some grants needed verification within the next 12 months. Two additional days had also been allocated for risk management in order to work on

the risk management process. Although Internal Audit needed to remain independent from the risk management itself, they were able to give assurances on the effectiveness of the process and the intention was to provide a report at each Audit Committee meeting following sample tests on controls listed within the risk register, to provide assurance over the management of the associated risks. In order to accommodate these additions to the plan, several planned items that were considered to have a lower risk profile had been moved to 2023/24. Members' recorded questions would be taken into account when determining the scope of assignments within the audit function. There were no planned changes to the Charter.

The Chairman drew Members' attention to the written questions and answers that had been circulated in advance of the meeting (attached at the end of the Minutes) and invited any additional questions for the Chief Internal Auditor.

A Member asked for a review of the process of decision-making for the COVID-19 recovery grants, including lessons learned, since the external audit work in that area would be likely to be more focussed towards the accounting than the awarding decisions. Other Members asked the Chief Internal Auditor whether other councils were undertaking similar reviews, and whether the potential merits of such a process had been considered, mindful that dedicating Internal Audit time to this review would necessarily mean that less time would be available for a different piece of work. The Chief Internal Auditor explained that, due to a Government department performing scrutiny and checks with respect to the grants, many councils had considered that the assurances from that work would be sufficient and they had not chosen to dedicate Internal Audit time to the same task. Different councils had addressed the grant process in different ways and in many cases smaller councils had benefitted from greater local knowledge to aid the process. Where a fraud risk assessment had been undertaken at the start, as was the case at this Council, that had been useful in informing the process. The Finance Manager added that officers were reviewing the lessons to be learned in general from the pandemic, and the grant process could be assessed as part of that. However, given the Government's assessment it was questionable what benefit would be realised by also undertaking an internal review. Nonetheless, the remit of the Audit Committee was to determine the areas necessitating review and it was therefore a matter for the Committee members to agree. Following further discussion, the Chairman asked the Finance Manager to bring the lessons learned report to a future meeting of the Audit Committee once it was complete. Members could then decide whether they considered an additional review by Internal Audit to be necessary.

Discussions were held between several Members and the Chief Internal Auditor concerning the possibility of involving Parish Councils in Enforcement Policy compliance for Licensing and Planning. The Chief Internal Auditor spoke of experience at another Council where a sample of Parish Councils were contacted and the process had been helpful to the auditor as well as being appreciated by the Parish Councils. She explained that a sample of approximately five Parish Councils would be contacted, some with known issues and some randomly selected. A Member indicated that Bottisham and Lode had experienced several issues lately so should be involved.

There was general agreement that the wording in paragraph 3.9 of the Charter should be amended to be gender-neutral: “their” rather than “his/her”.

It was resolved (unanimously):

That the proposed Internal Audit Plan for 2022/23 and the Internal Audit Charter be approved.

It was further resolved (unanimously):

That the S151 Officer be given delegated authority to approve in-year amendments to the Audit Plan between Committee meetings, in consultation with the Chair of the Audit Committee.

45. FORWARD AGENDA PLAN

The Committee received the updated Forward Agenda Plan for the following 12 months. The Chairman reminded Members that there would be an additional informal meeting to consider the Effectiveness Checklist, and that the Forward Plan aimed for completed reports to be presented at each meeting.

A Member commented that it had been agreed at the previous meeting that the Chief Executive should present the Provision of Internal Audit Services paper at the July meeting; the Chairman agreed. The Chairman also agreed that the informal meeting would ideally be held before July. In response to a Member’s question about the timing of the External Audit Plan, the Finance Manager agreed that ideally it would be presented to the Committee in March but that had not been possible for this meeting due to other commitments at Ernst & Young; it would instead be presented in July 2022 but the following plan was scheduled for March 2023. In response to a Member’s question about the closing of accounts, the External Auditor explained that for 2021/22 the deadline dates were 31st July for the draft accounts and 30th November would be the publication date.

It was resolved (unanimously):

That the Forward Agenda Plan be noted, subject to the July 2022 meeting entry for “Provision of Internal Audit Services – Options Paper” being amended to show that it would be presented by the Chief Executive.

The Chairman thanked Members, officers, and external partners for all of their hard work during the audit year, and commented that it was positive that the Council was one of few that had been able to sign off their accounts for the 2020/21 year.

The meeting concluded at 5:36pm.

**AUDIT COMMITTEE
14th MARCH 2022
QUESTIONS FROM MEMBERS OF COMMITTEE**

All questions received were from Councillor Cane

Item 6 – External Audit – Auditor’s Annual Report

<p>It was reported to the meeting of this Committee on 22 November that there was a £2m error on the consolidation when it was subsequently noted that the error was in fact £4.046m (ECTC 1,888 & ECSS 2,158). When was the further £2m error identified and what gave rise to it not being identified at the same time as the £2m reported to November’s Committee?</p>	<p>At time of reporting, group procedures were not complete, and we provided verbal update based on our understanding at the time. We subsequently issued our Audit Results Report Addendum. The £2m reported impacted both income and expenditure and therefore created a £4.046m total error.</p>
<p>It was reported to the meeting of this Committee on 22 November that there were unadjusted differences of £80k in respect of ECTC when it was subsequently noted that the differences were in fact £153k. When were the further £73k differences identified and what gave rise to it not being identified at the same time as the £80k reported to November’s Committee?</p>	<p>At time of reporting, group procedures were not complete, and we provided verbal update based on our understanding at the time. We subsequently issued our Audit Results Report Addendum.</p>
<p>Why wasn’t the error in the 2019/20 Accounts reported to this Committee at our November meeting, given that it had been identified on 20 November?</p>	<p>We reported that we were still to conclude group procedures, of which comparative figures was one of these procedures.</p>
<p>What is the significance of the statement at the end of the report p28 “We confirm that we have not undertaken any non-audit work”?</p>	<p>Factual statement – in line with Ethical Standard 1.</p>
<p>Can John Hill please provide us with the timetable for ECTC and ECSS to deliver audited approved accounts to ECDC and working schedules to ECDC’s External Auditors.</p>	<p>ECTC and ECDC Finance Managers are meeting with Price Bailey (the ECTC / ECSS auditors) on the 14th March to finalise arrangements and the timetable for the 2021/22 audit.</p>

Item 7 – Internal Audit Charter & Work Plan 2022-23

<p>How do we know that no further work is needed on the Financial Management Code, when the fieldwork is only underway?</p>	<p>As stated in the report, the plan must remain subject to ongoing review. At this stage, we are currently reviewing the Council's self-assessment against the CIPFA Code and, should there be any areas for improvement, recommendations would be made. Unless there are significant weaknesses identified by the review which would impact upon the annual opinion, we would usually not suggest reperforming the audit the following year but follow up on implementation of any individual actions and then re-visit in future years. Should any significant issues be reported or specific assurances be required, the plan can be amended in light of this.</p>
<p>What evidence do we have that Food safety, Fees & charges and Agency staff have a 'lower risk profile'?</p>	<p>This is based on an assessment by the Chief Internal Auditor against the other areas proposed for coverage in the draft plan. There have been no risks flagged by the Council's management regarding these areas. It is noted from analysis of expenditure in 2021/22 that spend on agency staff is low (with no evidence of spend exceeding £5k relating to any agency identified from expenditure reports) – leading to an assessment of lower risk. Fees and charges is a regular audit that we perform at other councils but is not generally one of high risk – assessed against other potential assignments this is considered lower risk. Food safety is an area that was noted as a service from the audit universe which had not been subject to an audit in the last five years, but is not linked to a corporate risk at this time and is subject to regulation by the Food Standards Agency, providing an existing source of independent assurance. Other comparable areas proposed – such as Assets of Community Value and wider Enforcement policy compliance are not subject to similar sources of independent assurance, making Internal Audit coverage more valuable.</p>
<p>Will the audit of Council Tax include management of claims for discounts etc?</p>	<p>Discounts is an area of key control within this system and it will be noted that the Committee seek specific assurances on this in 2022/23.</p>

<p>Will the audit of Benefits & Overpayments also include effectiveness with encouraging take-up and prompt and accurate processing of claims?</p>	<p>The prompt and accurate processing of claims rely on key controls within this system and it will be confirmed that this will be included in the scope for 2022/23. The encouragement of take up may not be a key control that would be covered in the system audit – but this will be considered further as to how assurances can be obtained.</p>
<p>Will the audit of NNDR review the prompt addressing of late payments, as we have had some significant write-offs of NNDR over recent years?</p>	<p>Recovery is an area of key control within this system and it will be noted that the Committee seek specific assurances on this in 2022/23.</p>
<p>Will the Enforcement policy compliance take evidence from Parish Councils, some of whom have expressed concerns about monitoring and enforcement of planning conditions?</p>	<p>This audit can include consultation with Parish Councils – and where a similar audit was recently delivered by the Internal Audit team, at another district council within the shared service, a number of parish councils were contacted for feedback which was valuable.</p>
<p>Will the Performance Management audit review member involvement, especially in the light of the lack of performance reports to committees for 30 months?</p>	<p>This audit will include a review of performance reporting to Members – the content, accuracy and timeliness of the data. Should members of the Audit Committee have any areas where specific assurance is sought, this feedback is welcomed and can feed into audit scoping.</p>
<p>Charter In App2 P4 3.1 should it read Audi Cttee, rather than F&A?</p>	<p>Yes – this will be corrected.</p>
<p>3.3 what does unrestricted access to councillors entail?</p>	<p>Should the Chief Internal Auditor consider it necessary to speak with an elected Councillor in order to exercise their duties, it is expected that their access to any Councillor would be unfettered by officers / Members.</p>
<p>3.9 should the wording be gender neutral – ‘their’ rather than ‘his/her’?</p>	<p>This can be amended if Committee would prefer.</p>

<p>4.4 Who is our internal audit team and how do we know who has done each audit?</p>	<p>The Internal Audit Team working with East Cambridgeshire DC currently includes five audit professionals, with a range of qualifications (including ACCA, CIPFA and IIA). It would not be standard practice to report to the Audit Committee the name of the auditor completing each assignment. All are subject to the same quality assurance processes, as set out in the Charter and are subject to their professional standards. Every auditor completes a declaration of interests which would be factored into any allocations, as appropriate.</p>
<p>5.1 what support did Internal Audit give External Audit in 2021/22 and what is planned for 2022/23?</p>	<p>Internal Audit respond to a range of enquiries from the external auditor each year and provide further detail / reports where requested. No specific work has been delivered at the request of External Audit in 2021/22 nor are any such assignments currently planned for 2022/23.</p>
<p>5.19 When was the last external assessment carried out? What were the findings and who were they reported to?</p>	<p>In 2017 the LGSS Internal Audit Service (led by Milton Keynes Council as lead authority) commissioned an external quality assessment of the LGSS Internal Audit Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework. This external assessment identified no areas of non-compliance with the Standards that would affect the overall scope or operation of the internal audit activity. Findings were reported to the partner authorities, with all actions for potential improvement followed up. From 1st April 2022, the Internal Audit service will no longer be part of the LGSS/Milton Keynes lead shared service and will then be subject to a full, new quality assurance and improvement programme under North Northamptonshire Council, which will be developed in 2022. Outcomes of all self and external assessments will be shared with this Committee, in line with the Charter.</p>

Item 8 – Internal Audit Progress Report

<p>Can we have a copy of the full report into the ICT email outages.</p>	<p>This can be provided.</p>
<p>Can we have a copy of the full report for the Covid-19 business recovery grants, and did that include Covid Additional Restrictions Grant?</p>	<p>The audit reported in the Progress Report was an audit of Covid-19 Recovery, which looked at the Council's own recovery from the pandemic and implications for controls / governance / ways of working. This was not an audit of grants. A copy of the report can be provided.</p>
<p>The Annual Report for 2020/21 showed that the actions agreed re the Contracts register had not been implemented. The progress report presented today shows that is still outstanding. When will this work be completed? Why has it taken so long to resolve?</p>	<p>The work on reviewing contract register entries against the expenditure analysis has now been completed.</p>
<p>What is the Essential action overdue by less than 3 months and by when will it be completed?</p>	<p>Disaster recovery plan testing – Latest update from officers is that there has been a need to change the date for this to accommodate migration of Office 365. Office 365 is in the final stages of migration and this can then be reviewed with dates arranged.</p>
<p>What are the 4 important recommendations overdue by less than 3 months and by when will they be implemented?</p>	<p>Of these four actions, one has since been closed (in relation to IT security training records). The other three remain open and the latest updates are provided below:</p> <p><u>Cyber security audit 2020/21</u> IT Monitoring Strategy – This is due to be drafted by the end of July 2022. A document identifying the daily, weekly, monthly checks is being produced to support the team. Password storage – This is currently being explored and IT are in the process of sourcing appropriate software. Soft market testing currently being undertaken to establish the functionality of the software.</p> <p><u>Asset Management audit 2020/21</u> Performance reporting – not yet implemented due to performance reporting not taking place– to be implemented in line with Council wide performance reporting from 2022.</p>



EAST
CAMBRIDGESHIRE
DISTRICT COUNCIL

Agenda Item 4b

Minutes of a meeting of the Audit Committee held at 7:17pm on Thursday 19th May 2022 in the Council Chamber at The Grange, Nutholt Lane, Ely, CB7 4EE

PRESENT

Cllr Lis Every
Cllr Mark Inskip
Cllr Daniel Schumann
Cllr Alan Sharp
Cllr Christine Whelan (substitute for Cllr Charlotte Cane)

OFFICERS

John Hill – Chief Executive
Emma Grima – Director Commercial
Sally Bonnett – Corporate Unit Manager
Maggie Camp – Legal Services Manager
Ian Smith – Finance Manager
Tracy Couper – Democratic Services Manager
Caroline Evans – Democratic Services Officer
Annalise Lister – Communications Manager
Angela Tyrrell – Senior Legal Assistant
Karen Wright – ICT Manager

1. **ELECTION OF CHAIRMAN**

Cllr Lis Every was nominated as the Committee Chairman by Cllr Alan Sharp and seconded by Cllr Daniel Schumann.

Cllr Charlotte Cane was nominated as the Committee Chairman by Cllr Mark Inskip and seconded by Cllr Christine Whelan.

Cllr Every, as the current Chairman, then left the Chamber and Cllr Schumann, as the current Vice-Chairman, assumed the Chair to conduct the election.

Upon being put to the vote, it was resolved on the Chairman's casting vote:

That Cllr Lis Every be elected as Chairman of the Audit Committee for the municipal year 2022/23.

Cllr Every returned to the Chamber and assumed the Chair.

2. **ELECTION OF VICE-CHAIRMAN**

Cllr Daniel Schumann was nominated as the Committee Vice-Chairman by Cllr Lis Every and seconded by Cllr Alan Sharp.

Cllr Charlotte Cane was nominated as the Committee Vice-Chairman by Cllr Mark Inskip and seconded by Cllr Christine Whelan.

Upon being put to the vote, it was resolved:

That Cllr Daniel Schumann be elected as Vice-Chairman of the Audit Committee for the municipal year 2022/23.

