



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

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

MEETING: **AUDIT COMMITTEE**

TIME: 4:30pm

DATE: **Monday 17 October 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 Matthew Downey
Cllr Alec Jones

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 meeting of the Audit Committee held on 25 July 2022

5. **Chairman's Announcements** [oral]
 6. **Provision of Internal Audit Service**
 7. **Draft Annual Governance Statement**
 8. **Anti-Fraud & Corruption Policy**
 9. **Internal Audit Progress Report**
 10. **Risk Appetite Options Paper**
 11. **Impact of Company Accounts on Council Group Accounts**
 12. **Financial Management Code**
 13. **Forward Agenda Plan**
-

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/ 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

AGENDA ITEM 4

Minutes of a meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Monday, 25th July 2022, at 4.30pm.

PRESENT

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

OFFICERS

Ian Smith – Finance Manager
Maggie Camp – Legal Services Manager
Tracy Couper – Democratic Services Manager
Adeel Younis – Legal Assistant

IN ATTENDANCE

Rachel Ashley-Caunt – Chief Internal Auditor
Mark Hodgson – External Audit, Ernst & Young

3. PUBLIC QUESTION TIME

No public questions were received.

4. APOLOGIES AND SUBSTITUTIONS

The Democratic Services Manager reported that she had been advised that Councillor Daniel Schumann would be arriving late to the meeting.

5. DECLARATIONS OF INTEREST

No declarations of interests were made.

6. MINUTES

It was resolved:

That the Minutes of the meetings of the Committee held on 14 March and 19 May 2022 be confirmed as a correct record and signed by the Chairman.

7. CHAIRMAN'S ANNOUNCEMENTS

The Chairman stated that whilst this was the first quarter of a new financial year, there would be a continuation in the work programme of the Committee.

She referred to the Member Risk Management Seminar held on 27 June 2022 and the slides circulated to all Councillors. An Officer training session also had been held and further training would be included in the new Member Induction and Training Programme after the District Council elections in May 2024.

The Chairman referred to the delay in the Audit of the Council's Financial Statements by External Audit. She reported that, as the Annual Governance Statement needed to be approved at the same time as the Financial Statements, this document had not been presented in draft to this meeting, but would instead be coming to a future meeting, to ensure that the timeframe for the two documents remained broadly in line. She further explained that changes had been made to the Forward Agenda Plan for the Committee to reflect this and the possible movement of the November meeting to October 2022, but these matters would be discussed under the relevant Agenda item.

8. **EXTERNAL AUDIT – INITIAL AUDIT PLAN**

Mark Hodgson from Ernst & Young, the Council's External Auditors, presented the External Audit Plan. He reported that the format and nature of the Audit remained similar to the preceding year, with one new significant risk identified relating to the new Fixed Assets Register. Mr Hodgson stated that External Audit would not commence the audit of accounts with the Council's Finance Team until January 2023.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Members expressed deep concern at the significant delay in the commencement of the audit of the Council's Financial Statements by External Audit and the fact that this would result in the public not being able to see audited accounts for over a year. They acknowledged that this was a widespread national issue for all authorities which was worsening each year and questioned what measures were being taken to overcome this. Mr Hodgson confirmed that it was an ongoing national issue which would be the remit of the new Director of the national Audit Authority when in post from 1 September 2022. Members then expressed further concerns that these matters would not start to be addressed until September at the earliest.

A Member queried why this Committee did not receive a draft copy of the Council's Statement of Accounts. The Director Finance reported that this had not been the approach of the Council historically, but could be facilitated in future years, if requested by the Committee.

A Member also questioned why audited accounts would not be received for the Council's two Trading Companies, ECTC and ECSS, until September, why this Committee had not received the timeline for the Trading Companies financial statements requested, and why such a timeline had not been developed to enable timely submission of the accounts to this Committee. The Member requested that the Managing Directors of the Trading Companies explain the reasons for the lack of development of such a timetable.

The Director Finance reported that the Council's Financial Statements would be published at the end of July and then little work would be done on these until the Audit formally commenced in January 2023. A Member commented that the Trading Companies audited accounts could impact upon these Financial Statements and asked for this Committee to be provided with an updated set of Accounts at its autumn meeting to reflect this. The Director Finance stated that complications and confusion could be caused by different versions of the Statements of Accounts being in the public domain as it was the draft Statements published at the end of July which would be subject to External Audit review. In that connection, Members requested that a report be submitted to the autumn meeting of the Committee explaining any impacts/amendments resulting from the audited Group Accounts.

A Member commented that the statutory national deadlines remained the same, despite the delay in the commencement of the audit, and this would not show the Council in a favourable light to the public. In response, Mr Hodgson reiterated that this was a national issue, with only 9% of accounts signed-off by the November deadline last year, and the PSAA had acknowledged this unsatisfactory national position needed to be resolved.

It was resolved:

That the External Audit Initial Audit Plan for the Council's 2021/22 financial statements be received and noted.

9. **INTERNAL AUDIT ANNUAL REPORT AND OPINION**

The Committee received a report (reference X35, previously circulated) containing the Annual Report on the work of Internal Audit and the Annual Opinion for the financial year 2021/22.

Rachel Ashley-Caunt, Chief Internal Auditor, highlighted the key sections of the report stating that overall a Satisfactory Assurance had been given of the adequacy and effectiveness of the Council's control environment for 2021/22. This was consistent with the opinions given in recent years.

Ms Ashley-Caunt referred to Table 1 in the Annual Report giving a summary of the Audit Opinions in 2021/22. No limited assurances had been given during the year and the majority of findings were substantial or good.

Table 3 summarised the overall audit opinions and risks, and Appendix B provided a summary of the completed audit assignments finalised since March 2022. Ms Ashley-Caunt stated that 1 recommendation remained overdue and 4 from the previous financial year.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Further questions were raised and comments made by Members on the Annual Report and Opinion and responded to by Officers as follows:

A Member queried whether there was sufficient capacity in the ICT Team to deal with the outstanding IT recommendations and, if so, why were they not being resolved in a timely manner. The Director Finance reported that he now had responsibility for the ICT Team and would be ensuring that the outstanding matters were resolved in a timely manner. A Member stated that the recommendations on Cyber Security had been agreed many months ago and since then the threats had heightened both at national and international levels. Therefore, Members could not be reassured as the previous recommendations had not been implemented, let alone additional steps required in response to the increased threat levels identified. Members requested that further information be provided to the Members of this Committee as a matter of urgency. The Director Finance agreed to provide an update in the next few weeks.

A Member highlighted that the Creditors audit showed payments over £50K still were not being properly authorised. The Director Finance reported that the Procedure Notes had been updated and further training undertaken. A follow-up audit would be undertaken with the results reported to Committee later in the year in an Internal Audit update report.

A Member raised questions on staff Procurement training and the Director Finance agreed to provide details of the various training courses undertaken by officers to Committee.

It was resolved:

That the Internal Audit Annual Report and Opinion for 2021/22, as detailed in Appendix 1 to the report, be noted.

10. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report (reference X36, previously circulated) detailing the work of Internal Audit completed during the financial year to date and progress against the Internal Audit Plan.

Rachel Ashley-Caunt, Chief Internal Auditor, stated that 1 audit had been completed to date.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Members raised further comments and questions on the Internal Audit progress report follows:

A Member commended the rolling real time risk assurances review programme referred to in paragraph 2.5 of the update report, and asked that risk A2 be the next to be reviewed.

Members raised questions on the 5 outstanding actions overdue by 3 months or more and assurances were given that these would be followed-up and reported on at the next meeting of the Committee.

It was resolved:

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

11. **PROVISION OF INTERNAL AUDIT SERVICE**

The Committee considered a report (reference X37, previously circulated) giving an update on plans for the Internal Audit Service from 1 April 2024.

A Member expressed disappointment that this report was presented by the Director Finance and not the Chief Executive, as requested at the previous meeting of the Committee, and that no scoping paper for the review had been provided, as there was a tight timetable for a review to take place before the expiry of the current two year delegation agreement. Therefore, an amendment to the recommendation in the report was proposed, seconded and agreed unanimously as detailed in the resolution.

It was resolved (unanimously):

That the report be noted and the Chief Executive bring an Internal Audit options paper to the next meeting of this Committee.

12. **CORPORATE RISK MANAGEMENT PROGRESS REPORT**

The Committee considered a report (reference X38, previously circulated) providing Members with a copy of the latest Corporate Risk Register.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Further comments were made on the individual risks within the Risk Register as follows:

A Member expressed concern at the removal of the risk relating to Covid-19 from the register, as this would mean that the risk was no longer monitored and there were still significant staffing implications for the Council in terms of absences, etc, and for the local population, resulting from the pandemic. Therefore, the Risk Management Group should be requested to review this decision.

Members raised a number of follow-up questions to the advance questions and answers given on the risks relating to the Council's Trading Companies. They also commented that the fact that the Shareholder Seminar had been delayed displayed that the control arrangements in

relation to the Trading Companies were not working properly. The Member emphasised that the two Trading Companies were separate entities with different risks associated with them and should have separate entries on the Corporate Risk Register. The Director Finance reported that the Corporate Risk related to the governance of the Trading Companies, which was the same for both Companies.

A Member queried the reasons for the Council's risk appetite being set at 15 and gave reasons why they considered this to be inappropriate. The Member requested that the Risk Management Group be invited to the Committee to give an explanation of the rationale for this. The Director Finance stated that he was Chair of the Risk Management Group and could provide explanations and take comments from this Committee back to the Group. However, the Member emphasised that a Risk Appetite Options Paper was required to review the rationale for the Council's current risk appetite.

With regard to the comments detailed above in relation to the Trading Companies and the Council's risk appetite, an amendment to the recommendation in the report was proposed, seconded and agreed by a majority as detailed in the resolution.

It was resolved:

1. That the update report and Corporate Risk Register, as set out in Appendix 2 of the report, be noted and the Finance Manager bring a Risk Appetite Options Paper to the next meeting of the Committee, for a review of the Council's risk appetite.
2. That the Risk Management Group create a separate risk for each of the two Trading Companies and review their assessment of the likelihood and impact of the risks.

13. **CODE OF CORPORATE GOVERNANCE**

The Committee considered a report (reference X39, previously circulated) detailing the outcome of a review the Council's Code of Corporate Governance.

It was resolved (unanimously):

That the revised Code of Corporate Governance attached at Appendix 1 to the submitted report be approved.

14. **FINANCIAL MANAGEMENT CODE**

The Committee considered a report (reference X40, previously circulated) detailing the outcome of a review by Internal Audit of the Council's application of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

A number of questions relating to this Agenda item had been submitted by Members prior to the meeting and these, along with answers provided by officers, were set out in Appendix 1 to these minutes.

Members commended the review and the following amendment to the recommendation in the report was proposed, seconded and agreed.

It was resolved (unanimously):

That the report be noted and that a report be submitted to the next meeting of the Committee on the survey of the adequacy of Financial reports and action plan for improving the level of compliance with the Financial Management Code.

15. **FORWARD AGENDA PLAN**

The Committee received the Forward Agenda Plan for the Committee.