The meeting concluded at 7:20pm.

A person wearing a yellow long-sleeved shirt is seated at a white table. Their right hand is pointing towards a document on the table. A black watch is visible on their left wrist. In the background, another person's hands and a gold bracelet are visible. The table is covered with several white documents, some of which are being reviewed by other people whose hands are visible in the foreground. A smartphone is also on the table.

East Cambridgeshire District Council

Initial Audit Plan

Year ended 31 March 2022

27 June 2022

Agenda Item 6



Audit Committee
East Cambridgeshire
District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

27 June 2022

Dear Audit Committee Members

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for East Cambridgeshire District Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit 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 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire District 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 Audit Committee and management of East Cambridgeshire District 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 2021/22 audit strategy



Overview of our 2021/22 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

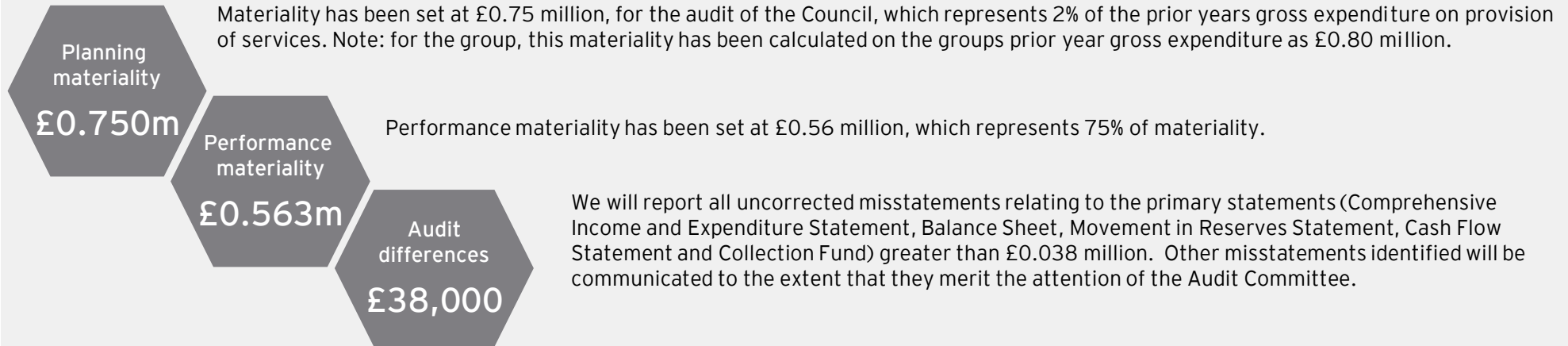
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively (Management Override).
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	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, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Accounting for Covid-19 related government grants	Significant Risk	Reduced risk in 2021/22 from prior year	The Council has received a significant level of government funding in relation to Covid-19, including a number of new grants in 2021/22. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions. As there have been new, individually material, grants received during the year, including the COVID-19 Additional Relief Fund, and the level of adjustments in this area last year, we have retained the significant risk in this area.
Change in Fixed Asset Register	Significant Risk	New risk in 2021/22	The Council implemented a new Fixed Asset Register (CIPFA Asset Manager) in March 2022, replacing the previously held manual asset register. As with any system implementation there is a risk that the relevant financial information has not been appropriately and completely transferred to the new system leading to a material misstatement in the 2021/22 financial statements. Given that the Council's asset base is material, and the CIPFA Asset Manager system will produce journals for revaluations, additions, disposals and depreciation, we consider this to be a significant audit risk.

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	<p>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 Land & Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work last year we did not identify any material issues with the work of the external valuer. 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.</p>
National Non-Domestic Rates (NNDR) Appeals Provision	Inherent Risk	No change in risk or focus.	<p>Due to the impact of Covid-19, there is a possibility that businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. The Council's NNDR Appeals Provision is a material estimate, totalling £4.9 million for the Collection Fund as a whole. In light of this, we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.</p>
Pension Valuation and Other Disclosures	Inherent Risk	No change in risk or focus.	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>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.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the Pension Fund 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.</p>
Group Accounting	Inherent Risk	No change in risk or focus	<p>The Council has been preparing group accounts for several years. The Council will need to undertake its annual assessment of the group boundary to determine the procedures required to consolidate the relevant component entities. We will engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2021/22 audits and what impact this has on our risk procedures in relation to the group accounts.</p>
Bad debt Provision and recoverability of Receivables	Inherent Risk	No change in risk or focus	<p>As a result of the long term impact of Covid-19 and other market uncertainties 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 ongoing uncertainty and assess the appropriateness of this estimation technique.</p>

Overview of our 2021/22 audit strategy

Materiality



We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2021/22 audit strategy

Audit scope

This Initial Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of East Cambridgeshire District Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our 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.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several 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 audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of East Cambridgeshire District Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is 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 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.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22.

In Section 07 we include a provisional timeline for the audit. We will work with the Council to ensure that appropriate publication wording is published by the date set out above.



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?

In order to address this risk we will carry out a range of procedures including:

- ▶ 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' are required, as set out on the following page.

Audit risks

Our response to significant risks

Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)*

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 property, plant and equipment 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?

In order to address this risk we will carry out a range of procedures including:

- ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature; and
- ▶ Sample Test Property, Plant and Equipment additions, and REFCUS additions, if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.

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

Accounting for Covid-19 related government grants

Financial statement impact

The Council continues to receive 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 2021/22 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. We are aware of new Covid-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) where the Council has received £1.6 million.

Given the volume of these grants, the new conditions for the Council to understand the accounting impact of, and our identified adjustments in this area during the previous audit, 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?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as an agent or a principal; and
- ▶ 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

Our response to significant risks

Change in Fixed Asset Register

Financial statement impact

Given that assets held on the fixed asset register are material, there is a risk that the implementation of a new fixed asset register could lead to a material misstatement, either due to the data being transferred to the new asset register incorrectly, or the new asset register generating incorrect journal entries.

What is the risk?

The Council implemented a new Fixed Asset Register (CIPFA Asset Manager in March 2022), replacing the previously held manual asset register. As with any system implementation there is a risk that the relevant financial information has not been appropriately and completely transferred to the new system leading to a material misstatement in the 2021/22 financial statements. As the CIPFA Asset Manager system will produce journals for revaluations, additions, disposals and depreciation, we consider this to be a significant audit risk.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Understand the controls in place within the new CIPFA Asset Manager system, including the interaction between the system and the General Ledger;
- ▶ Understanding the data transfer process from the previous system to the new system to ensure completeness of data transfer;
- ▶ Perform testing procedures in relation to the data transfer process to ensure accuracy of data transfer; and
- ▶ Review the year-end postings from the CIPFA Asset Manager system to ensure these are correct.

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?

Valuation of Land and Buildings

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.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ 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 2021/22 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.

National Non-Domestic Rates (NNDR) Appeals Provision

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.

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

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

Other areas of audit focus (continued)

What is the risk/area of focus?

Pension Liability Valuation & other pension disclosures

The Authority makes extensive disclosures within its financial statements regarding its membership of Cambridgeshire Pension Fund Scheme administered by Cambridgeshire County Council. At 31 March 2021 the liability totalled £29.8 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Cambridgeshire Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ 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.

Group Accounting

The Council has been preparing group accounts for several years. We identified a number of audit differences in this area as part of our 2020/21 audit. The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities.

In order to address this risk we will carry out a range of procedures including:

- ▶ Review the Council's assessment of its group boundary;
- ▶ Consider the need to liaise with the component auditors to understand any risks that they are recognising;
- ▶ Evaluate any risks at component level on the group accounts;
- ▶ Issue instructions to the component auditors we intend to place reliance on; and
- ▶ Audit the consolidation process and group accounts.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Bad debt provision and recoverability of debtors

As a result of the long term impact of Covid-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. 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.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ 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.



03

Value for Money Risks





Value for Money

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.

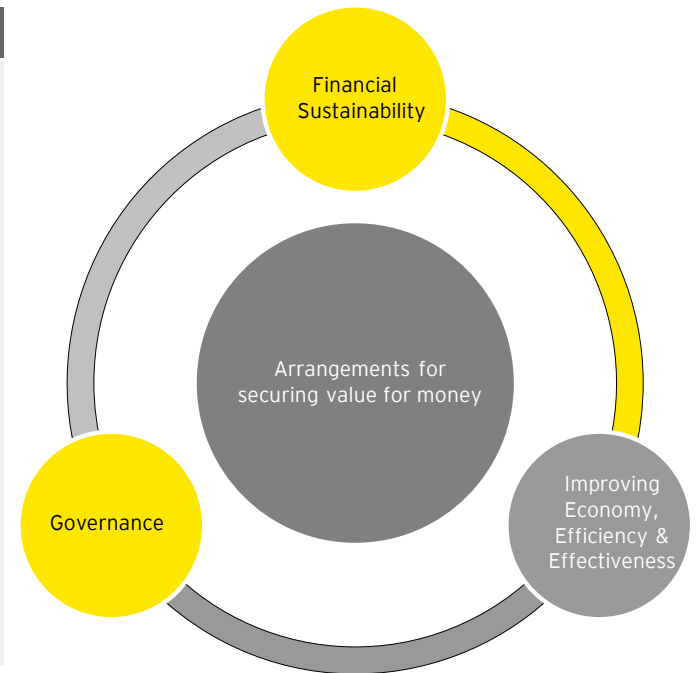
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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 arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice 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. The 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.
- ▶ 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.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires 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.

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 and other bodies; and
- ▶ Any other evidence source that we regards 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 (where applicable), 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 of significant weakness

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

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The 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 2021/22 VFM planning

We have yet to complete our detailed VFM risk planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability - including the impact of Covid-19 on the medium term financial planning.

We will provide an update on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements at a future Audit Committee meeting.



04

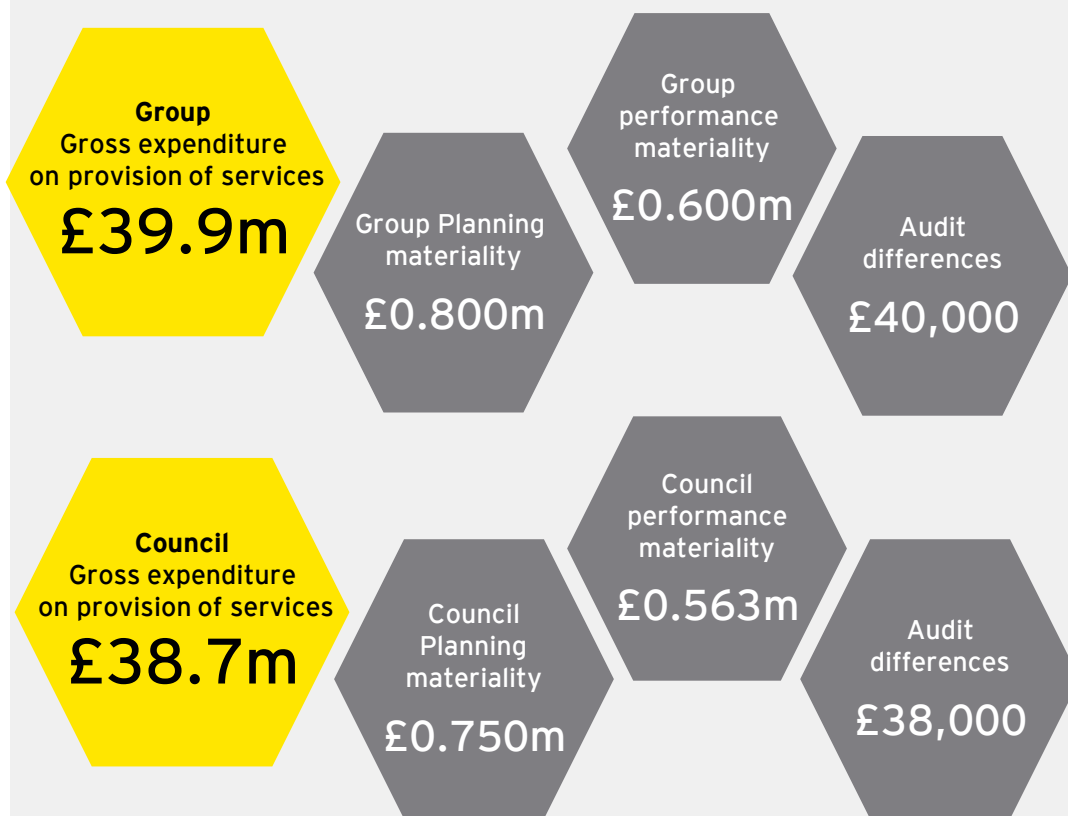
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £0.800 million for the Group, and £0.750 million for the Council. This represents 2% of the Council and the Group's prior year gross expenditure 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 have provided supplemental information about audit materiality in Appendix C.



We request that the Audit 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 £0.600 million for the group and £0.563 million for the Council which represents 75% of planning materiality, This reflects the relatively lower level expectation of misstatements in our 2021/22 financial statement audit.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below these thresholds (Group and Council) 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, housing revenue account 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 Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £1,000 in line with bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.

Materiality

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

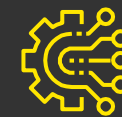
We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper 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 opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period 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.

Our Audit Process and Strategy (continued)

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 2021/22 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 computer-based 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

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations 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 entity's. 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 each component within Appendix A.

2	A	Full scope audits - East Cambridgeshire District Council & East Cambs Trading Company Ltd
1	B	Specific scope audits - East Cambs Street Scene Ltd
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

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

Specific scope: Entities 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: Entities 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: Entities where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those component entities that we do not consider 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.

Scope of our audit

Group scoping coverage

At the time of writing this report we are awaiting further information to be able to conclude on our group scoping. However, based on our discussions with management and the provided scope assessment by the Council, and knowledge from the 2021/22 audit we anticipate:

- ▶ Providing detailed instructions to the auditor of East Cambs Trading Company for reporting, which will be at full scope. Our subsequent review will therefore focus on all audit areas, subject to materiality considerations.
- ▶ Providing detailed instructions to the auditor East Cambs Street Scene for reporting, at a specific scope. Our subsequent review will therefore focus on specific audit areas.

We will update the Committee if there are any changes to our scoping coverage throughout the audit.

Details of specified procedures

Whilst our assessment remains in progress, we anticipate that the most significant area for our procedures will be in respect of the inventory valuation at East Cambs Trading Company, given the highly material nature of the balance (£32.9 million in 20/21). We will therefore ensure, upon our review, that sufficient work has been performed to provide adequate assurance for our group reporting, including:

- ▶ Ensuring appropriate procedures have been performed in respect of the valuation of inventory under IAS 2, specifically that inventories should be measured at the lower of cost and net realisable value; and
- ▶ Assessing the reasonableness of materiality applied in this area to ensure sufficient testing procedures have been performed.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below where we should need to rely on the work of a component auditor.

- ▶ We provide specific instruction to component team and our expectations regarding the detailed procedures;
- ▶ We set up initial meeting with component team to discuss the content of the group instructions;
- ▶ We will consider the need to perform a file review of component team's work where appropriate; and
- ▶ We will attend a closing meeting with component team to discuss their audit procedures and findings.

We will be engaging with the Price Bailey, the auditor of East Cambs Trading Company and East Cambs Street Scene, to provide specific instructions on the scope of work and the materiality levels for their detailed procedures. We will hold a discussion with the component auditor's to understand risks at the components, and upon completion of their audit procedures, we will review the work performed to ensure this is consistent with our expectation and provides adequate assurance over the results of the bodies for consolidation.



06

Audit team



Audit team

Audit team structure:

Mark Hodgson
Audit Partner

Jacob McHugh
Audit Manager

Dan Cooke
Audit Manager

Mary Springer
Senior

EY Real
Estates (EYRE)

PwC (consulting
actuary) and EY
Actuaries

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 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
Valuation of Land and Buildings & Investment Properties	Wilkes Head & Eve (Council's valuers) EY Real Estates (in relation to assessing the Council's valuers and otherwise required)
NDR Appeals Provision	Wilkes Head & Eve (management specialist)
Financial Instruments	Link Assets Services (management specialist)

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.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

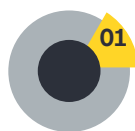


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

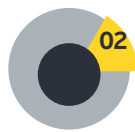
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



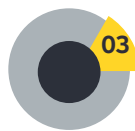
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



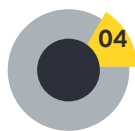
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



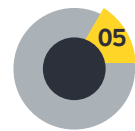
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



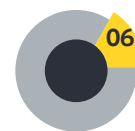
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	May - June 2022		
Walkthrough of key systems and processes	June - July 2022	Audit Committee	Audit Plan
Early testing procedures	July - December 2022		
Year end audit	January - February 2023	Audit Committee	Audit Plan Update - VFM Risk Assessment
Audit Completion procedures	March 2023	Audit Committee	Audit Results Report Audit opinion and completion certificates
	April 2023		Auditor's Annual Report



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.

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 Mark Hodgson, 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 have an investment in the Council; 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. We do not plan to perform any non-audit work. No additional safeguards are required.

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.

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 2021

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 end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



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 Housing, Communities and Local Government.

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 2021/22	Final Fee 2020/21
	£'s	£'s
Scale Fee - Code work	37,855	31,955
Determined Scale Fee Variation (Note 1)	-	52,123
Baseline increase in Scale Fee from 2019/20	27,380 (Note 2)	
Additional Work from 2020/21	(Note 3)	
Total audit	TBC	84,078

All fees exclude VAT

Note 1 - PSAA Ltd determined the Scale Fee Variation on the 30 June 2022.

Note 2 - For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to approval by PSAA Ltd.

Note 3 - For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work, including those that were present in the prior year. See Section 2 of this report for further areas that are likely to lead to additional fees such as the implementation of the new Fixed Asset Register.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.




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

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit 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	Audit Plan - July 2022 - Audit 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 	<p>Audit Results Report - March 2023 - Audit Committee; and</p> <p>Auditor's Annual Report - April 2023 - Audit Committee</p>




Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <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 - March 2023 - 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 ▶ Material misstatements corrected by management 	Audit Results Report - March 2023 - Audit Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit Results Report - March 2023 - 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 ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit Results Report - March 2023 - Audit Committee




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ 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 - March 2023 - Audit Committee
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>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - July 2022 - Audit Committee; and</p> <p>Audit Results Report - March 2023 - Audit Committee</p>
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 - March 2023 - Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ 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 Audit Committee may be aware of 	Audit Results Report - March 2023 - Audit Committee

Appendix B

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - March 2023 - Audit Committee	
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan - July 2022 - Audit Committee; and Audit Results Report - March 2023 - Audit Committee	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March 2023 - Audit Committee	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March 2023 - Audit Committee	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March 2023 - Audit Committee Auditor's Annual Report - April 2023	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - July 2022 - Audit Committee; and Audit Results Report - March 2023 - Audit Committee	
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Plan - July 2022 - Audit Committee; Audit Results Report - March 2023 - Audit Committee Auditor's Annual Report - April 2023	

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

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 Group and 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 Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none">▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period (WGA Return).
Other procedures	<ul style="list-style-type: none">▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

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 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.

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ED None

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INTERNAL AUDIT ANNUAL REPORT AND OPINION

To: Audit Committee

Date: 25th July 2022

From: Chief Internal Auditor

[X35]

1. **ISSUE**

- 1.1. To report on the work of Internal Audit and the annual opinion for 2021/22.

2. **RECOMMENDATION**

- 2.1. That the Committee considers and notes the Internal Audit report and opinion for 2021/22.

3. **BACKGROUND/OPTIONS**

- 3.1. The role of Internal Audit is to provide the Audit 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. The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Audit Committee.
- 3.3. The purpose of the report is for the Audit Committee to consider the Annual Internal Audit Report for 2021/22 and be made aware of the Chief Internal Auditor's opinion on the Internal Control Framework within East Cambridgeshire District Council.

4. **ARGUMENTS/CONCLUSIONS**

- 4.1. The attached report (Appendix 1) summarises the opinion of the Chief Internal Auditor for 2021/22 and the basis for this opinion.

5. **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

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

6. **APPENDICES**

- 6.1. Appendix 1 – Internal Audit Annual Report 2021/22

Background Documents

None

Location

Room 207
The Grange
Ely

Contact Officer

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East Cambridgeshire District Council

Annual Internal Audit Report

2021/22

1. Introduction and context

- 1.1 This report outlines the internal audit work carried out by Internal Audit for the year ended 31st March 2022.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 1.3 Internal Audit is a statutory requirement for local authorities, in accordance with:
 - Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
 - The Accounts and Audit Regulations 2018 (England) – which state 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”.
- 1.4 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Corporate Management Team (which includes the Section 151 Officer), and the Chair of the Audit Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
 - the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - a statement on conformance with the Standards.

2. Head of Internal Audit Opinion 2021/22

2.1 Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinion given in the previous year.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively. An exception related to approval of payments over £50,000 - where it was noted, from follow up testing, that although procedures had been updated to add manual controls following the 2020/21 audit, these were not operating consistently to ensure sign off by a Director or s151 Officer in some cases.

Some areas for improvement have been noted in the audit reports received relating to the delegated revenues and benefits systems, including valuation office reconciliations for business rates and the timeliness of Council Tax refund processing. Assurances have been given over actions being taken to address these areas and this will be followed up in 2022/23.

Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2021/22. The risk register was reviewed by the Audit Committee on a six monthly basis, considering the outcomes of quarterly reviews conducted by the Council's risk management group.

Internal Audit work is targeted upon the Council's key areas of risk, in addition to providing the necessary assurances over the wider governance and control framework. Internal Audit work completed in 2021/22 assessed assurances in relation to controls in some of these key areas.

Internal control

For the audits completed by the delegated service in 2021/22, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. Of these audits, none have resulted in an opinion of 'major' organisational risk, which would impact upon the annual assurance opinion.

Control weaknesses have been reviewed in relation to the ICT outages experienced during the year and an action plan is in place to address the areas for improvement.

Of the recommended actions agreed during 2021/22, and due for implementation, 83% had been completed during the year. There are, however, a further four agreed actions from previous financial years, relating to IT, which remain unimplemented at the time of reporting.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. Assurances are also provided in relation to the Council's revenues and benefits system by the ARP shared audit service.
- 2.3 The assessment has taken account of the relative materiality of areas highlighted for improvement and management's progress in addressing any control weaknesses.

3. Summary of findings

- 3.1 Internal Audit completed 100% of the assignments from the Internal Audit Plan for 2021/22.
- 3.2 All final reports have agreed action plans, dates and responsible officers for improving the internal control environment, where required. A summary of audit opinions arising from the work of the Internal Audit team is shown in Table 1.

Table 1 – Summary of audit opinions 2021/22:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	4	7	3	-	-
Key policy compliance	2	1	1	-	-
Risk based audits	5	1	-	-	-
Total	11	9	4	-	-
Summary	46%	37%	17%	-	-
2020/21 summary – for information	34%	40%	26%	-	-

4. Review of audit coverage

Audit opinion on individual audits

4.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated and either no, or 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.

4.2 All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

Summary of audit work

4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2020/21 and the date of the Committee meeting at which the outcome of the audit was presented.

4.4 All completed assignments have been delivered in accordance with the agreed terms of reference and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of audit opinions 2021/22:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Anglia Revenues Partnership shared service audits (key findings provided in Appendix C)				
Council Tax, Housing Benefit and Local Council Tax Reduction Scheme (CTRS)	Adequate / reasonable			July 2022
NNDR	Adequate / reasonable			July 2022
Recovery of Council Tax and Benefits overpayments	Adequate / reasonable			July 2022
Enforcement	Good / substantial			July 2022
Financial systems and controls				
Bank Reconciliations	Substantial assurance	Good assurance	Minor	January 2022
Budgetary Control	Good assurance	Good assurance	Minor	July 2022
Creditors	Satisfactory assurance	Good assurance	Minor	July 2022
Debtors	Good assurance	Good assurance	Minor	July 2022
Payroll	Substantial assurance	Good assurance	Minor	July 2022
Treasury management	Substantial assurance	Substantial assurance	Minor	March 2022
Fixed assets	Satisfactory assurance	Satisfactory assurance	Minor	March 2022
Financial Management Code assessment	N/A – consultancy review of Council's self-assessment		N/A	July 2022

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Key policy compliance				
Procurement compliance	Good assurance	Satisfactory assurance	Minor	July 2022
Staff recruitment checks	Substantial assurance	Substantial assurance	Minor	November 2021
Risk based audits				
Covid-19 recovery	Good assurance	Substantial assurance	Minor	March 2022
ICT outages – lessons learnt review	N/A – consultancy review		N/A	March 2022
Environment and climate change strategy	Substantial assurance	Substantial assurance	Minor	March 2022
Development control	Substantial assurance	Substantial assurance	Minor	November 2021
Disabled facilities grants	Verification completed		N/A	November 2021

4.5 In addition to the audit assignments above, Internal Audit has provided support on uploading post payment checks on business grants during the Covid-19 pandemic to the Cabinet Office's National Fraud Initiative data matching service and providing advice on queries arising.

4.6 A number of these audit outcomes have been reported to the Audit Committee during the 2021/22 financial year. Summaries of those which have been finalised since the last progress report was presented are provided in Appendix A to this report.

Implementation of Internal Audit recommendations

4.7 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a monthly basis and provide a summary to the Audit committee.

4.8 Details of the implementation rate for the audit recommendations made during 2021/22 are provided in Table 4.

4.9 A total of 21 audit recommendations have been implemented by officers during 2021/22. Of those implemented actions, five related to recommendations arising from the 2021/22 audit plan. There remain, however, four actions which are overdue from previous financial years. An overview of all overdue actions is provided in Table 5.

Table 4 - Implementation of audit recommendations agreed and due in 2021/22:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and implemented	-	4	1	5 (19%)
Agreed and not yet due for implementation	5	8	8	21 (78%)
Agreed and due within last 3 months, but not implemented	-	1	-	1 (3%)
Agreed and due over 3 months ago, but not implemented	-	-	-	-
TOTAL	5	13	9	27 (100%)

4.10 A full overview of overdue actions as at 31st March 2022 is provided in Table 5.

Table 5 - Summary of overdue recommendations as at 31st March 2022

Action	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
IT outages – Microsoft support package	2021/22	-	-	-	1	-	-
Disaster recovery plan testing	2020/21	1	-	-	-	-	-

Action	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
IT monitoring strategy	2020/21	-	-	1	-	-	-
IT incident management plan	2020/21	-	-	-	1	-	-
IT Cyber Essentials accreditation	2020/21	-	-	-	-	1	-
Totals		1	0	1	2	1	0

5. Internal Audit contribution

Added value

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers support and advice to assist the Council in new areas of work.
- 5.2 The Council commissioned 200 days from the delegated Internal Audit service to deliver the 2021/22 Audit Plan and a further 10 days to support the drafting of the Annual Governance Statement. This involved delivery of the current year Audit Plan, client liaison, support, reporting and attendance at the Audit Committee.
- 5.3 By 31st March 2022, the delegated Internal Audit service had delivered 100% of the assignments from the 2021/22 Audit Plan to at least draft report stage, against a target of 90%.
- 5.4 Customer feedback is sought at the conclusion of every audit assignment and covers questions on quality of reporting, communication, scope and value added. The target for customer feedback is at least 3.2 (where 4 = Outstanding, 3 = Good, 2 = Satisfactory and 1 = Poor). During 2021/22 the feedback received on the audit assignments delivered averaged 3.7, exceeding the target.

Internal Audit contribution in wider areas

- 5.5 Key additional areas of Internal Audit contribution to the Council in 2021/22 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Delivering fraud awareness training to new starters.	Embedding a counter fraud culture and awareness of ethical policies.
Sharing advice and fraud alerts in relation to the Covid-19 business grants.	Pro-active counter fraud support and learning from other authorities.
Maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero tolerance culture.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.

Professional Standards

- 5.6 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.7 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.8 During 2021/22, the Internal Audit service was delegated to a shared service led by Milton Keynes Council. A detailed self-assessment against the PSIAS was completed by the Chief Internal Auditor and the outcome of the assessment was that the Internal Audit service was operating in general conformance with the Standards.
- 5.9 From 1st April 2022, the Internal Audit service is delegated to North Northamptonshire Council and a Quality Improvement Plan is being drafted by the current Chief Internal Auditor to support continuous development, in line with the Standards and the Internal Audit Charter.

Appendix A: Limitations and responsibilities

Limitations inherent to the Internal Audit's work:

Our work has been performed subject to the limitations outlined below:

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our agreed annual programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

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

Future periods

Our assessment of controls relating to the areas audited is for the period 1st April 2021 to 31st March 2022. Historic 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, regulation or other; 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 and 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.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities.

However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix B: Internal Audit reports finalised since the last committee meeting

Budgetary control

The public sector continues to face many challenges due to the way in which services are delivered and ongoing reductions in government funding. Therefore, it is necessary to have effective governance and budgetary control arrangements in place to ensure probity and sound financial management. Internal Audit reviewed the design of, and compliance with, key controls within the budgetary control process.

The Council's Medium-Term Financial Strategy 2021/22-2024/25 is to set a robust financial framework for the Council's plans over the next four years which support the delivery of the Council's priorities within the context of an annual balanced budget. The 2021/22 budget was approved by Full Council on 23rd February 2021.

In order to consider and assess the Council's budgetary control procedures, the audit included an anonymous survey of all 22 Budget Holders, of which 15 responded.

It was confirmed that budgetary control procedures, roles and responsibilities are clearly documented and 93% of budget holders surveyed fully understand their role and responsibilities. The 2021/22 budget was uploaded promptly with all cost centres assigned to a nominated budget holder and no virements have been processed during the year.

Budget monitoring and reporting controls are operating well. Testing confirmed that effective processes are in place for the management of quarterly monitoring reports, including clear explanations for significant variances.