It was resolved:

That the revised Forward Agenda Plan be noted, the November meeting be moved to 17 October 2022 and the following items be added to the Agenda Plan for that meeting, as a result of discussions at this meeting:

- Provision of Internal Audit Service
- Risk Appetite Options Paper
- Adequacy of Financial reports and Action Plan for improving the level of compliance with the Financial Management Code

The meeting closed at 6:43pm.

Chairman:.....

Date:

AUDIT COMMITTEE
25th JULY 2022
QUESTIONS FROM MEMBERS OF COMMITTEE

Questions received from Councillor Inskip

Item 7 – Internal Audit Annual Report and Opinion

Given that Table 5 of Appendix 1 lists five overdue recommendations and all relate to the ICT department, is there confidence that sufficient capacity exists within that department to address recommendations in a timely manner?	There is enough capacity in the IT team to complete the recommendations. The Director, Finance will continue to monitor capacity with the IT Manager.
Why are the Actions overdue more than three months not in the main report but in an exempt appendix?	The actions in the exempt appendix relate to cyber security issues and it was therefore felt sensible to not include these in a public document.

Item 8 – Internal Audit Progress Report

Table 3 of Appendix A lists the agreed action related to the ICT Outages and provides an update dated June 22 but no revised date for closure. When is this action now expected to be addressed?	A report will be presented to Management Team for consideration by the end of August, providing a view on the value for money of packages available and a recommendation as to how to continue.
--	---

Item 10 – Corporate Risk Management Up-date

In relation to risk A2, on how many days during the past quarter has ECSS failed to achieved expected levels of performance (i) in relation to agreed performance targets for Waste Collection and (ii) in relation to the agreed performance targets for Street Cleansing?	The Waste service has a Service Delivery Plan (approved by Operational Services Committee on the 21 st March 2022), which details that performance information will be presented to Operational Services Committee on a quarterly basis.
Is the actual performance of ECSS against the expected level of performance over the past quarter consistent with a Likelihood of 3?	Risk A2 is in relation to the governance of the trading companies, as opposed to the day-to-day service performance. In this regard, the score is felt to be appropriate.

<p>In relation to risk C2, what is the justification for a Likelihood of 3 given there have been several email system outages and there are five overdue actions related to security and resilience of ICT systems?</p>	<p>There have been no outages in the past six months, and while not specifically linked to an audit recommendation, learning has taken place on the cause of the previous events and steps taken to start to address these.</p>
<p>In relation to risk C2, why is the Residual Risk weighted lower than the Inherent Risk rating when actions related to both the Cyber Security audit report and actions arising from the Internal Audit review of Outlook outages are not yet closed?</p>	<p>Since the outages referred to, Office 365 has been implemented which is believed to have reduced the risk in this area.</p>

Item 12 – Financial Management Code

<p>Why is the level of compliance in relation to “A. The leadership team is able to demonstrate that the services provided by the authority provide value for money” rated good when it is noted that service planning and associated performance reporting was suspended during the pandemic and not reinstated until April 2022?</p>	<p>The Council’s self-assessment on this identified the following sources of assurance:</p> <p>The Council, approves a revenue budget, MTFS and capital strategy each February; with these documents having previously been subject to Finance and Assets Committee review.</p> <p>The Finance and Assets Committee also receives an MTFS up-date report in September.</p> <p>The Council has the following mechanisms in place to ensure that this is the case:</p> <p>Constitution (which includes)</p> <ul style="list-style-type: none"> • Council Procedure Rules • Access to Information Procedure Rules • Budget and Policy Framework Procedures • Financial Regulations • Financial Procedure Rules • Contract Procedure Rules • Officer Employment Procedure Rules • Anti-fraud and Corruption Strategy
--	--

	<p>Corporate Plan</p> <p>Internal Audit</p> <p>Risk Management Policy and Framework</p> <p>Service Delivery Planning</p> <p>Equity Impact Assessment process</p> <p>While it is noted that, by exception, the performance reporting was suspended for a two year period, this has now been restored and the view is that it doesn't as a single issue require the overall assessment to be reduced.</p>
--	---

Questions received from Councillor Cane

Item 6 – External Audit – Initial Audit Plan

Why is the audit going to take so long and not report until March 2023?	The audit is planned to commence in late January and conclude in late February ready for March reporting.
How can we publish audited accounts by the extended deadline of 30 November 2022 if the audit won't complete until March 2023?	This clearly is no longer possible; the Agenda Plan has been amended to reflect the revised schedule.
Why does the timetable not include a report to Audit Committee in November 2022 prior to publishing the accounts with 'appropriate publication wording' (p9)?	The requirement to publish the accounts lies with the Section 151 Officer. There would not be a report to Audit Committee to enable this.
What would the Council need to do to ensure the audit work can be completed for an audit report to be brought to the November Committee?	The Council has agreed the audit timeline with the auditor to ensure that the audit can be completed as soon as possible. The current timeline is as a result of delays in previous years for LG sector and the widely reported impact this has had on audit firms operating in the sector.

<p>What consideration has been given to the risk of failure of ECTC Ltd to meet its financial projections and therefore failing to repay the loan from ECDC by the due date?</p>	<p>The Going Concern of ECTC will be an audit procedure performed on the ECTC accounts by their auditor and reported accordingly.</p> <p>This is continuously monitored by the Section 151 Officer with the ECTC Finance Manager. The Section 151 Officer is satisfied that ECTC will meet its obligations.</p>
<p>What is the accounts production timetable?</p>	<p>The Council's draft Statement of Accounts will be published on the website by the end of July in line with national guidance.</p>
<p>Have ECTC and ECSS provided audited accounts to ECDC? If not, when will these be provided?</p>	<p>ECTC and ECSS have provided pre-audited accounts to ECDC and these have been included in the draft Statements which will be published shortly.</p> <p>The company accounts will go to their respective boards and then onto their respective committees for noting in September 2022.</p>

Item 7 – Internal Audit Annual Report and Opinion

<p>Opinion – why do you consider that Satisfactory Assurance can be given when there were several IT outages during the year and 4 actions to improve IT from previous years remain unimplemented? IT is fundamental to our operations and security against fraud, data breaches etc. Without these improvements how have you assured yourself that this is Satisfactory?</p>	<p>The Satisfactory Assurance definition acknowledged that 'there are some control weaknesses that present a medium risk to the control environment'. Overall, all assurance opinions given during the year were of Satisfactory Assurance or above and based on the overall findings this was considered a fair opinion of the Council's wider governance, risk and control framework. The IT outages review is specifically referenced in the opinion, due to its significance, and assurance is taken from the action plan in place to address weaknesses highlighted – which will be subject to follow up assurance work.</p> <p>The opinion statement also specifically references to the overdue IT actions.</p>
---	--

<p>Financial control – what controls have been put in place to ensure that the manual controls to ensure approval of payments over £50k is operating consistently?</p>	<p>Operational procedure notes have been up-dated and staff have been trained in the new procedures.</p>
<p>How is it Satisfactory that 45% of the payments over £50k tested had not been correctly signed off?</p>	<p>The Satisfactory opinion relates to the full control environment and the sign off on payments over £50k was one specific area tested in addition to the planned scope, as a follow up on last year's findings. As above, Satisfactory is defined in the Audit Charter as 'there are some control weaknesses that present a medium risk to the control environment'. The controls tested were generally found to be of Satisfactory assurance or above and this issue has been highlighted as a specific area requiring action.</p>
<p>Risk management – Internal Audit note that the risk register was reviewed by the Audit Committee on a six-month basis. Why is there no comment on the fact that members of the Audit Committee have consistently questioned the Risk Register and Risk Management generally and that management have consistently dismissed the suggested changes and that the Chief Executive has consistently rejected Committee members' request for members of the Risk Management Group to attend Committee to discuss the management of risk?</p>	<p>Internal Audit have reflected on compliance with the risk management framework that has been adopted by the Council.</p>
<p>How is the fraud reporting mailbox publicised to staff, members, contractors and the public and what is the address?</p>	<p>This has been promoted as part of fraud awareness campaigns (both with staff and on social media channels) and is reportfraud@eastcambs.gov.uk</p>
<p>Have there been any messages to the fraud reporting mailbox?</p>	<p>None in the year to date.</p>

<p>Which service leads have asked for ad hoc advice in the last year?</p>	<p>This has included:</p> <ul style="list-style-type: none"> • Disabled Facilities Grants – independent guidance on setting up a framework; and • Finance – advice and support with conducting fraud checks on Covid 19 business grants / fraud alerts.
<p>Debtors – is the dedicated resource to oversee sundry debt now in place? If not, when will they be in place?</p>	<p>The new resource within the Legal Team is now in place.</p>
<p>If they are in place, has this led to more timely action and better audit trails?</p>	<p>It is too early at this point, to determine the impact of the additional resource.</p>
<p>How is it Good that there is lack of evidence of recent recovery action for 9 accounts?</p>	<p>The Good assurance opinion reflects the complete control framework for this area. Testing of 25 debtor accounts confirmed that debt recovery was broadly operating as intended, however further action is specifically required to pursue the debts that have been referred to the Council's Legal department – this was the area where improvement was required. The wider control framework and debt recovery process prior to the referral to legal was found to be operating effectively. This gap had already been noted and plans were in place to devote resources to addressing this issue.</p>
<p>Procurement Compliance – have arrangements been made for all relevant managers to attend procurement training in 2022/23? How many have attended to date and how many are awaiting training?</p>	<p>A procurement training session took place for officers on the 6th June 2022, with 14 officers in attendance.</p>
<p>Internal Audit note that there was a regular use of contract exemptions, when this should be only in exceptional cases. IA note that there was a clear justification and approval – but are IA satisfied that all the contract exemptions were exceptional or are IA concerned that they might be being overused?</p>	<p>In all of the cases tested, the reasoning appeared acceptable i.e. sole providers or unforeseen issues requiring immediate action. It is for management to review and approve the basis as in line with expectations.</p>

How is the S151 Officer assuring himself that we are getting value for money, allowing fair competition and opportunities for would-be suppliers and ensuring proper controls over procurements using the contract exemption route?	Each exemption needs to be reviewed on its individual merit and I am content that all were raised for appropriate reasons.
---	--

Item 9 – Provision of Internal Audit Service

Why has this paper been written by the Finance Manager when the Committee asked for the Chief Executive to provide us with an Options Paper?	This paper is an up-date to Committee, explaining that it is too early to form a view on what the internal audit market place will look like in April 2024. The Chief Executive will present the options paper in due course.
Why is it too early to look at options, such as in-house provision, shared services with (an)other local Council(s), understanding why other local councils withdrew from the current service etc? It's certainly too early to tender, but that wasn't what this Committee requested.	See answer above.
Can the Chief Executive give the Committee an update on work to date to consider Internal Audit options and his proposed timetable going forward?	There is no up-date at this point. An options paper will be brought to Committee in early 2023.