Generally, budget holders felt that they received regular budget monitoring reports and had access to specialist finance support, however the survey highlighted the need for further budget training and guidance including how to access up to date financial information on the finance system (Unit 4-Agresso).

Based on the work performed during the audit, the assurance opinions were given as follows:

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

Creditors

The audit of creditor payments forms part of the 2021/22 suite of annually performed key financial system reviews and is undertaken in order to inform the Chief Internal Auditor's overall opinion on the financial control environment, which supports the Annual Governance Statement. All creditor payments are processed through the Unit4 (Agresso) system and administered by the Finance Team.




The objective of the audit was to review the design of, and compliance with, key controls within the creditor payments system, and to provide assurance over the controls to prevent and detect fraud and error. This year's review focused on policies and procedures and supplier payments controls.

Appropriate, accessible and up to date policies and procedures are in place to govern the creditor process and creditor payments are operating as intended, although the control environment should be strengthened to further reduce the risk of fraud or error by segregating the signing and the submission of BACS payments.

Creditor control account reconciliations are currently only performed at year end due to system limitations, however it is recommended that more frequent reconciliations are carried out to provide greater assurance over the accuracy of the finance system.

In addition, Internal Audit followed up on a recommendation raised in the 2020/21 audit of Creditors relating to the approval of spend above £50k. Testing of 20 transactions above £50k, processed 2021/22, found that 45% were not evidenced as authorised by a Director or the S151 Officer as required in the Council's Financial Procedure Rules - therefore this shall remain subject to ongoing audit follow up in 2022/23. It should be noted that all invoices highlighted in testing as not subject to Director/s151 Officer approval were reviewed by the s151 Officer and assurance was provided that payments were in line with approved contracts / budgets, as applicable.

Based on the work performed during the audit, the assurance opinions were given as follows:

Assurance Opinion		
Control Environment	Satisfactory	
Compliance	Good	
Organisational Impact	Minor	

Debtors

All transactions are processed through the Council's finance system, Unit 4 Business World (Agresso). The objective of the audit was to review the design of, and compliance with controls to prevent and detect fraud and error covering debt recovery, write offs and reconciliations.

Appropriate policies and procedures are in place for the recovery of debt and adequate separation of duties has been established relating to the identification of debt, receipt of income, reconciliations and debt write offs.

Testing of 25 debtor accounts confirmed that debt recovery is broadly operating as intended, however further action is required to pursue the debts that have been referred to the Council's Legal department. There was a lack of evidence of recent recovery action for nine accounts that had been referred to legal, however it was asserted that actions had been taken (evidence was not available) and it is acknowledged there will be a dedicated resource within the Legal department to oversee sundry debt from 1st April 2022.

All write offs performed in 2021/22 were authorised in line with the Council’s Financial Procedure Rules and debtor control account reconciliations were accurately completed and independently reviewed each month.

Aged debt reports are reviewed monthly and debtor days are regularly monitored, however there is scope to develop additional key performance indicators for sundry debt collection, to ensure sufficient priority and management oversight of the effectiveness of debt recovery actions is maintained.

Based on the work performed during the audit, the assurance opinions were given as follows:

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

Payroll

The audit of payroll forms part of the 2021/22 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 financial control environment, which supports the Annual Governance Statement. Staff costs account for a significant proportion of the Council’s total annual spend, therefore it is important to ensure that a sound framework of controls is in place to manage this expenditure effectively and minimize the risk of fraud or error. Responsibility for administering the Council’s payroll was transferred to MHR (a specialist HR and Payroll Software and services provider) with effect from 1st April 2018. The Council has retained an in-house Payroll Officer post and the Human Resources service.

The objective of the audit was to review the design of, and compliance with, key controls within the payroll and HR system, and to provide assurance over the controls to prevent and detect fraud and error. This review focused on controls over contractual changes, new employees, leavers, payroll processing and control account reconciliations.

Audit sample testing for 2021/22 has confirmed accurate and timely payments to staff and that key controls in relation to administering starters, leavers and contractual changes are robust and operating effectively. All control account reconciliations are up-to-date with only a small number of reconciling items that will be cleared.

MHR are responsible for running the payroll calculation process and producing and distributing standard control and exceptions reports prior to processing the payroll payment. All payments reviewed by internal audit were appropriately authorised and the Payroll Officer confirmed that control and exception reports are reviewed, however there is no evidence retained to demonstrate that those checks have taken place.

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

Procurement compliance

The Council's Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the Council's needs and comply with legal requirements. Issues and shortcoming in procurement documentation have been reported by Internal Audit in previous years and have been reviewed again as part of the 2021/22 audit. The audit was carried out to provide assurance that officers are complying with the approved rules and practices.

To comply with the Local Government Transparency Code the Council publishes all expenditure over £500 on its website together with a link to the online contracts register. Concerns regarding the completeness of the contracts register have been reported in previous years. As a result, last year's report included a recommendation to prioritise proposed work to review all contract spend over £5,000 to ensure the completeness and accuracy of the contracts register. At the time of this year's audit, the analysis of spend against contract entries was complete and all identified contracts had been added to the register. The exercise had identified two suppliers with whom total spend exceeds the value where a contract is required but contracts were not in place. It is understood that work was underway to rectify this going forward. Given the significant improvement and ongoing work in this area, no further formal recommendation has been made regarding the contract register this year to allow time for this work to be completed. Internal Audit will continue to monitor progress at future audits.

Detailed compliance testing was carried out on a sample of seven contracts this year. Due to the limited number of contract awards that took place in 2021/22, the sample contained five contracts awarded on the basis that they were exempt from CPR requirements, one contract award under £25,000 and spend against one existing contract. Of the six new contracts tested, five were awarded in compliance with Contract Procedure Rules. In one case it was found that the contract was treated as exempt from CPR requirements (value of £6k), although no contract exemption form had been completed or authorised. In this case a retrospective approval has since been obtained. Based on the findings, it is recommended that any managers who have not attended to date must attend procurement training in 2022/23 and then on a rolling basis they must all attend at least every three years (unless a significant change in procurement rules requires specific (earlier) updates).

It was noted that there had been regular use of the contract exemption route within the selected sample and exemptions should be applied only in exceptional circumstances. It is noted that there was clear justification provided in each of the selected cases, and these were approved in line with delegated powers.

In the case of spend against the one existing contract, this was confirmed as paid in line with a valid, active contract.

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

Appendix C: Summary of findings of ARP audits

Council Tax, Housing Benefit and Local Council Tax Reduction Scheme (CTRS)

Based on audit testing, it was considered that risks were being well managed for the period tested in relation to:

- changes in legislation and system parameters continue to be correctly actioned;
- council tax property bandings are updated correctly and in a timely manner;
- the awarding of council tax discounts and exemptions is occurring in a timely manner and planned reviews take place periodically;
- council tax recovery is taking place in the correct manner to mitigate failure to collect and recover monies due to the authorities;
- no significant concerns to raise regarding the processing of new housing benefit and CTRS applications which would indicate fraudulent activity or significant impacts on the subsidy claim;
- the risks associated with the administration of housing benefit were observed to be managed, with a small number of minor isolated incidents raised;
- the risk of fraud and error is considered to be managed in the processing of BACS payments and direct debit collections; and
- a sound system is in place to record and report on the quality assurance checks.

The key observations from the review are:

- no fraudulent actions, housing benefit claims or payments were identified
- work has continued to review system user permissions and groups and improvement is evident, however, the process needs to be more robust to prevent errors in the applying of new permissions
- there were no fraudulent issues identified with council tax refund and credit testing. However, the process needs to be more robust to ensure that refunds are actioned in a timelier manner and where direct debit details are held refunds are processed in a timely manner
- no significant concerns were raised in the testing of housing benefit overpayments and classification, however, some improvements in the manual processes could assist in identifying overpayments in a timelier manner.

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
CT Precept Input and Year End Procedures	Adequate / Reasonable	0	0	0	1 (M)
HB Parameter Uprating Input	Adequate / Reasonable	0	1	0	0
CT Valuation Office Amendments	Adequate / Reasonable	0	1	0	0
Awarding of Exemptions and Discounts	Good / Substantial	0	0	1	0
CT Arrears, Reminders and Debt Recovery (to 2 nd reminder stage)	Good / Substantial	0	0	0	0
CT Credits and Refund Process	Limited	0	3	0	1 (M)
Financial Reconciliations &	Adequate / Reasonable	0	0	0	1 (M)

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Management of The Suspense Accounts					
Direct Debit Collection and Payments (BACS)	Good / Substantial	0	0	0	0
High Value HB Payments / Creditor Changes	Adequate / Reasonable	0	3	1	0
Quality Assurance Processes	Good / Substantial	0	0	0	0
New HB & CTRS Application Assessment	Adequate / Reasonable	0	2	1	0
Overpayment Identification, Classification and Recovery from Ongoing Benefit	Adequate / Reasonable	0	1	1	0
Rental Values for HB Claimants	Adequate / Reasonable	0	1	0	0
Self-Employed Claimants	Adequate / Reasonable	0	2	0	0
System (Academy & Civica) Access	Adequate / Reasonable	0	2	0	0
Total		0	16	4	3
OVERALL OPINION	Adequate / Reasonable				

NNDR

The majority of systems were seen to be functioning reasonably well, with most control areas in the scope of this audit functioning adequately but able to benefit from making some improvements. ARP Management have advised that there continues to be a lasting impact from the COVID-19 pandemic and associated government policy, such as the use of NNDR data as the basis for supporting COVID-19 business grants and amendments to NNDR relief schemes.

No new high risk priority actions were identified during the 2021/22 audit review. However, a number of high priority risks identified in previous years remain, as detailed below.

The key observations from the review identified in previous years but still current are:

- Valuation Office (VO) reconciliations show inconsistencies and for three of the five councils were seen to contain errors or omissions. Delays may exist in the reconciliation process depending on Council and time of year;
- Debt recovery management has not progressed significantly;
- Awards of Small Business Rate Relief are currently being reviewed to reduce the risk of SBBR being applied to accounts where it is no longer appropriate: the project is in progress; and
- Although progress has been made in resolving a key risk relating to access by local authority staff via user reviews, equivalent periodic reviews for ARP users have not been scheduled.

Control Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Parameter Bandings and Annual Billing	Good / Substantial			1	
Valuation Office (VO) Reconciliations	Limited				1
Reliefs, Exemptions and Discounts	Adequate / Reasonable			1	6
Payment Collection	Adequate / Reasonable		1	2	
Control Accounts Reconciliations	Adequate / Reasonable		1		1
Refunds, BACS and Credit Balances	Adequate / Reasonable		3	1	
System Access	Adequate / Reasonable		2		1
Arrears, Reminders and Debt Recovery	Adequate / Reasonable				1
Write Offs	Adequate / Reasonable		1	1	
Previous Audit Actions	-				1
OVERALL OPINION	Adequate / Reasonable				

Enforcement

It was noted that the Enforcement Team has good working practices in place that work effectively with a successful collection rate across all areas of debt. A sound control process is in place for case histories within the One Step system, good audit trails and records kept of all interactions, including the status and progress of the accounts. Working practices were noted to have been adapted as a result of the COVID-19 pandemic.

Agents were found to be sympathetic to circumstances customers may find themselves and all methods of payments were promoted.

The key observations from the review were:

- As a result of the ongoing COVID-19 pandemic, Agents are now permitted to enter domestic properties. The Agents remain sympathetic due to the current situation and are engaging with customers offering them long-term payment arrangements and assisting customers wherever possible. Following periods of national lockdown, the Team continued to adhere to the government guidance and advice and enforcement action was suspended when required.
- The published performance report for September 2021/22 stated that the team have collected £1.47m compared to £1.36m at the same time the previous year.
- The Team have taken on parking enforcement for East and West Suffolk, this accounts for 3% of cases.
- A number of unallocated payments have been actioned and allocated to relevant accounts. The allocation of historic debt has improved with payments being returned to clients' accounts if they cannot be applied to the correct account.
- A 'standard action' was set up within CAPITA to improve the communication channels for key information. The Billing Team must complete and advise the Enforcement Team of any change of circumstances. This does not appear to have improved change

of address/gone away details and has resulted in substantial postal costs and Enforcement Agent visits.

- Although collection rates have been affected by the COVID-19 pandemic, a gradual increase in collection rates can be seen
- The Enforcement Team has not yet had the need to recover goods; therefore, there were no records to review for seized goods and compliance with requirements.

Control Area	Opinion	Number of Actions Raised		
		High	Medium	Low
Control Account Reconciliation to Ledger	Good /Substantial			
ARP Enforcement	Good /Substantial			1
BACS Payment	Good /Substantial			
Payment Collection	Good /Substantial			
Monitoring	Good /Substantial			1
System Access	Good /Substantial			
Recovery of Goods	Good /Substantial			
OVERALL OPINION	GOOD / SUBSTANTIAL			

Recovery of Council Tax and Housing Benefit overpayments

The following areas were highlighted where it was considered that risks were being well managed for the period tested:

- recovery parameters are correctly entered and aligned across the authorities;
- the risk of fraud and error is considered to be managed in the processing of BACS and direct debits;
- the risk of financial system or payment posting errors occurring is considered to be managed; and
- council tax write offs were being actioned correctly in a timely manner.

The key observations from the review are:

- improvements are needed on the recovery of Housing Benefit Overpayment debt – with recommendations from the previous year remaining outstanding to ensure timely recovery. It is understood that the new Electronic Data Management System (EDMS) will be used to implement and complete a number of HBOP tasks. Processes have been identified with approximately 95% of process maps created which will be worked through (prioritising those with high work volumes) with the EDMS team and tested before going live. The Housing Benefit Overpayment team will also become part of the Recovery Team providing more resilience and checking processes;
- improvements to the credit and refund process are required to ensure that refunds are processed in a timely manner, actioned in the correct way and customers are clearly informed of how the credit will be dealt with; and
- work has continued to review user permissions for ARP systems and improvement is evident, however, the process needs to be more robust to prevent errors in the applying of new permissions. Due to the ARP reporting structure and test results being of a similar nature, the findings in respect of systems access are reported in the Billing and Benefits audit.

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Recovery Parameters	Good / Substantial	0	0	0	0
Direct Debit Payment Collection and BACS Payment of Refunds	Good / Substantial	0	0	0	0
Financial Reconciliations and Management of the Suspense Accounts	Adequate / Reasonable	0	0	0	1 (M)
Recovery of CT & HBOP	Adequate / Reasonable	0	1	2	2 (M)
HBOP Credit Balances & Refunds	Adequate / Reasonable	0	4	0	0
Write Offs / On	Adequate / Reasonable	0	1	0	1(M)
Total		0	6	2	4
OVERALL OPINION	Adequate / Reasonable				

INTERNAL AUDIT PROGRESS REPORT

To: Audit Committee

Date: 25th July 2022

From: Chief Internal Auditor

[X36]

1. **ISSUE**

- 1.1. To advise Members of the work of Internal Audit completed during the 2022/23 financial year to date, 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 Audit 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, 25% of assignments within the plan are either complete or in progress. This means that the service is on track for delivery of the annual plan. To date, two audits have been completed and reports issued – one of these has been finalised at the time of reporting and is reflected in the progress report.
- 3.3. Since the last Audit Committee update, six actions arising from audit reports have been implemented by officers. There are six actions which remain overdue and are subject to ongoing follow up from Internal Audit.
- 3.4. The first of the outcomes of the Internal Audit team's rolling risk assurance work is incorporated within the progress report. The team will be seeking assurance over the controls documented within risk entries on the Corporate Risk Register on a rolling basis throughout the year and findings will be reported to the Audit Committee. This seeks to give assurance over the basis for the scoring assigned and the reliance on these key controls to manage the Council's risks.