Item 10 – Corporate Risk Management Up-date

What is the level of Covid 19 infections and hospitalisations in East Cambs?	Public Health has confirmed that this information is not broken down by district.
How many staff days have been lost due to Covid 19 since 1 April 2022?	115 days have been lost to Covid in this period (this includes full time and part time positions).
How many of the ECSS absences since 1 April 2022 have been due to Covid 19, measured by staff days?	<i>This information could not be obtained in the time available, but will be reported on to Committee Members when available.</i>
In how many of each of the last 5 financial years have ECTC delivered upon their Business Plan?	ECTC continues to deliver its Business Plan and has done so for each year. There are sites which span across

	<p>several years and this is reflected in each of the business plans.</p>
<p>Why is the Inherent Likelihood of A2 just 3 – Possible, when ECTC has only ever been able to repay loans by the due date by being given a further loan by ECDC with which repay the previous loan?</p>	<p>ECTC has engaged with the Section 151 Officer early and ahead of need. It is normal business for a company to work with its lender on existing and potential loans.</p> <p>In each case ECTC has liaised with the Council's Section 151 Officer well in advance of need and the Section 151 Officer is satisfied with the financial information provided to justify the request which has led to recommendations that Council has approved.</p>
<p>How does ECTC's Business Plan for 1 April 2022 - 31 March 2023 act as a key control when it wasn't presented to F&A Committee until June this year, and the Shareholder meeting had to be cancelled due to the lack of a Business Plan?</p>	<p>Until the 2022/23 Business Plan was approved in June 2022, ECTC did not conduct any 'new business' and continued to work under the 2021/22 Business Plan.</p>
<p>How are the 'established shareholder arrangements' working?</p>	<p>The arrangements meet the requirements set out in the Shareholder Agreement.</p> <p>The respective committees are responsible for approving the business plans and also receive information on a quarterly basis. For ECSS quarterly performance reports are presented and for ECTC quarterly Management Accounts are presented, both for noting.</p>
<p>What do plans in which ECTC had based its financial projections on consist of? How are such plans reviewed?</p>	<p>These plans are set out in the Business Plan. The Section 151 Officer and the ECTC Finance Manager continue to monitor the financial assumptions made.</p>

<p>How many affordable homes have been built in the District since 1 July 2021 and how many of these were built by CLTs?</p>	<p>The number of affordable homes built in the District is calculated in the period April to March. An initial figure for 2021/22 has been calculated and is being verified by Strategic Planning and will be published in the Annual Monitoring Report (usually December). Since July Haddenham CLT has completed 3 dwellings and ECCLT has completed 5.</p>
<p>How many of the 15 Shared Ownership Units in Ely have been delivered by ECCLT and how many of these are now occupied? If we don't have those figures, please can we ask ECCLT for them.</p>	<p>ECTC and ECCLT have exchanged contracts for all 15 dwellings. 5 properties are occupied, 1 is due for occupation this week and more will be occupied in the coming weeks and months.</p>
<p>How many staff vacancies does the Council currently have (please include any roles currently covered by Agency staff)?</p>	<p>There are 11 vacancies; 1 post is currently being advertised, 4 will be advertised this week, 1 has been offered, 1 is not required until later in the year, and the remainder are being considered by the relevant Service manager.</p>
<p>How many staff have left, or given notice, since 1 April 2022?</p>	<p>12 staff have left or given notice to leave in this period.</p>
<p>How many vacancies fail to successfully recruit from the first advert?</p>	<p>5 vacancies have needed to be reposted since April 2022.</p>
<p>How many ECSS staff have left, or given notice, since 1 April 2022?</p>	<p><i>This information could not be obtained in the time available, but will be reported on to Committee Members when available.</i></p>
<p>How many vacancies does ECSS currently have (please include any roles currently covered by Agency staff)?</p>	<p>1 HGV Driver 2 Operatives</p>
<p>Why has the wording in D8 been changed, to delete "and Trading Companies" from "A shortage of staff in roles across the Council and Trading Companies and a loss of knowledge and skills, could lead to service failure" Some key services are delivered by the trading companies, notably Waste Collection and Street Cleaning, so why</p>	<p>This is the Council's corporate risk register, as suggested in the question, ECSS produces its own annual Business Plan which includes a section on risk.</p>

<p>delete them from this risk? I note in the past you have said that this is for the Trading Companies to manage, but it is inextricably linked to A2 and to our ability to deliver our services.</p>	
<p>Appendix 3 Clearly the Audit Committee is best placed to review the risk register in detail – but it is a Corporate Risk Register – why did the Risk Management Group consider it would not be useful for it to be presented to Full Council, say annually so that all Councillors were aware?</p>	<p>The Council's Constitution delegates responsibility for Risk Management to Audit Committee. Any risk that exceeds the Council's residual risk appetite score would go to Full Council for consideration.</p>
<p>Were any changes made to how new risks were identified as a result of the review?</p>	<p>No; the Risk Management Group continue to be the group that decides which risks are detailed on the Corporate Register, but they continue to be open to any suggestions for additions to the register, whether these come from service leads or indeed, Audit Committee members.</p>
<p>Risk A2 The impact should be assessed as 5 because the risk is >£500k. Impact is not to do with likelihood. That is assessed as unlikely. But the amount of the loan is >£500k so the impact if the risk materialised is 5 – very high.</p>	<p>While the full value of the loan provided to ECTC is above £500k, the company does hold extensive assets, which would be able to be “cashed in” in a worse case scenario and so it's believed that the potential loss is far lower than the loan value.</p>
<p>How does the Risk Management Group ensure it is properly assessing Likelihood and Impact separately, recognising that the risk score is a multiple of the two?</p>	<p>The Risk Register identifies both likelihood and impact and both of these components will be discussed when the Risk Management Group assesses the risk.</p>
<p>Risk A2 is 'ECTC and ECSS fail to deliver upon business plans and expected levels of performance.' In what sense are those risks of Governance?</p>	<p>This risk is predominantly around the governance of the trading companies, and the actions being undertaken by the Council to ensure that appropriate governance is taking place.</p>
<p>How is the rating of A3 evidenced when at January 2022 just 57 affordable housing units had been completed when the need was assessed as 130 a year? I accept there is not a target – although there should be – but there is</p>	<p>For this risk, there is no target for how many units are delivered. The Council has many strategies, CLT, £100k Homes, S106 & Local Plan Policy, etc. to encourage delivery of Affordable Housing in the District. There are no</p>

an assessed need and it is not being met, so the likelihood of failure must be 5 very likely as it occurs constantly.	identified issues that the Council has insufficient mechanisms in place to enable the delivery of affordable housing in the district.
The only changes to C2 that I can see are that the target date for the 2 actions has been moved from January and March 2022 to July 2022. The likelihoods remain at 3 – possible, when there is a history of regular occurrences at the Council which makes it a 5. Can the Committee see the notes of the discussion which concluded that the risk rating did not need to be changed?	There are no formal minutes taken of the discussion.
Have the two further actions now been completed?	Information on the progress of these issues is provided linked to the Internal Audit Progress Report.
Can Internal Audit confirm that the issues with non-compliance on Local Government Transparency Code and GDPR have now been addressed.	<p>The work on updating the Contract Register has been progressed, to address that gap in the Transparency Code requirements. Note - Internal Audit has not conducted a full audit on Transparency Code compliance.</p> <p>GDPR risks have just been reviewed as part of the rolling risk register reviews and will be reported to the next meeting of the Committee. Findings are currently being cleared with management.</p>

Item 12 – Financial Management Code

Can the Committee have a copy of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	Yes – this will be circulated to all members of Committee
How was it decided that no elements on the balance sheet pose a significant risk to our financial sustainability?	The Council has a high level of un-ringfenced reserves in the General Fund (10% of the Council's net budget) and the Surplus Savings Reserve (over £8 million at the end of 2021/22).

FUTURE PROVISION OF INTERNAL AUDIT SERVICE

Committee: Audit Committee

Date: 17 October 2022

Author: Chief Executive

[X83]

1.0 ISSUE

1.1 The future provision of the Internal Audit Services for East Cambridgeshire District Council from 1 April 2024.

2.0 RECOMMENDATIONS

2.1 Members are requested to extend the current Partnering and Delegation Agreement with North Northamptonshire Council from April 2024 until March 2027.

3.0 BACKGROUND/OPTIONS

3.1 The Audit Committee on 25 July 2022 (ref: Agenda Item 9) resolved to instruct the Chief Executive to report to the Committee on the options for the future provision of the Council's internal audit service. The Director, Finance and Chief Executive are responsible for maintaining an adequate and effective internal audit service.

3.2 The current service is provided under a Partnering and Delegation agreement with North Northamptonshire Council which was entered into on 30 June 2022. This agreement is in place until 31 March 2024.

3.3 The options for the future provision of the service is summarised in the table below, specifically:

Option 1	Extend the current agreement with North Northamptonshire Council (i)
Option 2	Bring the service back in house
Option 3	Identify another public sector provider
Option 4	Full procurement exercise with appropriate private and public sector service providers

Notes (i) – The current agreement allows for an extension with the agreement of both parties.

4.0 ARGUMENT/CONCLUSIONS

4.1 The appraisal of all the options for the Committee should be an assessment of risk to the Council's responsibilities and functions.

- 4.2 **OPTION 1** – Fundamental to the assessment of the status quo is one of performance and value for money. The responsible officers, i.e. the Section 151 Officer and Chief Executive assess the current service as high performing with the audit plan delivered in full each year. The partnership arrangement also provides resilience and access to specialist services, if and where required.

The Council currently receives 210 days of audit support with an annual charge of £70,025 (2021/22 price base) equating to a charge of £333 per day. The Partnering and Delegation Agreement states that this will be increased each year for inflation, by the public sector national pay award, plus 0.5%. An assessment of value for money is more difficult to ascertain without a full procurement exercise, which in itself has an initial cost, but the Committee can make a direct comparison with the in-house option 2.

- 4.3 **OPTION 2** – Prior to 2018, the Council provided its own in-house Internal Audit service, via one unqualified officer. This approach provided an advantage of more regular direct day to day contact between the auditor and relevant officer. Current Public Sector Internal Audit Standards require authorities to have a qualified Chief Internal Auditor. From a financial perspective, it is estimated that the previous in-house service could be provided at a similar cost to Option 1 with specific officer costs (one FTE) at approximately £61,000 plus additional management support, training, office and IT costs. However, to have a qualified auditor, is likely to cost significantly more and would be subject to the Council's pay review process.

The key issue for the Committee is one of recruitment and resilience with one dedicated officer and any access to specialist services being subject to additional cost and risk.

- 4.4 **OPTION 3** – Consideration of another public sector provider, which could be procured without a requirement for a formal tender process, would be about track record. Fundamentally, the question for the Committee is WHY! Why would the Committee wish to enter into a new agreement given the risk of reduced performance.

- 4.5 **OPTION 4** – A full tendering exercise ensures the full testing of the market and value for money. Obviously, the value of such an exercise is dependant on the availability of experienced providers and potentially a risk of appointing a new organisation.