4. **ARGUMENTS/CONCLUSIONS**

- 4.1. The attached report (Appendix 1) informs the Committee on 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 A – Internal Audit Update Report – June 2022
- Appendix B - Actions overdue more than three months (High or Medium priority) **EXEMPT**

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	Internal Audit, Room 207 The Grange Ely	Rachel Ashley-Caunt Chief Internal Auditor rachel.ashley-caunt@northnorthants.gov.uk



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Internal Audit Progress and Performance Update

June 2022

Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2022/23 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit 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 2022/23 Audit Plan

At the time of reporting, fieldwork is either complete or underway in relation to 25% of the planned work. Delivery is on track for the year.

The audit team have also been working on verification of a number of government grants during this period.

Progress on individual assignments is shown in Table 1.

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

To date, no survey responses have been received in relation to feedback on completed assignments for the 2022/23 audit plan.

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?

At the time of reporting, one audit report from the 2022/23 plan has been finalised. The key findings from the report were as follows:

Assets of Community Value

The Community Right to Bid came into force in 2012 and gives communities a right to identify a building or land that is believed to be of value to their social interests or social wellbeing. It gives the community a fair chance to make a bid to buy the property on the open market should the owner decide to sell. Only eligible community groups, local parish councils or local neighbourhood planning forums and charities can nominate such assets. This process had not been subject to internal audit coverage since the legislation was introduced and, as such, was included in the Audit Plan for 2022/23.




The objective of the audit was to provide assurance that controls are in place to ensure processes and procedures are consistent with current legislative requirements, with a sound framework to reduce the risk of poor or untimely decisions. This review focused on controls over nomination of assets, decision making and the Council's formal appeals process. The Council had received two nominations of assets in the last financial year (2021/22).

The current systems and procedures are robust, with an Assets of Community Value (ACV) Assessment Panel convened to determine the outcome of all nominations. Based on discussion with officers and review of the relevant documentation, the Council's protocol was last revised in July 2015, therefore, there is scope for a review and update of this documentation. The audit has confirmed that nominations are being processed in accordance with the Council's internal processes and within the statutory timescales set out within the regulations.

Clear guidance for those wishing to make a nomination is available on the Council's website - along with the outcome of all nominations recorded and published on one of the two official public registers. Whilst the published registers of assets are accurate, the formatting of these documents could be improved to make them more user-friendly.

Based on discussion with officers and review of the relevant documentation there have been no formal appeals/listing reviews received by the Council during the time period covered by the audit. Therefore, no compliance testing was undertaken. However, assurance has been provided that internal processes and documents have been established should they be required.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion		
Control Environment	Good	
Compliance	Substantial	
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.

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 are six actions which remain overdue for implementation. Of these, there are four actions categorised as 'High' or 'Medium' priority which have more than three months overdue, further details are provided in Table 3.

2.5 Real time risk assurances

Internal Audit are delivering a risk targeted rolling assurance programme to support the Council's risk management processes in 2022/23. Risk management and compliance with the Risk Management Strategy is the responsibility of the Council's management but Internal Audit is seeking to provide assurance over the effectiveness of the risk management process via these assurance reviews.

Internal Audit will be selecting risk entries listed within the register on a rolling basis and conducting targeted reviews to confirm that the controls listed on the register are (a) in place and (b) operating as expected. Given that there is a reliance upon these controls to manage the key risks and achieve the residual risk scores, the validity and effectiveness of the controls listed will be verified and reported back to the Audit Committee in regular progress reporting.

The content of the risk entry is also reviewed with the lead officer to seek assurance that the current scoring and details reflect the risk environment at this time. Any potential changes in risk scoring or content are fed back to the Risk management Group for discussion/amendment.

The first of the rolling risk assurance reviews has been completed and the risk selected was **C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources**. At the time of review, the inherent risk scoring for this entry is 12 (3 for likelihood and 4 for impact) and the residual risk is 4 (2 for likelihood and 2 for impact). As such, the listed controls are claimed to reduce the risk from Amber to Green. Assurance has been sought over those controls.

The findings for each control are detailed in Table 5. The risk scoring was not amended as a result of this review and all controls listed on the register were confirmed as in place and operating as stated. A RAG (red, amber, green) rating – as defined below Table 5 - has been assigned to each control and all controls were assessed as 'green'. There were two recommended actions arising from the review, as detailed in Table 5.

Table 1 - Progress against 2022/23 Internal Audit Plan

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Governance & Counter Fraud							
Counter Fraud support / promotion / policies	Q2	As required					
National Fraud Initiative	Q3	As required					
Risk management support and real time assurances	Q1 – Q4	In progress	Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management.	Assurances provided on risk entries throughout the year.			See section 2.5 and Table 5
Annual Governance Statement support	Q1	Complete					
Procurement compliance	Q4	Not started					
Key financial systems							
Bank reconciliation	Q3	Not started					
Creditors	Q3	Not started					
Debtors	Q3	Not started					
Payroll	Q3	Not started					
Treasury management	Q3	Not started					

					<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>
Budgetary control		Q3	Not started						
Key policy compliance									
Staff claims – overtime/travel		Q4	Not started						
Safeguarding		Q1	Draft report issued						
Enforcement policy compliance		Q2	Not started						
Risk based audits									
Asset related audits – follow up		Q4	Not started						
Performance management		Q4	Not started						
Assets of Community Value		Q1	Final report issued		To provide assurance over the Council's consistent and compliant handling of applications for community right to bid.	Good	Substantial	Minor	See section 2.3
Grant claims		As required	In progress						
IT audits									
IT asset management		Q2	Planning						
Cyber security		Q4	Not started						

Table 2 - Implementation of agreed management actions

	'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	2	67%	2	33%	2	67%	6	50%
Actions overdue by less than three months	-	0%	1	17%	-	0%	1	8%
Actions overdue by more than three months	1	33%	3	50%	1	33%	5	42%
Totals	3	100%	6	100%	3	100%	12	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
2021/22	ICT Outages	<p>Microsoft support package The Council's current package does not provide 24/7 support which means there is an inevitable delay in receiving any support in the case of an outage which commences outside of office hours.</p> <p>Given the reliance upon responses from Microsoft, whilst still using an on-premise server, the Council should conduct an options appraisal and cost benefit analysis on packages available against the respective costs.</p>	Medium	ICT Manager	31 March 2022	<p>June 22 - Response from ICT Manager:</p> <p>We have reviewed our current support package and had initial prices for enhanced support. An initial view of these, was that they did not provide value for money and we have therefore requested further prices as a comparison.</p>

Please see Exempt Appendix B for the other actions overdue for more than three months (high and medium).

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 have been no survey responses received during the year to date.

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	-	-	-	-
Communication during assignment	-	-	-	-
Quality of reporting	-	-	-	-
Quality of recommendations	-	-	-	-
Total	-	-	-	-

Table 5: Risk register entries – rolling review of controls

Risk entry			
C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources.			
Assurance and Findings			
Key control reference	Key control listed on register	RAG rating	Auditor comment and assurances obtained
C1.1	Business Continuity Plan (BCP) updated.	● Green	Strategic BCP updated in April 2022 – copy provided. Next review date 2024.
C1.2	Business Continuity Training and exercises.	● Green	Business Continuity training held via Zoom & in person: <ul style="list-style-type: none"> • 21/01/22 – Strategic & Tactical Management Training; • 28/01/20 – Community Recovery; and • 25/06/19 - Business Continuity (further training is planned to refresh service leads knowledge).
C1.3	Member's handbook	● Green	Member's handbook will be reviewed and updated ready for the new Members elected in 2023. Current handbook appears fit for purpose. Recommended action that this should include Issue Status/Date of Issue/Review Date in next revision.
C1.4	Emergency Management Plan with supporting plans for specific activities e.g. rest centres. Rest Centre plans reviewed by National Resilience Forum.	● Green	Revised Emergency Management Plan issued in January 2022. Next review date January 2025. Supporting Information provided and reviewed. Revised Emergency Rest Centre Plan issued in August 2021. Next review date of August 2024.

Risk entry			
C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources.			
Assurance and Findings			
Key control reference	Key control listed on register	RAG rating	Auditor comment and assurances obtained
C1.5	Registration process and template forms aligned to other Councils so they can mutually assist each other as responders.	N/A	Recommended action - this key control be removed from the risk register as it duplicates the entry above, C1.4. Amendment actioned by Risk Management Group in June 2022.
C1.6	Improved ICT functionality allows more staff to work remotely, aiding the response.	● Green	<p>Since 2020, all staff that are able to work from home have been issued with laptops. Those not able to work from home include Car Park Wardens, Caretakers, Cleaners and those not needing to access a device. A VPN was implemented for all ECDC staff at this time allowing staff to connect to the network. Note: Internal Audit on IT Asset Management will seek further assurances over the asset roll out and associated risks.</p> <p>An ICT Disaster Recovery Plan (DRP) was developed in January 2021 and included the requirement for all staff to take laptops home daily. Copy provided.</p> <p>The DRP is currently being reviewed and will be updated if necessary. A testing plan is also to be drawn up and testing dates will be agreed with management – an audit recommendation is subject to formal follow up work in respect to testing of the DRP.</p>
C1.7	Living with Covid-19 risk assessments.	● Green	Risk Assessment 'Living with COVID 19' update April 2022 provided.

Risk register entries – rolling review of controls - RAG rating key:

RAG Rating Indicator	
● Red	Control is not present or not currently operating.
● Amber	Control is not operating fully or consistently in line with risk register entry.
● Green	Control in place and evidenced as operating as stated.

Glossary

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

Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit 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.

PROVISION OF INTERNAL AUDIT SERVICE

Committee: Audit Committee

Date: 25th July 2022

Author: Finance Manager

[X37]

1. ISSUE

1.1 To update Committee on plans for the Internal Audit Service from 1st April 2024.

2. RECOMMENDATION

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

3. BACKGROUND / OPTIONS

3.1 At Committee on the 10th January 2022, the below recommendation was agreed.

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

4. UPDATE

4.1 The Legal Services Manager has now signed the delegation agreement with North Northamptonshire Council for the two years from 1st April 2022 until 31st March 2024.

4.2 However, with any new agreement not to be put in place until 1st April 2024, it is considered too soon to fully evaluate options to be put in place at this time. It is therefore recommended that this task be deferred until 2023, when we will have a better understanding of what the internal audit market will look like in two years time.

Background Documents

Location
Room 104
The Grange
Ely

Contact Officer
Ian Smith
Finance Manager
Tel: (01353) 616470
E-mail: ian.smith@eastcambs.gov.uk

CORPORATE RISK MANAGEMENT – UPDATE

To: Audit Committee

Date: 25th July 2022

From: Finance Manager

[X38]

1. **ISSUE**

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

2. **RECOMMENDATION**

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

3. **BACKGROUND/OPTIONS**

3.1. The Audit Committee is responsible for overseeing the Council's Corporate Risk Register.

3.2. Updates on the Corporate Risk Register are provided on a six-monthly basis. The Audit Committee last received an update in January 2022.

3.3. The Corporate Risk Register (Appendix 2) has been updated to reflect the latest risks for the Council and to ensure that scoring reflects the current impact and likelihood of those risks materialising.

4. **ARGUMENTS/CONCLUSIONS**

4.1. Appendix 1 of this report provides Members with some background information on Corporate Risk Management.

4.2. The Risk Management group agreed the latest scorings and risk entries in June 2022. Appendix 1 sets out the key updates, including any amendments to risk scores.

4.3. Appendix 2 provides the updated Corporate Risk Register.

4.4. Audit Committee received a presentation on Risk Management at its meeting on the 10th January 2022, at which officers took away a number of comments on the Risk Management Policy and the Corporate Risk Register. It was agreed that these comments would be discussed at a future meeting of the Risk Management Group. The comments and the Group's response are detailed in Appendix 3.

5. **FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT**

There are no additional financial implications arising from this report. Neither an Equality Impact Assessment or Carbon Impact Assessment are required.

6. APPENDICES

Appendix 1 – Corporate Risk Management Report – June 2022

Appendix 2 – Corporate Risk Register

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	Room 104 The Grange Ely	Ian Smith Finance Manager ian.smith@eastcambs.gov.uk

Appendix 1 – Corporate Risk Management Report – June 2022

Background

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

Corporate risk register updates

4. The Corporate Risk Register has been updated, and is attached at **Appendix 2**.
5. 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.
6. 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.
7. The membership of the Corporate Risk Group has been reviewed and updated in the last quarter, with operational services now represented by the Customer Services Manager.
8. 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
A4 Homelessness in the District.	The residual risk scoring has been increased from 4 to 9. Both the impact and likelihood scores have been raised from 2 to 3. This amendment was made to reflect the impact and additional risk of homelessness in the district relating to the Homes for Ukraine programme. There was considered to be a risk that breakdowns of households hosting under the Homes for Ukraine programme could lead to a greater level of homelessness and the risk entry has therefore been updated to reflect this risk and associated controls/actions.

Risk	Description
A5 Council unable to manage impact of Coronavirus (Covid-19) on Council services.	This risk entry has been removed from the register on the basis that the Council reviewed its response and recovery to the Covid-19 pandemic and is now operating under business as usual. Any remaining risks are considered under the relevant risk entries, rather than as a standalone risk (i.e. C1 reflects the coverage of Living with Covid-19 risk assessments).
A6 Impact of Coronavirus (Covid-19) on the business and communities of East Cambridgeshire.	This risk entry has been removed from the register on the basis that it is no longer considered a standalone risk. Any associated risks are being managed under business as usual.
B1 Inability to balance the Council's budget.	The residual risk score has been reduced from 12 to 8, due to a reduced likelihood score, based on the outturn position from 2021/22.
B3 Failure to accommodate the impacts of Brexit.	This risk entry has been removed from the register on the basis that the Council is now responding to any related impacts as business as usual.

Corporate residual risk heat map

- 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

- Risk management processes follow good practice, and are considered proportionate. These are documented in a Risk Management Policy, with a supporting framework.
- The Risk Management Group continue to review the Risk Register on a quarterly basis to ensure all risks are recognised and up to date.
- 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.

13. The Risk Management Policy requires managers to keep all risks under review, and the Corporate Risk Register has been updated accordingly.