In terms of costs, there are implications in terms of one off costs and officer time for a relatively low value contract. Support for the tendering exercise is likely to be the responsibility of the Section 151 Officer and therefore there is a question of opportunity cost. There is no guarantee that the exercise will generate a low cost given that day rates for private sector companies offering internal audit services (under the current ESPO framework) are currently between £400 and £800 per day.

- 4.6 It is strongly recommended that Option 1 is agreed by the Committee as detailed in paragraph 2.1.

5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

5.1 The financial implications are outlined in the report, where appropriate.

5.2 There is no requirement for an Equality Impact Assessment (INRA) or Carbon Impact Assessment.

6.0 APPENDICES

6.1 None

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Audit Committee – 25 July 2022 (Agenda Item 9)	Room 103 The Grange Ely	John Hill Chief Executive (01353) 616271 E-mail: john.hill@eastcambs.gov.uk

DRAFT ANNUAL GOVERNANCE STATEMENT

To: Audit Committee

Date: 17th October 2022

From: Chief Executive

[X84]

1. **ISSUE**

- 1.1. This report presents the draft Annual Governance Statement (AGS) for 2021/22 for consideration by the Audit Committee.

2. **RECOMMENDATION**

- 2.1. The Committee is asked to consider if the AGS is consistent with their own perspective on internal control within the Council, plus the governance issues and actions.

3. **BACKGROUND/OPTIONS**

- 3.1. The Audit and Account Regulations 2015 requires the Council to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 3.2. The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 3.3. The draft AGS is presented to Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and controls.
- 3.4. The draft AGS has been compiled using sources of evidence, including:
- A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - Self-assurance statements prepared by Service Leads;
 - The Chief Internal Auditor's opinion on the Council's internal control environment, which was formally reported to the Audit Committee on 25th July 2022.
- 3.5. The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The guidance states that the AGS should include:
- The Council's responsibilities for ensuring a sound system of governance;
 - An 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 whether these continue to be regarded as fit for purpose;

- The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - Reference to how issues raised in the previous year's Statement have been resolved;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.
- 3.6. In producing the 2021/22 AGS, further consideration has been given to how the Council is actively applying and further developing its compliance with the Principles and identifying where it plans to focus further work in the year ahead. This is reflected in some additional sections in this year's AGS, where each Principle includes a column entitled 'Development in 2021/22' and also a final row entitled 'Focus and further development in 2022/23'. This is intended to provide greater value in the reflection upon each Principle during the 2021/22 financial year and to give assurance and transparency over how the Council constantly seeks to ensure it fully embraces the Principles and seeks continuous improvement.
- 3.7. The 'Review of effectiveness' section seeks to collate the sources of assurance available, including the independent audit opinion and those of other inspection agencies. This also reflects upon the role of the Audit Committee.
- 3.8. 'Significant governance issues' are those that:
- seriously prejudice or prevent achievement of a principal objective of the authority;
 - have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - have led to a material impact on the accounts;
 - the Audit Committee advises should be considered significant for this purpose;
 - the Chief Internal Auditor reports on as significant in the annual opinion on the internal control environment;
 - have attracted significant public interest or have seriously damaged the reputation of the organisation; or,
 - have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.
- 3.9. At the time of publishing the draft AGS for review by Audit Committee no significant governance issues have been identified.

4. ARGUMENTS/CONCLUSIONS

- 4.1. The draft AGS has been prepared, in accordance with professional guidance, and must accompany the Statement of Accounts. The process demonstrates good governance, it has been based on various sources of assurance, and the Committee is asked to consider the AGS. It will also be reviewed by the external auditors, and the final version will be signed by the Chief Executive and the Leader of the Council.

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

Appendix 1 – Draft Annual Governance Statement

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	The Grange Ely	John Hill Chief Executive john.hill@eastcambs.gov.uk

Draft Annual Governance Statement 2021/22

1. Scope of responsibility

- 1.1. East Cambridgeshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. East Cambridgeshire District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, East Cambridgeshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. East Cambridgeshire District Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is included on our website at <https://www.eastcambbs.gov.uk/>.
- 1.4. This statement explains how East Cambridgeshire District Council has complied with the principles of the Code and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1. The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads its communities. 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.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Cambridgeshire District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at East Cambridgeshire District Council for the year ended 31 March 2022 and up to the date of the approval of this statement.



3. The governance framework

The Council's Code of Governance recognises that effective governance is achieved through the following core principles:

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

4. Key elements of the Governance Framework

The following is a brief description of the key elements of the systems and processes that comprise the Council's governance arrangements, including any developments in 2021/22 and areas of focus for 2022/23:



Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Key element	How the Council achieves this	Development in 2021/22
Maintaining codes of conduct which define standards of behaviour for elected Members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.	<ul style="list-style-type: none"> The Constitution contains a Members Code of Conduct, which is underpinned by the Principles of Public Life. Members are required to complete a declaration of interests which is published on the website for transparency. There is a separate Employee Code of Conduct, which is supported by HR policies and procedures. Codes, policies and procedures are shared with new employees as part of the induction process. The Council has a Whistleblowing Policy, which is available to employees. 	<ul style="list-style-type: none"> During 2021/22, there were ten Code of Conduct complaints against Councillors which were subject to investigation and conclusion.
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	<ul style="list-style-type: none"> Corporate policies and strategies, which are regularly reviewed, are available on the Council website. The Constitution contains responsibilities for functions of the Council, Policy Committees, Regulatory Committees and other Committees, Joint Committees and Other Partnership Bodies. It also contains Proper Officer Functions and Rules of Procedure. The Monitoring Officer advises whether decisions are in accordance with the Constitution, and a summary list of responsibilities are included in a Monitoring Officer Protocol. The Council ensures compliance with established policies, procedures, laws and regulations through a number of channels. The Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Finance Manager & S151 Officer is responsible for ensuring that appropriate advice is given on financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Legal Services Manager is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Managers within the Council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key 	<ul style="list-style-type: none"> In 2021, a full review of the Council's Contract Register was conducted, led by Legal Services and Finance, to ensure all contracts were suitably captured. At least every three years, the Licensing Authority is required to consult and publish a Statement of Principles relating to the carrying out of its functions under the Gambling Act 2005. In accordance with the Gambling Act 2005 and Gambling Commission Guidance to Local Authorities, the Council reviewed its Statement of Principles relating to the



Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Key element	How the Council achieves this	Development in 2021/22
	<p>control and as such Service Leads are asked to provide annual assurance that they have promoted relevant policies and made sure that all staff are aware of relevant requirements and exercise due controls. Statements have been received from Service Leads in relation to 2021/22 and assurances have been provided that policies and procedures have been suitably promoted across the service and staff are aware of key policies, procedures and expected standards (including the receipt of gifts and hospitality, contract procedure rules and the Code of Conduct).</p> <ul style="list-style-type: none"> • Service Leads have provided assurance that they have maintained an up to date awareness of the latest legal requirements affecting their service and have noted where potential changes in legislation may require action in 2022/23. • The Monitoring Officer issues reminders on the recording of gifts and hospitality via email to all staff, twice yearly. • The Information Officer organises GDPR/Data Protection/Freedom of Information training for all staff on a yearly basis, including providing training at induction and when new changes take place, to ensure staff are kept up to date and are aware of their responsibilities. 	<p>Gambling Act 2005 this year. The revised statement was adopted by Full Council following a period of consultation, and published in accordance with the Gambling Act 2005 in October 2021.</p> <ul style="list-style-type: none"> • The Agency and Other Off-Payroll Working guidance was updated from April 2021 to reflect the changes in legislation, and an email was sent to all Service Leads to explain the reforms to the rules and what it means for them. • After consultation with Unison, the new Remote Working Policy went live from 1st July 2021.
<p>Focus and further development for 2022/23</p> <ul style="list-style-type: none"> • Training on Procurement Rules will be mandatory for all service leads at least once every three years from 2022/23 onwards. • Policies on Whistleblowing, Flexible Retirement and Redundancy to be subject to review and alignment with latest best practice/legislation. • To implement action arising from Internal Audit coverage relating to a consistent approval mechanism for invoices over £50,000. • The implications for implementation of the Elections Act 2022 are expected to be defined in secondary legislation in 2022/23. • The new Building Safety Bill may introduce new or amended Health and Safety rules and procedures for Building Control, this will be kept under review. 		



Principle B: Ensuring openness and comprehensive stakeholder engagement

Key element	How the Council achieves this	Development in 2021/22
<p>Documenting a commitment to openness and acting in the public interest</p>	<ul style="list-style-type: none">• There is public access to all Committee meetings except where items for discussion are of a confidential nature. The Council continues to be committed to ensuring that members of the public are involved in the decision making process.• There are specific schemes in place to allow members of the public to speak at both Planning and Licensing Committee meetings, and the Council has also issued general guidance on public question time at other meetings, including Full Council.• In order to demonstrate its openness, the Council also publishes on the website the Constitution, Council and Committee agendas, reports, minutes and decision lists.• The Council publishes on its website the recommended datasets in accordance with the Local Government Transparency Code 2015 issued by the Department for Communities and Local Government in February 2015.• The Equality, Diversity and Inclusion Policy sets out the Council's commitment to an inclusive and supportive environment for staff, Members, contractors and visitors that is free from discrimination.• To demonstrate its compliance with the Public Sector Equality Duty, the Council produced and published an Equality, Diversity and Inclusion Monitoring Report which presents an analysis of the following areas:<ul style="list-style-type: none">▪ Equality objectives;▪ Service delivery;▪ Equality impact assessments;▪ Complaints and satisfaction;▪ Access to information;▪ Equality in employment;	<ul style="list-style-type: none">• The HR Manager researched, procured and introduced a new e-learning training course for all staff and Members entitled 'Equality and Diversity Essentials'.• The Council's gender pay gap was reported to Finance and Assets Committee in October 2021.



Principle B: Ensuring openness and comprehensive stakeholder engagement		
Key element	How the Council achieves this	Development in 2021/22
	<ul style="list-style-type: none"> ▪ Gender Pay Gap; ▪ Progress against the Equality Action Plan; ▪ The Council's commitments for 2021-2024. <p>This has been published on the Council's website.</p> <ul style="list-style-type: none"> • Equality Impact Assessments (EIAs) and Comprehensive Impact Assessments (CIAs) inform policy development and decision making. These are published on the Council's website. 	
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<ul style="list-style-type: none"> • Residents are regularly informed about the Council's activities through the Council website, work with the local media, social media and other channels. • The Council has adopted a Constitution which sets out how the Council operates, how decisions are taken and the procedures which should be followed. All meetings are open to the public except where there are confidential matters to discuss. • The Council has developed a Community Engagement Strategy covering the period 2018 to 2023 to ensure that all residents have the opportunity to engage with the Council and have their say regarding the services and resources that they need. • The Council undertakes regular consultation exercises, ranging from small focus groups of customers to large scale questionnaires and face-to-face surveys. A Register of Consultees is held which gives individuals, community groups and associations the opportunity to consider new or revised policies, strategies or functions and to express their opinions, concerns and make suggestions. To encourage as wide a participation as possible, an invitation for further individuals to join the register is included in the Consultation section of the Council's website. • The Statement of Community Involvement (SCI) sets out how the Council involves and consults with the public and wider stakeholders when planning for future local development across the District. This is published on the Council's website and 	<p>Consultation during 2021/22 has included the following:</p> <ul style="list-style-type: none"> • the Statement of Principles relating to the Gambling Act 2005; • Bus Services; • Cycling and Walking Routes; and • Single Issue Review (of 2015 Local Plan).



Principle B: Ensuring openness and comprehensive stakeholder engagement

Key element	How the Council achieves this	Development in 2021/22
	<p>covers consultation arrangements in respect of planning applications and planning policy matters, including the preparation of the Local Plan.</p> <ul style="list-style-type: none">• Regular media releases are used as a means of keeping residents of the District informed of current and upcoming issues and Council decisions. The Council endeavours to ensure that all communications with the public are accessible to all by providing a translation service, large print and braille.• Equity of participation and wider social outcomes (e.g. in health) are fundamental principles of the Council's leisure service provision and is reflected in service specifications and the physical activity generation programme. The Healthy You Programme is based on community engagement and specific user feedback forms part of the evaluation process.• Further examples of community engagement include Landlord Forums, Agents Forums, Taxi Driver Forums and the East Cambs Business Boost.	
<p>Focus and further development for 2022/23</p> <ul style="list-style-type: none">• Implementation of live web-streaming of Council and Committee meetings.• Providing support to managers and staff to deliver the actions set out in the Council's Equality, Diversity and Inclusion Policy.• The Communications team will be reviewing the Community Engagement Strategy and the Press and PR Protocol.		



Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Key element	How the Council achieves this	Development in 2021/22
<p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning</p>	<ul style="list-style-type: none"> • The Council has approved two Corporate Objectives;- To be financially self-sufficient and provide services driven by and built around the needs of our customers; and, To enable and deliver commercial and economic growth to ensure that East Cambridgeshire continues to be a place where people want to live, work, invest and visit. • A new Corporate Plan for the period 2020-2023 was approved by Council in July 2020, this was up-dated in July 2021 creating a Corporate Plan 2021-2023. It contains five themes which set out the main areas where the Council will concentrate work over the period: <ul style="list-style-type: none"> ○ Sound financial management ○ Improving transport ○ Housing ○ Cleaner, greener East Cambridgeshire ○ Social and community infrastructure <p>Within each of these themes the Council has set out the priorities for the next two years. Details of all the above, together with any committee reports referred to in this statement, can be found on the Council's website.</p> • The Medium Term Financial Strategy (MTFS) is presented to Council on an annual basis to support the budget papers and the Corporate Plan. The MTFS sets out the level of savings that need to be achieved over the medium term. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS. • The Environment & Climate Change Strategy and Action Plan sets out the Council's vision, which is that by 2050 the Council's operations will 	<ul style="list-style-type: none"> • A refreshed Environment & Climate Change Strategy and Action Plan was approved and adopted in June 2021. This included an updated report on carbon dioxide emissions, a new section establishing a series of interim targets towards reducing emissions to net zero, and a review of the top 20 actions committed to in June 2020, together with a new set of top actions for the year to June 2022.



Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Key element	How the Council achieves this	Development in 2021/22
	reach net zero carbon emissions, and steps that will be taken to support our communities and East Cambridgeshire’s biodiversity and environmental assets so they can adapt and flourish as the climate changes.	
Translating the vision into courses of action for the authority, its partnerships and collaborations	<ul style="list-style-type: none"> • In normal circumstances, the Corporate Plan is underpinned by Service Delivery Plans, which set out in more detail how the Council’s priorities will be delivered. These Plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver. During 2021/22 performance reporting against Service Delivery Plans did not take place but has been reinstated for 2022/23. In the meantime, internal monitoring against targets, statutory requirements and objectives has been conducted by Service Leads. • Service Delivery Plans are reviewed every year in line with any changes to the Corporate Priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery. • Staff appraisals and performance reviews are linked to corporate and service level plans. • Where commissioned services are delivered jointly with partners this is reflected in service delivery plans and performance against both service delivery targets and budgets are monitored. • There are service contracts in place between the Council and its Trading Companies. In addition, the Council, through the respective Shareholder Committee, approves each Trading Company business plan. There is a shareholder agreement in place between the respective companies and the Council. 	<ul style="list-style-type: none"> •
Focus and further development for 2022/23		
<ul style="list-style-type: none"> • Service Delivery Plan reporting has been re-instated from April 2022, with Plans for 2022/23 being approved by the respective Policy Committees in March 2022. 		



Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Key element	How the Council achieves this	Development in 2021/22
<p>Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality</p>	<ul style="list-style-type: none"> • 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. • The Constitution includes the Shareholder Committee roles of the Finance and Assets Committee and the Operational Services Committee for the East Cambridgeshire Trading Company (ECTC) and East Cambridgeshire Street Scene (ECSS), respectively, and the Anglia Revenues Partnership Joint Committee. • Business Continuity Management arrangements are in place to support delivery of services and outcomes in the case of unforeseen events. 	
<p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money</p>	<ul style="list-style-type: none"> • Performance management in the Council is based on the Corporate Plan priorities supported by Service Delivery Plans. The Council's two Policy Committees (Operational Services and Finance and Assets) approve and monitor performance against Service Delivery Plans. For the financial years 2020/21 and 2021/22 the Council's Corporate Management Team made the decision to suspend service delivery planning and monitoring / reporting to Committee due to the pressure to maintain services during the Covid-19 pandemic. The Service Delivery Planning process has been reintroduced from April 2022 for the 2022/23 year. • A summary of the overall performance of the Council , linked to the promises detailed in the Corporate Plan, is included in the introduction to the Statement of Accounts. • The Council has established a robust financial planning process which includes a Medium Term Financial Strategy, frequent budget monitoring reports to officers and quarterly budget monitoring reports to Policy Committees. • Customer satisfaction surveys are issued by services such as the Care and Repair team. These seek to ensure that outcomes meet 	



Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Key element	How the Council achieves this	Development in 2021/22
	<p>requirements i.e. improved accessibility and efficient and effective processes.</p> <ul style="list-style-type: none">• Service Lead participation in professional networks enables sharing of latest best practice and benchmarking.	
<ul style="list-style-type: none">• Focus and further development for 2022/23• As above, reinstating performance reporting arrangements from April 2022.• A review will be undertaken of the perception of users of the budget monitoring reports and steps taken to address any identified shortfalls.		



Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Key element	How the Council achieves this	Development in 2021/22
Defining and documenting the roles and responsibilities of Members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements	<ul style="list-style-type: none"> The Council's Constitution sets out how the Council operates and decisions are made. This contains separate articles and key documents covering the Member Code of Conduct, Proper Officer functions, and protocols for the Monitoring Officer. As the Head of Paid Service, the Chief Executive leads the officers and chairs the Council's Corporate Management Team. The other two statutory officers, the Monitoring Officer and S151 Officer report directly to the Chief Executive, and are both members of the Corporate Management Team. Regular meetings are held between the Leader of the Council and Chief Executive and the Leader of the Council and Corporate Management Team in order to maintain a shared understanding of roles and objectives. 	
Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)	<ul style="list-style-type: none"> The Council establishment includes a Chief Finance Officer (CFO), ensuring the financial management arrangements conform with the requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). This responsibility was discharged by the Finance Manager & S151 Officer during 2021/22. 	
Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function	<ul style="list-style-type: none"> The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989. These responsibilities were delivered by the Legal Services Manager in 2021/22. The Monitoring Officer undertakes to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the Council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions. 	



Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Key element	How the Council achieves this	Development in 2021/22
	<ul style="list-style-type: none"> It is important that Members and officers work together to promote good governance within the Council. The Monitoring Officer plays a key role in this and it is vital therefore, that Members and officers work with the Monitoring Officer to enable them to discharge their statutory responsibilities and other duties. There are working arrangements and understandings in place between the Monitoring Officer, members and the Corporate Management Team which are designed to ensure the effective discharge of the Council's business and functions. These arrangements are detailed in the Monitoring Officer Protocol, which is a key document in the Council's Constitution. 	
Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function	<ul style="list-style-type: none"> The role of Head of Paid Service is defined in the Local Government and Housing Act 1989. In East Cambridgeshire District Council, it is assigned to the Chief Executive as set out in the Constitution and all necessary powers are delegated to fulfil the statutory role. The Council is also required to provide the Head of Paid Service with staff, accommodation and other resources sufficient to enable the performance of the function. The annual budget proposed to Council, prepared by officers, seeks to align the provision of Council resources with the delivery of the Corporate Plan. In this manner, the Head of Paid Service is ensuring that the Council is fulfilling its duty. 	
Providing induction and identifying the development needs of members and officers in relation to their strategic roles, supported by appropriate training	<ul style="list-style-type: none"> There is a Member induction and training programme in place. Members are also required to undertake specific training before performing certain duties such as planning and licensing. Additional Member seminars are also arranged throughout the year to deal with specific issues as they arise. There is an induction programme for all new employees, which consists of a mix of one-to-one meetings covering specific aspects of employment and group meetings that deal with more common areas. 	<p>Member seminars and training delivered in 2021/22 included:</p> <ul style="list-style-type: none"> 09/06/2021 ECTC/ ECSS Shareholder Meeting 21/06/2021 Audit Committee Training



Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Key element	How the Council achieves this	Development in 2021/22
	<ul style="list-style-type: none"> • Staff training and development needs are reviewed at performance appraisals and supervision meetings. • All officer posts within the Council have a detailed job description and person specification. The development needs of officers are determined through an annual performance appraisal, a key outcome of which is a Personal Development and Training Plan. This Plan provides a link between service and corporate priorities and career development. Requests for professional/vocational training are presented to Corporate Management Team annually for final consideration. • Continuous professional development completed by professional officers. 	<ul style="list-style-type: none"> • 29/06/2021 Parliamentary Constituencies • 11/10/2021 Network Rail • 16/11/2021 Youth Provision • 13/12/2021 Transport • 20/01/2022 Budget
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"> • Healthy You programme is promoted with Council staff. • Promotion of health and wellbeing resources available via the Council's intranet pages. • Remote Working Policy adopted and health and safety advice available to support staff working on and off site. • Details of health and safety working group and codes of practice made available to all staff. 	<ul style="list-style-type: none"> • Corporate Health and Safety policy reviewed and issued in August 2021.
Proactive and effective use of technology to support service delivery	<ul style="list-style-type: none"> • Adoption of employee self-service systems for payroll and human resources activity. • Refreshing and reviewing systems to ensure these remain effective and up to date. 	<ul style="list-style-type: none"> • Adoption of new payment system – ahead of decommissioning of previous platform.
Focus and further development for 2022/23 <ul style="list-style-type: none"> • Expanding use of new modules and workstreams within the Planning software. 		