Corporate Risk Register

Appendix 2

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 (ECTC) and East Cambridgeshire Street Scene (ECSS) 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. Company Business Plans include risk register 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)	The ECTC Business Plan will be presented to Finance and Assets Committee	D- CS	June 22	G
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.	CU M	3	4	12 (A)	Council Support Programme to Community Land Trusts. Community Led Development SPD. Engagement with CPCA to access Housing Fund. Newly published Strategic Housing Market Assessment (SHMA) Small loan agreed to ECCLT to deliver 15 Shared Ownership Units in Ely. Approved £100k homes allocation policy. Establish relationship with Homes England and local allocation policy.	2	3	6 (A)	Discuss pipeline with Homes England for grant funding Present First Homes Interim Policy Statement to Finance & Assets Committee	CU M CU M	On-going June 22	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
A4	Homelessness in the District.	<p>Increase in homelessness driven by external factors such as the cost of living crisis (fuel and energy), Universal Credit and the Homelessness Reduction Act.</p> <p>Breakdown of relationships following Ukrainian's being taken into homes via the Homes for Ukrainian Scheme.</p>	Impact on the Council finance and resources.	D-C	4	5	20 (R)	<p>Frontline resources focussed on preventing homelessness.</p> <p>Council retained hostels.</p> <p>Housing now has community advice within the department meaning that residents now have a one stop shop for early intervention and homelessness prevention.</p> <p>Community bus is now on the road and stops at various locations throughout the month to give advice on housing and community advice.</p> <p>Team continues to prevent homelessness and B&B has not been required to date.</p> <p>Homes for Ukrainian's internal working group meeting weekly.</p> <p>Additional admin. support recruited to assist with the Ukrainian schemes.</p> <p>Community Hub set-up.</p> <p>Working with multiple organisation.</p>	3	3	9 (A)	Resettlement Officer being recruited	H&CA-M	July 22	G
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 fair funding review and 75% retention of business rates, planned to be introduced on 1st April 2023.</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> <p>"Cost of living crisis" resulting in lost Council Tax receipts and increased direct costs to the Council as inflation increases.</p>	Failure to balance the budget in 2022/23 resulting in an inability to set a legal budget for 2023/24 in February 2023.	FM	3	5	15 (A)	<p>Agree Medium Term Financial Strategy (MTFS) each February as part of budget setting process.</p> <p>The 2022/23 Budget was approved by Full Council in February 2022.</p> <p>Quarterly budget monitoring through Management Team and relevant Committees.</p> <p>Partnership working and on-going consideration of potential opportunities linked to the key ambitions.</p> <p>Strong leadership from members and officers.</p>	2	4	8 (A)	MTFS up-date to Finance & Assets Committee	FM	Sept 22	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
B2	Failure to achieve expected levels of development and planning gain	The viability and delivery of residential and commercial development. Changes in legislation such as the Levelling Up and Regeneration Bill.	Council failing to deliver its growth trajectory and not generating projected s106 and CIL income.	D-CS	3	4	12 (A)	CIL and Section 106 collection and monitoring CLT support programme Working with developers	3	4	12 (A)	Respond to the outcomes of the Levelling Up and Regeneration Bill.	CU M	Ongoing	G
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 (including Brexit) 	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	4	12 (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 Local Resilience Forum. Improved ICT functionality allows more staff to work remotely, aiding the response. Living with Covid-19 risk assessments.	2	2	4 (G)				
C2	Loss of data or access to ICT systems due to a breach of information security and / 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 and reputational risk. Inefficient working.	FM	3	4	12 (A)	ICT Disaster Recovery Plan. System and Penetration testing regime. ICT Security Policy. Government Connect and Public Sector Network compliance. Implementation of Office 365	3	3	9 (A)	Actions arising from Cyber Security audit report Actions arising from the Internal audit review of Outlook outages	ITM ITM	July 2022 July 2022	A 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.	CM T	2	3	6 (A)	Monitoring changes to legislation that impacts the Council. Topical examples include H&S sentencing guidelines, and earlier closedown of accounts. Procedural rules are changed as required and training delivered at least annually. Safeguarding policy under review. Safeguarding leads nominated and all staff have received safeguarding training. Health and safety management system. Disaster Recovery Plan and supporting systems / hardware. Equality, Diversity and Inclusion policy. Training on equality, diversity and inclusion for Members and officers rolled out. Equality monitoring reports published. Annual health and safety report. RIPA policy (Regulation of Investigatory Powers Act) Whistleblowing Policy	1	3	3 (G)	Review Safeguarding Policy Updates to RIPA policy, following inspection.	H&CA-M LSM	Sept 2022 August 2022	G G	
C4	Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018).	Data breaches. Failure to meet legislation deadlines. ICT system failure / cyber-attack.	ICO monetary penalties, enforcement notices, prosecution. Compensation claims and reputational damage.	LSM	3	5	15 (A)	All Council staff and members undertake annual online data protection training. All new staff briefed at Corporate Induction. Data breach register maintained. All breaches risk assessed, investigated and recommendations made. Record of Processing Activity in place and maintained by Information Officer.	2	4	8 (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.	CM T	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 is part of the 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	CU M	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)	Submit the Single Issue Review of Local Plan document to the Planning Inspectorate. Public examination of the Single Issue Review of Local Plan.	CU M CU M	July 2022 January 2023	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
D8	Difficulties with staff recruitment, absence (including sick leave) 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 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. More acute in areas with reliance on single officer.	CM T	3	3	9 (A)	Investment in training and up-skilling existing staff. Absence Management policy. Management Development training has been delivered to all Service Leads and team leaders. Remote working policy. Service Delivery Plans reintroduced and presented to Policy Committees in March 2022. Use of market supplements where necessary.	3	2	6 (A)	Six-month review of Service Delivery Plan	CM T	Nov 22	G

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-CS Director, Commercial Services
- FM Finance Manager and S151 Officer
- LSM Legal Services Manager and Monitoring Officer
- CUM Corporate Unit Manager
- HSM Health & Safety Manager
- HRM Human Resources Manager
- CMT Corporate Management Team
- ITM IT Manager
- H&CA-M Housing & Community Advice Manager

Appendix 3 - Corporate Risk Register Heat Map

Summary of Residual Scores for Corporate Risks

Impact	Very High	5					
	High	4		A2, B1, C4	B2, D2		
	Medium	3	C3	A3, C6	A4, C2		
	Low	2		C1	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.
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.
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.

**AUDIT COMMITTEE
QUESTIONS FROM MEMBERS OF COMMITTEE**

At Audit Committee on the 10th January, a number of observations were made with regard to the Risk Management process and register. It was agreed that these would be minuted and then discussed at the next meeting of the Risk Management Group. The Group met on the 31st March and reviewed the comments. The comments and the Group's response are detailed below. The Group further reviewed these comments at its meeting on the 16th June and up-dated responses where it was felt necessary.

Policy Documents

<p>Members queried if the Corporate Risk Register was submitted to Full Council. The Finance Manager confirmed that it was considered and reviewed by this Committee. It was suggested that all Councillors needed to consider and review the Corporate Risk Register.</p>	<p>To confirm that the Risk Register is not presented to Full Council as it is considered that the Audit Committee is the best place for this.</p> <p>Full Council do however approve the Risk Management Policy and Framework.</p>
<p>Members queried how new risks were identified and added to the Corporate Risk Register and the Finance Manager explained the process. Members commented that this should be reviewed.</p>	<p>At each meeting of the Risk Management Group members will discuss any new risks that have been identified and decide whether to include on the register. These risks can be new risks that members of the group are aware of, be risks escalated from the directorates via the Directorate reps on the Group or as suggested by the Head of Internal Audit, as adviser to the Group, who also has knowledge of risks being included on the register of similar councils.</p>
<p>Members stated that Risk Management training needed to be provided for all Councillors and refresher training carried out for Service Leads, having regard to the time that had elapsed since such training had been carried out.</p>	<p>Training has been arranged and will take place for Members on the 27th June 2022. An officer training session has also been arranged and will take place on the 13th July.</p>
<p>With regard to the Impact Guidance in Appendix 5 of the Risk Management Policy, Members commented that the descriptions seemed very vague and were open to different interpretations by different people. Therefore, some form of quantified numerical guidance was required, such as percentage rates or probability rates, to assist the assessment process.</p>	<p>It is acknowledged that the wording here is not specific, but it has to be flexible enough to be applied to all risks, which does mean that some level of subjectivity is required.</p>

<p>Members queried how the risk appetite of 15 had been established and the reasons for this. The Council needed a proper definition of its risk appetite and a justification for it. The Risk Scoring Matrix also needed to be reviewed to include real examples of what the scoring meant in terms of impact and likelihood.</p>	<p>The Council has had a risk appetite of 15 for some while. Officers continue to believe that this is the right level at which risks with a residual score higher than this should be reported onto Full Council.</p> <p>Clearly if Audit Committee wish to change this score, it is within their remit to do so.</p>
<p>A Member commented that the 'Action RAG' column in the Corporate Risk Register had not been completed in every case and a number of the entries in the 'Target Date' column were shown as 'ongoing'.</p>	<p>This was reviewed at the Risk Management Group meeting and new actions added, but it was noted that in many cases the key controls were adequate and no specific additional actions were being taken forward.</p>
<p>A Member queried the relationship between Internal Audit (IA) reports and the reflection of risks in the Corporate Risk Register, using the examples of the IA report on contract compliance and the statement that out of date versions of corporate policies were published on the internet/intranet.</p>	<p>The Group's opinion was that these are reflected in the scores allocated. It was noted, for example, that the risk score for cyber security had been increased in recent months.</p>

Risk Register

<p>Risk A2 – How is the rating for this risk in relation to ECTC based upon the £500,000 figure evidenced?</p>	<p>While the loan to ECTC is more than this amount, because of the on-going monitoring of the Company's accounts and the debenture to be put in place with the new loan facility, it is considered extremely unlikely that the full value of the loan would ever be lost.</p>
<p>Why is there a single risk for the two Trading Companies when both different in nature and consequences of failure? Should be listed and risk rated separately. How does Risk Management Group evidence decision to keep together as key controls the same?</p>	<p>The risk here relates to the Governance of the Trading Companies, and as both have the same governance arrangement it is felt appropriate to combine them in this way.</p>
<p>Risk A3 – How is the rating for this risk evidenced bearing in mind only 57 affordable housing units completed on a target of 130 per year?</p>	<p>There is no set target. The Council secures affordable housing through the planning process through Section 106 Agreements and works with other organisations wherever possible to bring Affordable Housing forward. The Council encourages a range of tenures of affordable housing.</p>

<p>Risk B3 – How evidence issues and assessment relating to Brexit and Covid in relation to ECSS shortage of HGV drivers? Why is this risk not correlated/reflected in Risk D8 on staff recruitment, absence and retention?</p>	<p>There is no suggestion that Brexit alone caused the driver shortage, but instead it was a number of issues which cumulatively caused the problem.</p> <p>With the immediate concern over Brexit having now passed, it was agreed to remove this risk from the Register and include any on-going residual threat under C1.</p>
<p>Risk C2 – Outlook issue in January 2022 may have been supplier issue, but how evidence that correct controls in place to deal with such issues? Also happened on 1 January but Members/public not notified of issue until 4 January. Need to consider how effectively notify Members/public, etc, under such circumstances, e.g. blanket texts, posting messages on social media. Disaster Recovery Plan not tested and Cyber Security Review raised a number of issues. How are these to be mitigated by ICT staff when already overstretched and so is the risk rating correct?</p>	<p>These issues have been considered and the risk as shown on the Risk Register amended.</p>
<p>Risk C4 – is risk rating correct when are issues with non-compliance on Local Government Transparency Code and GDPR?</p>	<p>The issue with the Local Government Transparency Code has now been addressed.</p>

CODE OF CORPORATE GOVERNANCE

Committee: Audit Committee

Date: 25th July 2022

Author: Finance Manager

[X39]

1. ISSUE

1.1 To update the Council's Code of Corporate Governance.

2. RECOMMENDATION

2.1 Committee is asked to approve the updated Code of Corporate Governance as attached as appendix 1 to this report.

3. BACKGROUND/OPTIONS

3.1 The Council's current Code of Corporate Governance appears on the Council's internet site under "About the Council" and "Policy, Strategy and Plans".

3.2 The current Code was approved in 2017 and is therefore in need of an update.

4. ARGUMENTS/CONCLUSIONS

4.1 The revised Code is attached as Appendix 1 to this report. This is not significantly changed since the version approved in 2017, but references have been changed/updated in various places and more detail provided where necessary.

4.2 Management Team have reviewed the revised document and are comfortable that it truly reflects the current position.

5. APPENDICIES

5.1 Appendix 1 - Draft Code of Corporate Governance (for approval)

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



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Code of Corporate Governance

INTRODUCTION

Good governance

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest and accountable manner.

Our commitment

East Cambridgeshire District Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council, leading ultimately to good outcomes and reputation.

Good governance flows from shared values, culture and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with, and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

This local code of governance has been developed in accordance with and is consistent with the *Delivering Good Governance in Local Government* framework, which builds on the seven Principles for the Conduct of Individuals in Public Life (Appendix A).