Principle F: Managing risks and performance through robust internal control and strong public financial management

Key element	How the Council achieves this	Development in 2021/22
<p>Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability</p>	<ul style="list-style-type: none"> • The Council has a Risk Management Policy and framework to detail the approach to managing risks. The latest Policy was approved by Full Council in October 2020. • The Council's Corporate Risk Register is the result of continuous review by a Risk Management Group, the Corporate Management Team and the Audit Committee, of the key risks that may have an impact on achieving the Council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the Council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments. • Service Leads are asked to identify and highlight major risks at a service level for consideration by the Risk Management Group. Other service risks are managed by Service Leads via the Service Planning process. • The Strategic Business Continuity Plan ensures that the Council is able to plan for, and respond to, a disruptive incident in order to continue service delivery and business operations at an acceptable predefined level. 	<ul style="list-style-type: none"> • Business Impact Assessments and Business Continuity Plan reviewed in 2021/22.
<p>Ensuring compliance with the principles of the CIPFA Financial Management Code</p>	<ul style="list-style-type: none"> • The Council's s151 Officer's self-assessment in 2020/21 against key elements of the Code 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. 	<ul style="list-style-type: none"> • For 2021/22 the s151 Officer 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 an independent review and to highlight areas for consideration of further work.



Principle F: Managing risks and performance through robust internal control and strong public financial management

Key element	How the Council achieves this	Development in 2021/22
<p>Ensuring an effective scrutiny function is in place.</p>	<ul style="list-style-type: none"> The Council has a Call-In and Referral Up Procedure which is part of the Constitution. This enables councillors to call in decisions made through the Policy Committees. Council can then consider the matter afresh and make a final decision which could be to uphold, amend or reject the previous decision of the Policy Committee. The Council provides Members to other Scrutiny Committees, where required, to review the performance and effectiveness of other public service providers as well as the Council. Examples include the Cambridgeshire Police & Crime Panel, Health & Wellbeing Board and the Community Safety Partnership. 	
<p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p>	<ul style="list-style-type: none"> An Anti-fraud and Corruption Strategy is in place which includes procedures relating to Money Laundering and Bribery Act. The Council participates in the National Fraud Initiative (NFI) exercises to identify potential indicators of fraud or error. Fraud reporting email address made available for reporting concerns. The Whistleblowing policy also provides a route for raising concerns in confidence. 	
<p>Gaining assurance on risks associated with delivering services through third parties</p>	<ul style="list-style-type: none"> The Council's Corporate Risk Register details the governance controls that it maintains over its trading companies, to ensure that any risks associated with these are quickly identified. As part of the processes included in this, is the need for the companies to produce an annual Business Plan that includes a risk management section for approval at Committee. 	<ul style="list-style-type: none"> Review of Service Level Agreements (SLAs) with voluntary organisations conducted during 2021/22 which contained recommendations that were approved by Operational Services Committee.



Principle F: Managing risks and performance through robust internal control and strong public financial management

Key element	How the Council achieves this	Development in 2021/22
<p>Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)</p>	<ul style="list-style-type: none"> • The Audit Committee for the financial year 2021/22 operated in line with a terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. • In accordance with guidance, the Audit Committee does not engage in decision making which would impact upon its independence. 	<ul style="list-style-type: none"> • Audit Committee training delivered in June 2021.
<p>Arrangements for managing data to ensure security, quality and accuracy</p>	<ul style="list-style-type: none"> • The Council has a Data Protection Officer (DPO) and Senior Information Responsible Officer (SIRO). • Training is provided to staff on data protection, including as part of induction processes. • Service Leads ensure data is managed in line with Council policy and procedure. • Where parts of the service are outsourced or delivered in partnership, and the third party processes or has access to Council data, assurance is obtained from the third party regarding the robustness of systems and controls it has in place. 	

Focus and further development for 2022/23

- Risk management training scheduled for June 2022 for all elected Members.
- Review of the effectiveness of the Audit Committee to be completed, followed by a report to Council on the activity and effectiveness of the Committee.
- Counter Fraud policies to be subject to review, to ensure compliance with latest best practice.



Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability		
Key element	How the Council achieves this	Development in 2021/22
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.	<ul style="list-style-type: none"> The Council provides support and information to the externally appointed auditors (Ernst & Young LLP). Audit findings and recommendations are reported through the Audit Committee. 	
Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.	<ul style="list-style-type: none"> The Council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value. The governance arrangements for key partnerships are kept under review. Governance arrangements for significant partnerships, such as the East Cambridgeshire Trading Company, East Cambridgeshire Street Scene and the Anglia Revenues Partnership, are documented in the Constitution. 	
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	<ul style="list-style-type: none"> During 2021/22 Internal Audit was resourced externally from a shared service led by Milton Keynes Council which was led by a professionally qualified Chief Internal Auditor in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note. The Internal Audit Charter is in line with the Public Sector Internal Audit Standards and provides for the necessary access required to exercise this key role. 	



	<ul style="list-style-type: none">• The Head of Internal Audit has been a regular attendee at Audit Committee meetings and progress reports on delivery of the audit plan have been provided throughout the financial year.• Implementation of audit recommendations are subject to monthly follow ups by the Internal Audit team and progress is reported to every Committee meeting via a progress report.	
<p>Focus and further development for 2022/23</p> <ul style="list-style-type: none">• To conduct assessment against the latest CIPFA guidance on the Role of the Head of Internal Audit – designed ‘to help ensure organisations engage with and support the role effectively’.		



5. Review of effectiveness

- 5.1. East Cambridgeshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the directors within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2. The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

1. The Council

- In July 2021 the Council approved the Corporate Plan for 2021-2023 which forms the basis of the performance management framework. Council reviews progress against the plan, ensuring it remains committed to the priorities whilst delivering a balanced budget.
- Council approved financial documents including the Medium Term Financial Strategy, Capital Strategy, General Fund Revenue Budget, Treasury Management Strategy, and the Council Tax Reduction Scheme. The Medium Term Financial Strategy provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for administration of those affairs. This role was discharged by the Council's Finance Manager & S151 Officer during 2021/22.
- The CIPFA Financial Management Code published in October 2019 sets out the financial standards of financial management for local authorities. Full adoption of the Code commenced on 1st April 2021. A self-assessment by the s151 Officer in 2021/22 did not highlight any areas of non-conformance with key principles of the Code. An independent review by Internal Audit of the self-assessment was also conducted and areas for further consideration have been reported.
- The Council has considered the appointment of Independent Persons for the Council in accordance with the standards framework to be compliant with the Localism Act 2011. The appointment was made by Full Council in May 2019 and will be for a period of four years.
- Council approved key strategies and policies such as the Corporate Plan 2021-2023 and the revised Corporate Risk Management Policy are in place and communicated.

2. The Finance and Assets Committee

- The Committee reviewed and noted quarterly budget monitoring reports.
- The Committee approved financial reports, such as the Treasury Management Strategy, Treasury Management Annual Performance Review, the Annual Investment Strategy, Revenue Budgets, Capital Strategy, Council Tax, overall



Council Budget reports, and reviewed the minutes of the ARP Joint Committee, as the partnership which delivers revenues and benefits for the Council.

- In undertaking its role as the Shareholder Committee for East Cambridgeshire Trading Company (ECTC), the Committee approved the Business Plan for 2022/23 (June 2022) and noted the ECTC accounts for 2020/21.

3. The Audit Committee

- The Committee performed the role of the Audit Committee as defined by the Public Sector Internal Audit Standards, which covered internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The Committee received reports on corporate risks, the work of internal audit, including the annual report, and external audit reports, letters and briefings. It also reviewed and approved the Annual Governance Statement for 2020/21.

4. The Operational Services Committee

- The Committee received and noted quarterly budget monitoring reports. The Committee also reviewed the revised Environment & Climate Change Strategy & Action Plan; an overarching Environment Policy; and plans for the new 'Investors in the Environment' programme.
- The Committee received a progress report against the East Cambridgeshire Youth Action Plan 2021-24 and an annual update on the performance and capacity of the Community Advice Service.
- In undertaking its role as the Shareholder Committee for East Cambridgeshire Street Scene (ECSS), the Committee received performance reports for the delivery of the waste and street cleansing services by ECSS. The Committee also approved the ECSS Business Plan for 2022/23 and noted the ECSS statutory accounts for 2020/21.

5. Relationship between the Council and its Trading Companies

The shareholder arrangements for the Finance and Assets and Operational Services Committee are detailed above. In addition, there are a number of matters reserved for Council as the sole shareholder, as detailed in the Shareholder Agreement. The Council continues to implement the revised arrangements for the membership of the ECTC and ECSS board and wider member scrutiny (ref: Council – 17 October 2019 Agenda Item 14 and 15) specifically the appointment of the Leader of Council or Deputy Leader of Council and the respective Chairman of Committee to the Boards as Observers, the membership of the Boards to include the respective Director, delegations of functions of Council to the respective Committee to meet its shareholder responsibilities and an annual all member shareholder seminar held at the end of each financial year.



6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report was presented to the Audit Committee in July 2022. This report outlined the key findings of the audit work undertaken during 2021/22 including any areas of significant weakness in the internal control environment.
- The Chief Internal Auditor's annual opinion for 2021/22 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 invoice payments over £50,000 - where it was noted, from follow up testing, that manual controls implemented following the 2020/21 audit 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 six agreed actions from previous financial years which remain unimplemented at the time of reporting.

Internal Audit has not been made aware of any further governance, risk or significant 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.

7. External audit

- Under the Government's local public audit regime the Audit Commission initially, and more recently Public Sector Audit Appointments Limited, have awarded contracts for work previously carried out by the Audit Commission's audit practice. As a result Ernst & Young (now EY) became the appointed external auditor for East Cambs District Council from 1 September 2012.
- EY's audit results report for the financial year 2020/21 was presented to Audit Committee on 22 November 2021. The annual audit report 2020/21 was presented to the Committee on 14 March 2022.
- For the financial year 2020/21 EY issued unqualified audit opinions on the Council's financial statements and value for money conclusion.

8. Other inspection agencies

- In November 2021, the Council was subject to a routine inspection by the Investigatory Powers Commissioners Office (IPCO). The inspection revealed that the Council's Regulation of Investigatory Powers Act (RIPA) Policy needs updating. This will be implemented during 2022, along with training for all staff who would use the RIPA powers.

9. Impact of the Covid-19 pandemic in 2021/22

- During 2021/22 the Council had operating in recovery stages of the Covid-19 pandemic, with support of an internal officer recovery group led by the Operations Director. This was set up to maintain key services, continue to help those in need, support local businesses and keep everyone informed. Work stream examples included:
 - Continued focus on working with businesses, offering help, support and guidance;

- Working with parish councils to offer support, and guidance including the introduction of a Covid-19 local outbreak response plan;
 - Ensuring local outbreaks of the virus are managed and monitored;
 - Ensuring that residents self-isolating have access to food deliveries, hardship payments and general support;
 - Continued homelessness prevention, access to benefits and hardship grants;
 - Working with statutory partners including Public Health and the County Council to ensure a joined up approach;
 - Getting messages out to residents on how to stay safe by social distancing; and,
 - Administering the Government’s test and trace self-isolation payments.
- The Council is part of the Local Resilience Forum who have convened a County-wide Recovery Coordination Group, which allows the Council to work collaboratively with a multitude of organisations towards a common goal. A number of sub-groups were set up covering different areas of work with the Council being represented by officers.
 - The Council established a Covid-19 Member Working Party to feed into the wider district recovery plan.
 - The Council’s governance structures were refined during the transition through recovery phases and were supported by comprehensive action plans, communications and performance management.
 - Internal Audit reported on the Council’s response to COVID-19 recovery in 2021/22 (ref: 28/02/2022), the Auditor’s Opinion is summarised below:

Internal Audit Assurance Opinion	
Control Environment	Good Assurance
Compliance	Substantial Assurance
Organisational Impact	Minor

There were no high or medium recommendations, there were two low risk recommendations in relation to the requirement for a template for a decision log and final update including lessons learnt. Both of these actions have been agreed by Management Team.

6. Significant governance issues and actions

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance. The review process has highlighted no significant issues.

7. Conclusion

Based on the work that has been completed, assurance can be taken that the governance arrangements at East Cambridgeshire District Council are fit for purpose.



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

8. Statement by Leader of the Council and Chief Executive

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to its citizens and stakeholders.

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance its governance arrangements.

Signed:

.....

Anna Bailey
Leader of the Council

Date:

.....

John Hill
Chief Executive

Date:

ANTI-FRAUD AND CORRUPTION STRATEGY

Committee: Audit Committee

Date: 17th October 2022

Author: Director, Finance

[X85]

1. ISSUE

Part 4, Section 7 of the Council's Constitution details the Council's Anti-Fraud and Corruption Strategy (page 4(55)). This section of the Constitution has not been updated since 2019 and is therefore in need of review and up-date.

2. RECOMMENDATION

- 2.1 Members are asked to recommend to Full Council the adoption of the up-dated Anti-Fraud and Corruption Strategy as attached as appendix 1 to this report.

3. BACKGROUND/OPTIONS

- 3.1 As part of the Constitution, the Anti-Fraud and Corruption Strategy needs to be approved for adoption by Full Council. However, it is felt appropriate to first bring it to this Committee to ensure that a full review takes place of the new content before being presented to Council.
- 3.2 The current Strategy was approved by Full Council on 17th October 2019 and is therefore in need of an up-date.

4. ARGUMENTS/CONCLUSIONS

- 4.1 The revised Strategy is attached as Appendix 1 to this report. This is not significantly changed since the version approved in 2019, but references have been up-dated in various places and more detail provided where necessary.
- 4.2 Internal Audit have played a major part in the up-date of the Strategy, both assisting in the drafting and in reviewing the final documents as are now attached for your review. They are comfortable that they provide a best practice approach to anti-fraud and corruption moving forward.
- 4.3 Corporate Management Team have also reviewed the documents and are comfortable that they provide the Council with the required safeguards.

5. APPENDICIES

- 5.1 Draft Anti-Fraud and Corruption Strategy

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

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

CONSTITUTION**7. ANTI-FRAUD AND CORRUPTION STRATEGY****1.0 INTRODUCTION**

- 1.1 East Cambridgeshire District Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. The Council has a zero tolerance stance to all forms of fraud, corruption and theft, both from within the Council and from external sources.
- 1.2 Good corporate governance requires that the Council must demonstrate that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators both from inside and outside the Council. There will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This strategy will not compromise any equalities legislation or any associated Council policies.
- 1.3 In addition, by minimising losses through fraud the Council ensures that the scarce resources available are used for the purposes they were intended for i.e. to support the delivery of the objectives set out in the Corporate Plan.
- 1.4 The strategy applies to councillors, employees, contractors/suppliers, partners, consultants, agency and contracted staff, service users, volunteers and members of the public. All are expected to demonstrate integrity and honesty and offer assistance where necessary.
- 1.5 This strategy has been created with due regard to current best practice. It embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
 - Prevention and responsibilities Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and training Section 6

The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as External Audit, the Local Government Ombudsman, Central Government Departments (including HM Revenue and Customs and the Department for Work and Pensions), and the Media. The Council welcomes such scrutiny.

- 1.6 Fraud is defined as “*the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain*”.

The Fraud Act 2006 which came into effect on 15th January 2007 created a new general offence of fraud with three ways of committing it: -

□

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

It also created new offences: -

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non-corporate traders

Corruption is defined as “*the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person*”.

In addition, this strategy covers “*the failure to disclose an interest in order to gain financial or other pecuniary benefit*”.

1.7 Some possible frauds that the Council may incur include:

- Identity submitting false identification documentation, deceased identification, stolen identification, false immigration documentation
- Procurement; false /duplicate invoices, false suppliers, inflated invoices, misuse of grant project funding
- Insurance fraud; false claims
- Recruitment; false CVs, false sickness claims, exaggerated mileage claims, timesheet falsifying
- Council Tax; false single person discounts being claimed, false exemptions, false discounts
- Business Rates; small business relief, charitable exemptions, discounted properties, empty properties, illegal billboards

1.8 The Council also abides by the provisions of the Bribery Act 2010 that covers, amongst other things, the offences of bribing another person, of accepting a bribe and organisational responsibility. The Council’s Policy Statement covering the Bribery Act is included as Appendix A to this strategy.

1.9 Theft is defined as “*appropriating property belonging to another with the intention of permanently depriving the other of it*”. Incidents of theft should also be reported to the Council’s insurance team at insurance@eastcamb.gov.uk.

1.10 The Council further has a money laundering policy aimed at preventing the Council becoming inadvertently involved in such activity. Details of this are included in Appendix B.

2.0 CULTURE

2.1 The culture of the Council has always been one of openness and the core values of fairness; trust and value support this. The Council’s culture therefore supports the opposition to fraud and corruption.

2.2 The prevention/detection of fraud and corruption and the protection of the public purse are everyone’s responsibility.

2.3 The Council’s elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.

- 2.4 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- a criminal offence
 - a failure to comply with a statutory or legal obligation
 - improper unauthorised use of public or other funds
 - a miscarriage of justice
 - maladministration, misconduct or malpractice
 - endangering of an individual's health and safety
 - damage to the environment
 - deliberate concealment of any of the above.
- 2.5 Depending on the nature of the concerns, these should initially be raised with a line manager. Where this is not appropriate, or an individual feels unable to do so, the Council's Monitoring Officer, Director, Finance or Internal Audit should be approached. The Council also has a Whistleblowing Policy which enables concerns to be raised in confidence. The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998.
- 2.6 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.7 When fraud or corruption have occurred because of a breakdown in the Council's systems or procedures, the Chief Executive, Directors and the relevant Service Lead will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence. The Council's Internal Audit service will assist in reviewing the control environment and following up on actions arising.

3.0 **PREVENTION AND RESPONSIBILITIES**

ELECTED MEMBERS

- 3.1 The Role of Elected Members
- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.
- 3.1.2 This is conducted through the Anti-fraud and Corruption Strategy and compliance with the Code of Conduct for Members, the provisions of the Council's Constitution (including the Council's Financial Procedure Rules) and relevant legislation.
- 3.1.3 Elected members sign to the effect that they have read and understood the Code of Conduct when they take office. These conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests and gifts and hospitality. The Monitoring Officer advises Members of new legislative or procedural requirements.

EMPLOYEES

3.2 The Role of Managers

- 3.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Procedure Rules and the provisions of the Council's Constitution, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the code of conduct for local government employees through the induction process.
- 3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. All managers must be aware of, and consistently apply, the Council's Whistleblowing Policy.
- 3.2.3 Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll and the creditor payments systems. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.
- 3.2.4 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Council's Equal Opportunities Policy will be adhered to during this process.
- 3.2.5 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, Disclosure and Barring Service (DBS) checks are undertaken on employees working in regulated activities. Further checks will be introduced in areas where an increased risk of potential fraud and corruption has been identified.

3.3 Responsibilities of Employees

- 3.3.1 Each employee is governed in their work by the provisions of the Council's Constitution, the Financial Procedure Rules and other codes of conduct and policies (e.g. human resources policies and procedures, the email and internet code of practice, and IT security policy). They are also governed by the code of conduct for local government employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council or will be provided by their manager.
- 3.3.2 In addition, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.
- 3.3.3 Employees who hold professional, trade or other appropriate qualifications are expected to comply with codes of conduct issued by the organisations of which they are members.
- 3.3.4 Employees are expected always to be aware of the possibility that fraud, corruption bribery or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named in paragraph 3.3.5 below.

- 3.3.5 Concerns must be raised, in the first instance, directly with the supervisor or direct line manager or, if necessary, anonymously (by letter or phone), and via other routes, in accordance with the Council's Whistleblowing Policy:
- to Service Leads, Directors and the Chief Executive and in all cases to the Council's Monitoring Officer who will report such concerns to the Chief Internal Auditor;
 - directly to the Chief Internal Auditor; or
 - to the External Auditor, who, depending upon the nature of the concern, will liaise with the Chief Internal Auditor.
- 3.3.6 This strategy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.
- 3.4 Conflicts of Interest
- 3.4.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.
- 3.5 Internal Control Systems
- 3.5.1 Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruption are built into the Council's systems of operation.
- 3.5.2 In addition to the Financial Procedure Rules and the provisions of the Council's Constitution, individual service areas may have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the Council. Managers and employees must be made aware of and be expected to adhere to these various sources of guidance and alter their working practices accordingly.
- 3.6 The Role of Internal Audit
- 3.6.1 Under the Accounts and Audit Regulations, the Council has the responsibility for reviewing, appraising and reporting upon the extent to which the Council's assets and interests are safeguarded from losses due to fraud and other offences; this function is performed by Internal Audit. Internal Audit investigates all cases of suspected irregularity, except benefit, council tax discount and national non-domestic rates (NDR) fraud (see below), in accordance with the requirements of the Human Rights Act 1998. They liaise with management to recommend changes in procedures to prevent further losses to the Council.
- 3.7 The Role of the Anglia Revenues Partnership & Single Fraud Investigation Service
- 3.7.1 The Council is responsible for the payment of housing benefit and council tax discounts within the East Cambridgeshire area. This function is provided through the Council's participation with a number of other councils in the Anglia Revenues Partnership (ARP). The Council has a duty to minimise the scope for fraud in this area and protect public funds by ensuring that benefits and discounts are only delivered to those with a true entitlement to them.

3.7.2 The Anglia Revenues Partnership (ARP) Fraud and Investigations Team is responsible for all suspected council tax discount fraud and NNDR fraud investigations, in accordance with the requirements of The Regulation of Investigatory Powers Act 2000, the Human Rights Act 1998 and its own Counter Fraud Policy. In cases where employees are involved, they will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this strategy is adhered to.

3.7.3 Since September 2015 the investigation of suspected or alleged housing benefit fraud has been undertaken by the Single Fraud Investigation Service, a partnership between the DWP Fraud Investigation Service, HMRC and local authorities.