Core principles of good governance

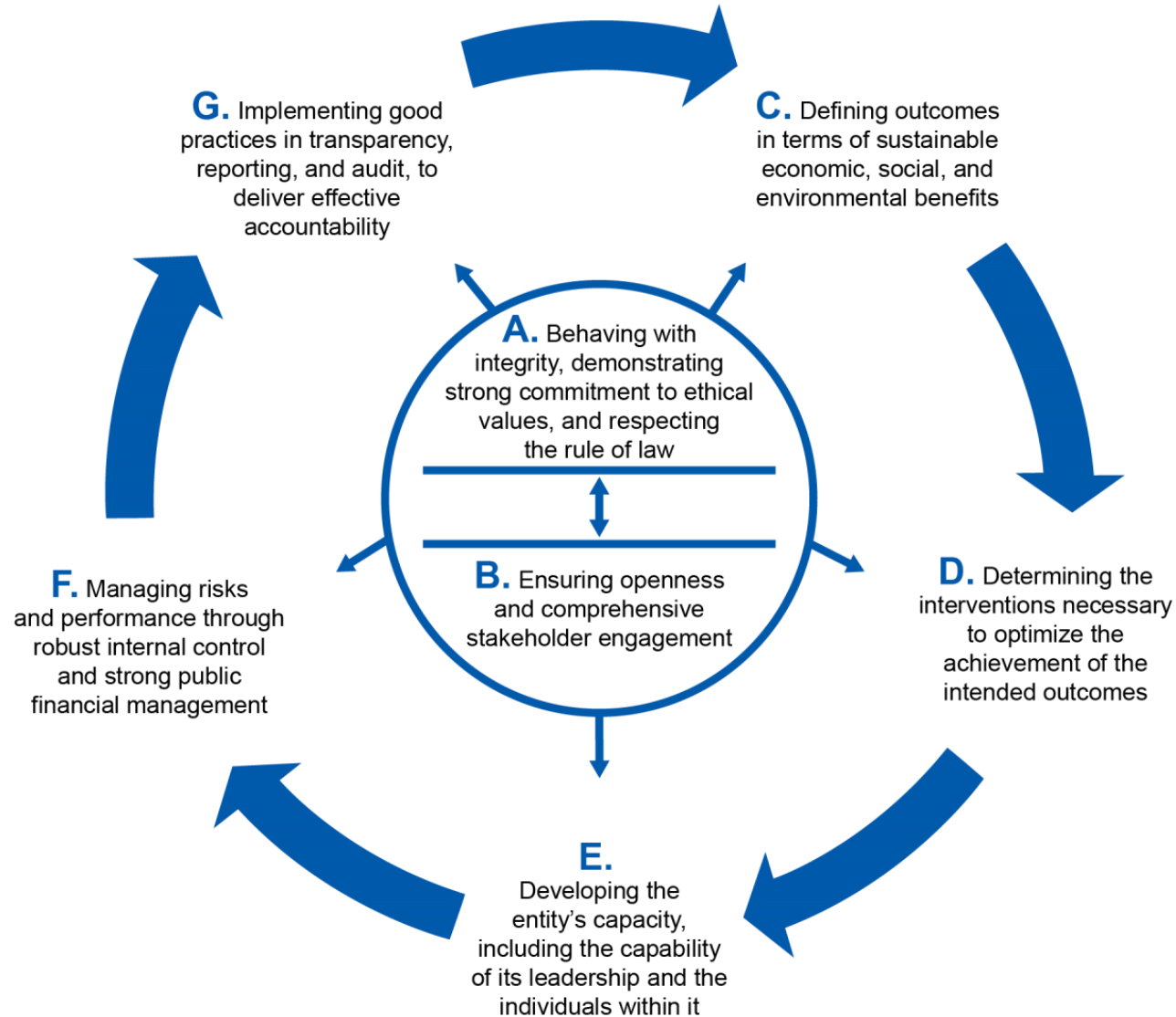
The core governance principles of the Council are:-

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

Applying the core principles of good governance

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
<p>Behaving with integrity</p>	<ul style="list-style-type: none"> • The Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect through its Constitution, Corporate Plan and other key policies. • The Council’s Constitution contains Codes of Conduct for employees and members. This communicates the expectation that members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting the reputation of the organisation. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles). • The Council has in place arrangements to ensure that Councillors and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and has in place appropriate processes to ensure that they continue to operate in practice. This includes maintaining the statutory Register of Members Interests, and requiring officers to make Declarations of Interests. • The Council has in place arrangements to ensure that core corporate policies and processes are designed in conformity with ethical standards, and are reviewed on a regular basis to ensure they are operating effectively. 	<ul style="list-style-type: none"> • Corporate Plan • The Council’s Constitution • Members Code of Conduct • Employee Code of Conduct • Register of Members’ Interests • Declaration of Interest Guidance • Rules relating to Gifts and Hospitality • Members Induction / Training • Financial Regulations • Contract Procedure Rules • Scheme of Delegation • Statutory roles

<p>Demonstrating strong commitment to ethical values</p>	<ul style="list-style-type: none"> • The Council's Constitution establishes a clear ethical framework for the Council's operation, and core corporate policies and procedures place emphasis on agreed ethical values. • The Council's Codes of Conduct ensures that personal behaviour is underpinned with ethical values which permeate all aspects of the organisation's culture and operation. • The Council maintains an effective Constitution. 	<ul style="list-style-type: none"> • The Council's Constitution • Members Code of Conduct • Employee Code of Conduct
<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> • The Council's policies and culture set the tone for members and employees to demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations, and ensure that statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. • The Council maintains and implements a Whistleblowing Policy to enable employees to raise any concerns of wrongdoing in confidence and without fear of reprisal. External suppliers, members of the public, Councillors and other stakeholders may raise any concerns about suspected illegal or illegitimate practices via the Council's formal Complaints Scheme. • The Council recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on it by public law. The Council observes all specific legislative requirements placed upon it, as well as the requirements of general law, and deals with breaches of legal and regulatory provisions effectively. The Council strives to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. • The Council ensures corruption and misuse of power are dealt with effectively through the Anti-Fraud and Corruption Policy. • The Council's decision making framework is set out in the Council's Constitution including an effective scheme of delegation. The Council's Constitution is kept under continuous review in line with best practice. 	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy • Anti-Money Laundering Policy • Whistleblowing Policy • Formal Complaints Scheme • Monitoring Officer protocol • Scheme of Delegation

Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
Openness	<ul style="list-style-type: none"> • The Council's Constitution, Forward Plan and Committee system ensures that decision-making is open and there is appropriate oversight and challenge, with an organisational commitment to openness. • The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public with minutes and papers being available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. • The Council's Corporate Plan, Statements of Accounts and key strategies are available through the Council Website. • An effective Internal Audit function is resourced and maintained, with regular reporting to the Audit Committee. • The Council is committed to being transparent, accountable and to increasing the amount of data it publishes for reuse by others. The Council maintains a Publication Scheme listing the information available to the public as a matter of course, and publishes responses to many Freedom of Information requests online. • The Council uses formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action. 	<ul style="list-style-type: none"> • Forward Plan • The Council's Constitution • Committee System • Internal Audit • Audit Committee • Publication Scheme • Open data • Freedom of Information • Council Website • Corporate Plan • Statement of Accounts • Committee agendas, reports and minutes • Register of Members' Interests

<p>Engaging comprehensively with institutional stakeholders</p>	<ul style="list-style-type: none"> • The Council considers those institutional stakeholders to whom the authority is accountable, to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. • The Council aims to develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. • The Council is part of an Information Sharing Framework, developed by public sector organisations across the County to create a positive culture of sharing information with the aim of improving service delivery. 	<ul style="list-style-type: none"> • The Council's Constitution • Community Engagement Strategy 2018-2023 • Consultation with employees • Agents forums
<p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> • The Council makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Committee meetings are held in public with minutes and papers available to the public on the Council's website, including regular financial and performance forecasts. If a decision needs to be kept confidential, then the justification for this is provided. • The Council consults on its Corporate Plan proposals and other key aspects of its vision, strategic plans and priorities, with the local community and other key stakeholders. The Council takes account of the impact of decisions on future generations of tax payers and service users. • The Council maintains a customer feedback and complaints scheme to enable stakeholders to submit their views on Council performance and services. 	<ul style="list-style-type: none"> • Community Engagement Strategy 2018-2023 • Communications strategy • Project consultation (e.g. Ely Country Park and Ely Riverside) • Consultation through taxi forum • Care & repair satisfaction surveys • Equality Impact Assessments • Customer Charter

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
<p>Defining outcomes</p>	<ul style="list-style-type: none"> • The Council's Corporate Plan states the organisation's purpose and intended outcomes, which provides the basis for the authority's overall strategy, planning and other decisions. It sets out the Council's Objectives and Priorities and defines the commitments and outcomes for East Cambridgeshire District Council. Specific Council strategies and policies link to the outcomes defined in the Corporate Plan. • The Council's five priorities are summarised as: sound financial management, housing; Cleaner, Greener East Cambridgeshire; improving local transport and Social & Community Infrastructure. • The Corporate Plan is supported by Service Delivery Plans which sets out Performance Indicators to be used to assess the achievement of the Council's outcomes. The Council's Performance Indicators are reported to Committees as part of the regular performance reporting. • The Council operates a risk management system to identify and manage risks to the achievement of outcomes. The Corporate Risk Register is reviewed by the Council's Risk Management Group quarterly and Audit Committee twice a year. 	<ul style="list-style-type: none"> • Corporate Plan 2021-2023 • Corporate Management Team • Risk Management Policy and Framework • Corporate Risk Register • Statement of Accounts • Finance and performance reporting

<p>Sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • The Council considers and balances the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council seeks to take a longer-term view with regard to decision-making, which takes account of risks. • The Corporate Plan incorporates the results of consultation with the local community and businesses. The Council seeks to determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible. • The Council identifies and monitors corporate performance indicators, which demonstrate performance against the Council’s planned outcomes and how benefits are being delivered. • The Council maintains a prudential financial framework, balancing commitments with available resources and monitoring income and expenditure levels to ensure a sustainable balance is achieved. • The Council looks to identify joint projects with the County Council and the Cambridgeshire and Peterborough Combined Authority to drive forward key priorities. 	<ul style="list-style-type: none"> • Corporate Plan • Corporate Plan Consultation • Annual Statement of Accounts • External Auditors reports • Finance and performance reporting • Community Engagement Strategy 2018-2023
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
Determining interventions	<ul style="list-style-type: none"> The Council's Corporate Planning process incorporates business cases for proposed projects and savings, ensuring decision makers receive objective and rigorous analysis of a variety of options for achieving outcomes, indicating how intended outcomes would be achieved and associated risks. This ensures best value is achieved, however services are provided. Feedback from citizens and service users is considered when making decisions about service improvements or where services are no longer required, in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts 	<ul style="list-style-type: none"> Corporate Plan Business Cases Corporate Plan Consultation Community Engagement Strategy 2018-2023
Planning interventions	<ul style="list-style-type: none"> The Council has an established annual Corporate Planning process and has set a four-year strategic plan for the Council that informs the development of strategic and operational plans, priorities and targets. The Corporate Plan is supported by Service Delivery Plans which are reviewed annually meaning that mechanisms for delivering outcomes are regularly reviewed and can be adapted to changing circumstances. The Corporate Plan incorporates medium term resource planning, including estimates of revenue and capital expenditure. Budgets are prepared in accordance with the Council's objectives, strategies and the Corporate Plan. The Corporate Plan establishes appropriate performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured. The Council ensures that capacity exists to generate the information required to review service quality regularly. 	<ul style="list-style-type: none"> Corporate Planning process Corporate Plan Service Delivery Plans Consultation Strategy Annual budget and MTFS

	<ul style="list-style-type: none"> • As part of the Corporate Planning process, the Council engages with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. 	
<p>Optimising achievement of intended outcomes</p>	<ul style="list-style-type: none"> • The Council ensures the Corporate Plan integrates and balances service priorities, affordability and other resource constraints, and that the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • The Council's Corporate Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period, in order for outcomes to be achieved while optimising resource usage. • Achievement of Service Delivery Plan outcomes is monitored and reported to the Council's Committees through finance and performance reporting and other reporting. • The Council maintains a robust system of risk management which identifies risks to the achievement of the Council's intended outcomes and puts in place mitigating actions to support achievement. • The Council maintains systems of business continuity and emergency planning to deal with failures in service delivery or emergencies which may threaten achievement of the Council's intended outcomes. 	<ul style="list-style-type: none"> • Corporate Plan • Risk Management Policy • Corporate Risk Register • Finance and performance reporting • Corporate Management Team • Emergency Planning

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council:	This is evidenced by:
<p>Developing the entity's capacity</p>	<ul style="list-style-type: none"> • The Council recognises the benefits of partnerships and collaborative working where added value can be achieved. Governance arrangements for significant partnerships, such as the East Cambridgeshire Trading Company, East Cambs Street Scene Limited and the Anglia Revenues Partnership are detailed in the Constitution. • The Council maintains robust recruitment and selection processes to ensure that the Council is able to attract suitable candidates, ensuring a diverse workforce that will add value to the organisation. • The Council seeks to understand the capacity of its workforce and any gaps, and workforce development strategies are in place to develop the organisation's capacity as required to enhance the strategic allocation of resources. • The Council reviews its operations, performance and use of assets on a regular basis to ensure their continuing effectiveness, and seeks to improve resource use through appropriate application of techniques such as benchmarking and other options, in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. 	<ul style="list-style-type: none"> • Partnership Governance • Constitution • Shareholder Agreements (detailing the relationship between the Council and its trading companies) • Corporate Plan • Corporate Planning Process • Finance and performance reporting • Corporate Risk Register • Members Seminar / Training
<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> • The Council's Constitution established functions and delegation to set out a clear statement of the respective roles and responsibilities of the Council's Executive, the Full Council and individual members. It clarifies the type of decisions that are delegated and those reserved for collective decision making of the governing body. 	<ul style="list-style-type: none"> • The Council's Constitution • Scheme of Delegation • Committee Terms of Reference • Members Code of Conduct • Employee Code of Conduct

	<ul style="list-style-type: none">• Committee Terms of References set out a clear statement of the respective roles and responsibilities of the Council's Committees. This ensures that a shared understanding of roles and objectives is maintained• The Council maintains protocols to ensure effective communication between Council Members and officers in their respective roles.• The Chief Finance Officer is a member of the Corporate Management Team with direct access to the Chief Executive and other members of the management team.• The Council develops the capabilities of members, senior management, and officers to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks, by:<ul style="list-style-type: none">• Ensuring Members and staff have access to appropriate induction tailored to their role, and that on-going training and development matching individual and organisational requirements is available and encouraged;• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis;• Holding staff to account through regular performance reviews which take account of training or development needs;• Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external;• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce, and support individuals in maintaining their own physical and mental wellbeing.	<ul style="list-style-type: none">• Protocol on Members / Officer Relations• Corporate Induction• Members induction and development• Member Seminars• Performance Appraisals• Role of Internal Audit• Chief Finance Officer is a member of CMT• Compliance with CIPFA Statement on the Role of the Chief Finance Officer in Local Government• Compliance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations
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Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
Managing risk	<ul style="list-style-type: none"> • The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Robust and integrated risk management arrangements are in place and regularly reviewed to ensure that they are working effectively. Risk management is embedded into the culture of the Council. • The Council ensures that responsibilities for managing individual risks are clearly allocated and the Corporate Risk Register is reviewed by the Council's Corporate Risk Group quarterly and the Audit Committee twice a year. • Partnering arrangements are covered by documents such as Memorandum of Understanding and Service Level Agreements. Regular monitoring of contracts is carried out with partners. 	<ul style="list-style-type: none"> • Risk Management Framework • Corporate Risk Register • Audit Committee • Project Management • Shared risk registers with partners
Managing performance	<ul style="list-style-type: none"> • Members and management are provided with regular reports on performance and progress towards the achievement of outcomes. • The Council makes decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. • The Council encourages constructive challenge and debate on policies and objectives, to support balanced and effective decision making. • The Council undertakes self-reviews of processes to continuously improve performance. 	<ul style="list-style-type: none"> • Finance and performance reporting • Committee agendas, reports and minutes • Customer Feedback • Internal Audit Reports

<p>Robust internal control</p>	<ul style="list-style-type: none"> • The Council ensures effective counter fraud, anti-corruption and anti-money laundering arrangements are in place. • Additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by Internal Audit. • The Audit Committee is independent of the executive and accountable to the governing body, and: <ul style="list-style-type: none"> ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ○ ensures that its recommendations are listened to and acted upon. 	<ul style="list-style-type: none"> • Anti-Fraud & Corruption Policy • Anti-Money Laundering Policy • Whistleblowing Policy • Internal Audit • Internal Audit Annual Report • Annual Governance Statement • Risk Management Framework • Corporate Risk Register • Audit Committee
<p>Managing data</p>	<ul style="list-style-type: none"> • The Council's information governance policies and procedures follow those of the General Data Protection Regulations (GDPR) and ensure that effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • The Council's Senior Information Risk Owner (SIRO) has lead responsibility to ensure that organisational information risks are properly identified and managed. • The Council ensures effective arrangements are in place and operating effectively when sharing data with other bodies. • Annual training of all staff on the GDPR. 	<ul style="list-style-type: none"> • Data Protection Guidance • Senior Information Risk Owner • Freedom of Information / EIR Regulations • Privacy Notice • GDPR Training
<p>Strong financial management</p>	<ul style="list-style-type: none"> • The Council ensures that its financial management supports both long term achievement of outcomes and short-term financial and operational performance. • Ensures well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. • The Council ensures that officers with a role in financial management are provided with the support and resources to ensure strong public financial management. 	<ul style="list-style-type: none"> • Financial Regulations • Finance and performance reporting • Corporate Plan • Corporate Planning Process

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles	To meet the requirements of this Principle, East Cambridgeshire District Council has supporting controls:	This is evidenced by:
<p>Implementing good practice in transparency</p>	<ul style="list-style-type: none"> • The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • The Council complies with the Local Government Transparency Code and publishes information required in a timely manner. The Council actively considers publishing data where there is demand, such as recurring freedom of information requests. • The Council provides appropriate information to the public to ensure transparency, striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny, while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Committee agendas, papers and minutes • District Council website – Transparency & Open data • Publication Scheme • Forward Plan
<p>Implementing good practice in reporting</p>	<ul style="list-style-type: none"> • The Council's Annual Governance Statement ensures robust arrangements for assessing how the principles contained in this Framework have been applied, and the results of this assessment are published. • The Council ensures that the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. • The Council maintains open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • Some outcomes of the Council are reported to LG Inform for benchmarking. 	<ul style="list-style-type: none"> • Statement of Accounts • Annual Governance Statement • Annual External Audit Report and Letter • Internal Audit Reports • Finance and performance reporting • Committee agendas, reports and minutes

<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • The Council maintains an effective Audit Committee and ensures that an effective internal audit function, with direct access to Members, is resourced and maintained. The Internal Audit service provides assurance with regard to governance arrangements, and verifies that recommendations are acted upon. • The Council ensures that recommendations for corrective action made by external audit are acted upon. • East Cambridgeshire District Council welcomes peer challenge, reviews and inspections from regulatory bodies, as a result of which action plans are identified to implement recommendations. Examples include peer reviews undertaken by the Cambridgeshire and Peterborough Food, Occupational Health and Safety Managers Group and inspections by the IPCO in respect of RIPA • When working in partnership, the Council ensures that arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • Audit Committee • Role of Internal Audit • Peer Reviews • Results of External Inspections • Partnership Governance • Scrutiny membership of external bodies • Risk Management Framework • Council Meetings
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MONITORING AND REPORTING

The Council will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The Council will prepare an Annual Governance Statement which will be submitted to the Audit Committee for consideration and will form part of the Council's annual Statement of Accounts.

The Governance Statement will include:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- a reference to how issues raised in the previous year's Annual Governance Statement have been resolved; and
- a conclusion including a commitment to monitoring implementation as part of the next annual review.

The Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive on behalf of the Council.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and system of internal control and how these address the key risks faced by the Council. Those assurances will be available from a wide range of sources, including internal and external audit, external inspectorates and managers from across the Council.

The Council will continually strive to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurances to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

APPENDIX A - Seven principles for the conduct of individuals in public life

The governance framework is supported by the seven **Principles of Public Life**, which set the standards of conduct and behaviour to which Councillors and employees should aspire in their day-to-day dealings.

1. **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

2. **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

3. **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4. **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office.

5. **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6. **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7. **Leadership**

Holders of public office should promote and support these principles by leadership and example.

FINANCIAL MANAGEMENT CODE

Committee: Audit Committee

Date: 25th July 2022

Author: Finance Manager

[X40]

1. ISSUE

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

2. RECOMMENDATION

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

3. BACKGROUND / OPTIONS

- 3.1 Further to previous discussion at Committee regarding the Council's application of the CIPFA Financial Management Code, Internal Audit were tasked with undertaking an independent review to determine how the Council has applied the Code and what further actions are potentially required.

- 3.2 The Internal Audit report is attached in full as appendix 1 to this report.

4. ARGUMENTS / CONCLUSIONS

- 4.1 Firstly, to say, it is my view as your Section 151 Officer, that the Internal Audit report is broadly positive of the financial management arrangements in place at East Cambs.

- 4.2 The Internal Audit report details a number of potential areas for improvement, which are considered in this covering report. In doing this it should be remembered that the Financial Management Code is published to support all local authorities regardless of their size, and it is therefore not necessarily realistic for a small authority such as East Cambs, to cover all the actions to the level that the Code implies.

- 4.3 The reference letter for each comment below, refers to the letter used in the Audit report.

- 4.4 A - The service planning process has now been reintroduced, with all services having shared service plans with their respective committees. Up-dates will be provided to these committees later in the year.

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

5 APPENDICIES

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

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

INTERNAL AUDIT REPORT



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Financial Management Code 2021/22

Issue Date:	04/04/2022	Issued to:	Ian Smith – Finance Manager
Author:	T Croote		Anne Wareham – Senior Accountant
			John Hill – Chief Executive (<i>final only</i>)



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Financial Management Code 2021/22

1. Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities.

Each local authority must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected Members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected Members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

Local authorities were required to apply the requirements of the FM Code with effect from 1 April 2020. However, CIPFA considered the ambition within this code, the timescale and the wider resource challenges facing local authorities and decided that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code is therefore 2021/22.

CIPFA Bulletin 06 issued in February 2021 provides guidance concerning the impact of the Covid-19 pandemic on governance in local government bodies and takes into account the introduction of the FM Code during 2020/21. The guidance refers to the impact of Covid-19 on financial resilience in 2020/21 and coming years and emphasises that implementation of the code in the shadow year remained a critical task, particularly with its focus on achieving sustainable outcomes. For these reasons, the guidance stated that Annual Governance Statements for 2020/21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the FM Code. Furthermore, where there are outstanding matters or areas for improvement, these should be included in the action plan.

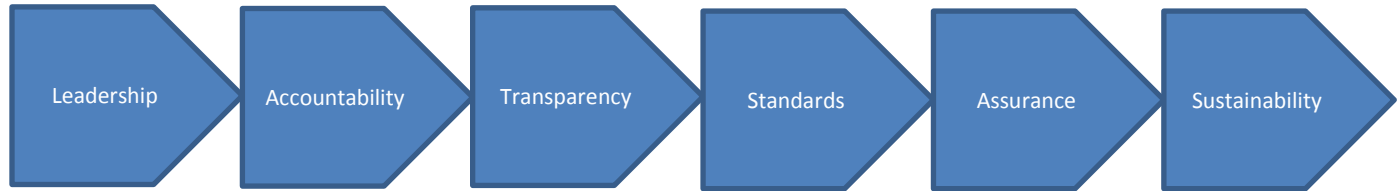
The Council's Finance Manager & S151 Officer initially reviewed the Council's compliance against the consultation version and identified that the only area of non-compliance related to the reporting of reserve account details to committee and action was taken to include details in reports to the Finance and Assets Committee during the financial year 2020/21. For 2021/22 the Finance Manager has carried out a further self-assessment against the final published version of the Code and associated guidance notes. Internal Audit has undertaken a review of the self-assessment to provide independent confirmation of compliance. This report provides a summary of the review carried out by Internal Audit and identifies potential areas for improvement for the Council to consider.

2. Summary of findings

The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. The FM Code identifies the risks to financial sustainability and introduces an over-arching framework of assurance which builds on existing financial management good practice.



The principles are set out below and have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.



The FM Code and associated guidance has been used by Internal Audit to develop a framework document against which to review the Council's current level of compliance. The Council's self-assessment has been largely relied upon for this assessment together with the cumulative knowledge and experience of Internal Audit from ongoing work at East Cambridgeshire and other local authority clients and review of supporting evidence, where possible. The assessment has been discussed with the Finance Manager and the level of compliance and potential areas for improvement are summarised in the table below. It is for the Council and managers to determine whether any action to address the areas for improvement would be appropriate and proportion to the nature and risk profile of the authority.

Principal / standard	Level of compliance	Potential areas for improvement
Leadership		
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.	● Good	<ul style="list-style-type: none"> It was noted that service planning and associated performance reporting was suspended during the pandemic but is being reinstated from 2022/23. This was reported in the 2020/21 annual governance statement and should also be included in the 2021/22 statement. Consider periodic benchmarking exercises and/or peer review to provide additional independent evidence of VFM.
B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	● Substantial	<ul style="list-style-type: none"> None identified.
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	● Substantial	<ul style="list-style-type: none"> None identified.
Accountability		
D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	● Substantial	<ul style="list-style-type: none"> None identified.
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.	● Substantial	<ul style="list-style-type: none"> None identified.



Principal / standard	Level of compliance	Potential areas for improvement
Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	● Good	<ul style="list-style-type: none"> Consider undertaking a survey of senior managers and Members to obtain views on the adequacy of financial reports to support effective decision making.
Transparency		
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	● Satisfactory	<ul style="list-style-type: none"> In addition to the current statutory business community consultation, consider developing wider periodic consultation with local residents and other stakeholders on the Council's budget and financial strategy. Particularly if decisions are required on service changes as a result of the need to address future budget gaps.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	● Satisfactory	<ul style="list-style-type: none"> Develop a standard approach to option appraisal based on best practice guidance.
Standards		
H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	● Substantial	<ul style="list-style-type: none"> None identified.
J. The authority complies with its statutory obligations in respect of the budget setting process.	● Substantial	<ul style="list-style-type: none"> None identified.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed Financial reserves.	● Good	<ul style="list-style-type: none"> Consider inclusion of sensitivity analysis showing the financial impact of any potential errors in key assumptions. This may be more appropriate in future if/when the Council's revenue reserves decrease to such an extent that the accuracy of key assumption represents a key risk to the Council's overall financial standing.
Assurance		
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	● Substantial	<ul style="list-style-type: none"> None identified.
F. The authority has carried out a credible and transparent financial resilience assessment.	● Satisfactory	<ul style="list-style-type: none"> Consider commissioning an independent financial resilience assessment, taking account of key financial risks. This may be more appropriate in the future if/when revenue reserves have reduced to the extent that the Council is in the position of having to consider service changes in order to balance the budget.



Principal / standard	Level of compliance	Potential areas for improvement
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	● Good	<ul style="list-style-type: none"> Consider the need for greater integration of financial and operational performance and activity information in monitoring reports.
Sustainability		
E. The financial management style of the authority supports financial sustainability.	● Good	<ul style="list-style-type: none"> Consider undertaking a self-assessment against the CIPFA Financial Management Model to provide additional evidence of compliance with this aspect of the FM Code. Consider the need for additional financial management training for budget holders and managers (see 2021/22 Internal Audit review of budgetary control).
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	● Satisfactory	<ul style="list-style-type: none"> Whilst accepting the considerable uncertainties in respect of future government funding levels, the Code strongly encourages development of a long-term financial strategy, at least in broad terms.
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	● Substantial	<ul style="list-style-type: none"> None identified.

The leadership team should consider the findings of this review and, where appropriate, develop an action plan for improving the level of compliance with the FM Code (commensurate with the size and nature of the authority) over the next year. Where actions are considered necessary these should be included in 2021/22 Annual Governance Statement.

3. Limitations to the scope of the audit

This is a consultancy review and, as such, is not designed to provide assurance over the adequacy of controls. The Auditor has sought to review the Council's self-assessment and verify the responses through review of evidence, where possible, providing an independent view of potential areas for improvement. Internal Audit has not conducted a full assessment against every element of the Code.

It is the responsibility of management to ensure that controls are designed and operated in a way which ensures that the Council achieves its objectives, whilst minimising the risk of fraud and error. The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

**AUDIT COMMITTEE
ANNUAL AGENDA PLAN**

AGENDA ITEM NO. 13

LEAD OFFICER(S): Ian Smith, Finance Manager & S151 Officer

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Meeting: Monday 25 July 2022 4.30pm		Meeting: Monday 28 November 2022 4.30pm		Meeting: Monday 30 January 2023 4.30pm	
Agenda Planning meeting:		Agenda Planning meeting:		Agenda Planning meeting:	
Pre-meeting briefing:		Pre-meeting briefing:		Pre-meeting briefing:	
Report deadline: 4pm Monday 11 July 2022		Report deadline: 4pm Monday 14 November 2022		Report deadline: 4pm Monday 16 January 2023	
Agenda despatch: Wednesday 13 July 2022		Agenda despatch: Wednesday 16 November 2022		Agenda despatch: Wednesday 18 January 2023	
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
External Audit – Initial Audit Plan	External Audit	External Audit – Audit Results Report	External Audit	External Audit – Auditor's Annual Report	External Audit
Internal Audit Annual Report & Opinion	Internal Audit	Statement of Accounts	Finance Manager & S151 Officer	Internal Audit Progress Report	Internal Audit
Code of Corporate Governance Review	Finance Manager & S151 Officer Legal Services Manager & MO	Internal Audit Progress Report	Internal Audit	Corporate Risk Management Monitoring Report	Finance Manager & S151 Officer
Annual Governance Statement Update	Chief Executive	Draft Annual Governance Statement	Chief Executive	<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i>	DSO
Provision of Internal Audit Services Update	Chief Executive Finance Manager & S151 Officer	External Audit – VFM Risk Assessment	External Audit	Forward Agenda Plan	DSO
Corporate Risk Management Monitoring Report	Finance Manager & S151 Officer	Anti-Fraud & Corruption Policy	Finance Manager & S151 Officer	External Audit – VFM Risk Assessment	External Audit
<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i> Internal Audit Progress Report	DSO Internal Audit	<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i>	DSO		
Financial Management Code	Finance Manager & S151 Officer	Forward Agenda Plan	DSO		
Forward Agenda Plan	DSO				

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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.

**AUDIT COMMITTEE
ANNUAL AGENDA PLAN**

AGENDA ITEM NO. 13

LEAD OFFICER(S): Ian Smith, Finance Manager & S151 Officer

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Meeting: Monday 20 March 2023 4.30pm	
Agenda Planning meeting:	
Pre-meeting briefing:	
Report deadline: 4pm Monday 6 March 2023	
Agenda despatch: Wednesday 8 March 2023	
Chairman's Announcements	Chairman
External Audit – Audit Plan 2021/22	External Audit
Internal Audit Charter & Work Plan 2022/23	Internal Audit
Internal Audit Progress Report	Internal Audit
<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i>	DSO
Forward Agenda Plan	DSO
<u>External Audit – Audit Results Report</u>	<u>External Audit</u>
<u>Statement of Accounts</u>	<u>Finance Manager & S151 Officer</u>
<u>Provision of Internal Audit Services Update</u>	<u>Chief Executive</u>
<u>Annual Governance Statement</u>	<u>Chief Executive</u>

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