3.8 The Role of External Audit

3.8.1 Independent external audit is an essential safeguard in the stewardship of public money. Whilst detection of fraud is not the primary role of external audit they have a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

3.9 Co-operation with Others

3.9.1 Internal Audit has set up, and will keep under review, procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Police
- External Audit
- Professional bodies – including the Chartered Institute of Public Finance and Accountancy
- Central Government including the Department for Work and Pensions and HM Revenues and Customs
- Local Government Ombudsman's Office
- Association of Council Secretaries and Solicitors

3.9.2 The Council will also support local forums where matters of anti-fraud and anti-corruption are discussed. These include:

- Cambridgeshire Audit Group
- North Northamptonshire's Audit and Counter Fraud client base

3.10 Data Matching

3.10.1 The Council will participate in national and local data matching exercises as it sees appropriate for the purposes of identifying and reducing fraud, corruption and error.

3.10.2 In particular, the Council takes an active part in the National Fraud Initiative (NFI) as organised by the Cabinet Office. This involves a rolling programme of electronic data extraction, data matching, review and investigation of matched reports and reporting on outcomes. The extracted data is matched with other data from public sector organisations to highlight potential fraudulent activity.

3.11 Social Housing Fraud

3.11.1 The Prevention of Social Housing Fraud Act 2013 created new criminal offences of unlawful sub-letting by secure and assured tenants of social housing. This Act supplements existing offences relating to fraudulently obtaining an allocation of social housing and fraudulently obtaining housing benefits. The Act also includes more powers for local authorities to investigate social tenancy fraud through better access to data from banks and utility companies; although councils could previously request this data, organisations were able to refuse to provide it – under the Act compliance is mandatory.

3.11.2 Social housing fraud is a very significant problem nationally and arises when individuals:

- are allocated a social housing property (a property owned by a registered housing provider or local authority) when they are not entitled to it by lying about their circumstances;
- obtain housing benefit and/or council tax discount they are not entitled to; and
- unlawfully sub-let their social housing property.

3.11.3 Social housing fraud prevents housing from being properly allocated to the people who need it most. It also undermines confidence in the housing allocation system while preventing and detecting fraud stops public money being wasted.

3.11.4 Members of the public are encouraged to report their concerns via the dedicated fraud reporting mailbox - reportfraud@eastcambs.gov.uk

4.0 DETERRENCE

4.1 The best deterrent is a clear framework of processes and responsibilities, which make fraud and corruption hard to perpetrate and will be likely to expose fraud and corruption at the earliest opportunity. The following are those related policies and documents that support the anti-fraud and anti-corruption culture:

- Constitution – which includes the Financial Procedure Rules, Member Code of Conduct and Contract Procedure Rules
- Employee Code of Conduct
- Whistleblowing Policy
- Fraud Response Plan

4.2 The risk of fraud cannot be dealt with in isolation. Management of the risk of fraud is a key aspect of corporate governance and it is essential that all members and staff should have a level of understanding of this strategy. However, some individuals have specific leadership roles and responsibilities and these are identified within Section 3 (Prevention) above.

4.3 Prosecution and recovery

4.3.1 Wherever possible the following actions will be taken where investigation supports suspicions of fraudulent or corrupt activity:

- appropriate disciplinary action will be taken in accordance with the Council's disciplinary procedures

- criminal proceedings will be brought whenever appropriate, should the Crown Prosecution Service decide a prosecution can be pursued
 - civil proceedings will be brought to recover lost assets whenever appropriate
- 4.3.2 Other forms of redress to recover losses (such as making a claim against insurance cover or recovering from pension funds) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body) will also be used wherever appropriate.
- 4.3.3 Sanctions applied in relation to cases of housing benefit and/or council tax discount fraud will be applied in accordance with the ARP Counter Fraud Policy. Options include formal cautions, administrative penalties and prosecution.
- 4.4 Disciplinary Action
- 4.4.1 Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the Chief Executive (the police will pass valid cases to the Crown Prosecution Service).
- 4.4.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner including possible referral to the police. If the matter is a breach of the Code of Conduct for Members then it will be dealt with in accordance with the arrangements agreed by the Council in accordance with the Localism Act 2011.
- 4.5 Publicity
- 4.5.1 The Council's public relations unit will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. They will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.
- 4.5.2 In all cases where financial loss to the Council has occurred, the Council will seek to recover the loss and advertise this fact. In addition to demonstrating the action the Council takes to prevent and detect fraud, it protects itself and the services it provides against the results of fraud within the organisation by obtaining Fidelity Guarantee Insurance.
- 4.5.3 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make members, employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.
- 4.5.4 Reports will be made to the Audit Committee about countering fraud and corruption activities and their success when appropriate.

5.0 DETECTION AND INVESTIGATION

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in its strategic plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

- 5.2 In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 In some cases frauds are discovered by chance or ‘tip-off’ and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, as per paragraph 3.3.5 (including via the Council’s Whistleblowing Policy). External Audit will also be notified of all frauds involving sums over £10,000 and any corrupt acts. This is essential to the strategy, and:
- ensures the consistent treatment of information regarding fraud and corruption; and
 - facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.
- 5.5 This process will apply to all the following areas:
- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by Council employees
 - d) fraud by contractors’ employees
 - e) external fraud (the public).
- 5.6 Cases under a), d) and e) would normally be referred directly to the External Auditor, Ombudsman or the police.
- 5.7 If the initial investigation reveals that a full investigation is warranted the Council will invoke the Council’s Fraud Response Plan and where applicable the Council’s Disciplinary Procedure.
- 5.8 Any decision to refer a matter to the police will be taken by the Chief Executive in consultation with the Chief Internal Auditor, Director Finance and Monitoring Officer. The relevant Director and Service Lead will be notified if appropriate. The Council will normally wish the police to be made aware of, and investigate independently, offences where financial impropriety is discovered. Any internal investigation will be conducted professionally and in consultation with the police so as to avoid jeopardising any evidence or potential outcomes of related criminal investigation.
- 5.9 Depending on the nature of an allegation under b) to e), Internal Audit will normally work closely with the relevant Director and Service Lead concerned and the Director Finance to ensure that all allegations are thoroughly investigated and reported upon.
- 5.10 The Council’s disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.4.2 will cover members.
- 5.11 If there is a suspicion that an offence of money laundering may have taken place the Money Laundering Reporting Officer (Director, Finance) may refer the matter to the National Crime Agency. Further details are provided in Appendix B to this strategy.

6.0 AWARENESS AND TRAINING

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of fraud by elected members and employees across the Council.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction and for employees via their development plans. This includes specialist training for certain elected members and employees.
- 6.3 A leaflet on the Council's Whistleblowing Policy is distributed to all employees and members, and full copies of all relevant policies and strategies are available on the Council's Intranet.

7.0 CONCLUSION

- 7.1 The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This Strategy fully supports the Council's desire to maintain an honest organisation, free from fraud and corruption
- 7.2 The Council has in place a network of systems, policies and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit. This strategy will be reviewed periodically to ensure that it remains compliant with good practice and meets the needs of the Council.

Appendix A

BRIBERY ACT 2010 - POLICY STATEMENT

Bribery is a criminal offence. We (East Cambridgeshire District Council) do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, neither do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have a zero-tolerance towards bribery. We aim to maintain anti-bribery compliance “business as usual” rather than as a one-off exercise.

Objectives of this policy

This policy statement provides a coherent and consistent framework to enable East Cambridgeshire District Council employees to understand and implement arrangements to comply with the requirements of the Bribery Act 2010. In conjunction with other related policies and key documents, it will also enable employees to identify and effectively report a potential breach.

We require that all employees, including those permanently employed, temporary agency staff and contractors:-

- act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible
- comply with the spirit, as well as the letter, of laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

Scope of this policy

This policy applies to all of the Council’s activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all service area and functions.

This policy covers all staff, including all levels and grades, those permanently temporary employed, temporary agency staff, contractors, agents, Members, volunteers and consultants.

The Council’s commitment to action

The Council commits to:-

- setting out a clear anti-bribery policy and keeping it up to date
- making all employees aware of their responsibilities to adhere strictly to this policy

- training all employees so that they can recognise and avoid the use of bribery by themselves and others
- encouraging employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individual(s) involved in bribery
- provide information to all employees to report breaches and suspected breaches of this policy
- include appropriate clauses in contracts to prevent bribery.

Definition of bribery

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

It is unacceptable to:-

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and hospitality

The Council’s policy regarding the acceptance of gifts or hospitality from a third party is set out in the Member and Officer Code of Conducts.

Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2015 (as amended by the Public Procurement (Amendments, Repeals and Revocations) Regulations 2016, a company is automatically and

perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts and so the Council has the discretion to exclude organisations convicted of this offence.

The Bribery Act

There are four key offences under the Act:-

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

Is the Council a “commercial organisation”?

The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made”. There are circumstances in which we will be a commercial organisation for the purposes of section 7. This policy is intended to ensure that we have in place the necessary procedures to act as a defence to a section 7 offence.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:-

- On conviction in a magistrates court, to imprisonment for a maximum term of twelve months, or to a fine not exceeding £5,000, or both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations guilty of an offence under section 7 are liable to an unlimited fine. In addition a public exposure, or even an allegation, of bribery would entail severe reputational damage.

Bribery is a serious offence against the Council and employees will face disciplinary action if there is evidence that they have been involved in this activity, which could result in dismissal

for gross misconduct. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

Adequate Procedures

Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the Council. The Government considers that procedures put in place by commercial organisations wishing to prevent bribery being committed on their behalf should be informed by six principles:-

- Proportionality
- Top level commitment
- Risk assessment
- Due diligence
- Communication (including training)
- Monitoring and review

These principles are not prescriptive, but are intended to be flexible and outcome focussed, allowing for the different circumstances of organisations. For example, small organisations will face different challenges to those faced by large multi-national enterprises. The detail of how organisations apply these principles will vary, but the outcome should always be robust and effective anti-bribery procedures.

The Council is committed to proportional implementation of these principles.

Anti Bribery procedures

The Council's Anti Bribery procedures cover the six principles detailed above:-

Proportionality – The Council has reviewed a number of its policies to ensure that it has in place procedures to prevent bribery by persons associated with it. These will be proportionate to the bribery risks faced by the Council and to the nature, scale and complexity of the Council's activities.

Top level commitment – The Chief Executive, Directors and Service Leads are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk assessment – The nature and extent of the Council's exposure to potential external and internal risks of bribery by persons associated with it are periodically assessed. This includes financial risks but also other risks such as reputational damage.

Due diligence – The Council takes a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training) – The Council will seek to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal communication, including training that is proportionate to the risks it faces.

Monitoring and review – Procedures designed to prevent bribery will be monitored and reviewed and improvements made where necessary.

Staff responsibilities

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches the policy.

You must therefore:-

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with the policy has occurred, or may occur in the future

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a concern

If you have a concern regarding a suspected instance of bribery or corruption then you can report this through the Council's whistle blowing procedure where concerns can be made anonymously. In the event that an incident of bribery is reported, we will act as soon as possible to evaluate the situation.

If you have any questions about these procedures, please contact Rachel Ashley-Caunt, Chief Internal Auditor on 01353 616219 or email Rachel.Ashley-Caunt@northnorthants.gov.uk

Appendix B

Anti-Money Laundering – Policy statement

Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26th June 2017. There have subsequently been two amendments, neither of which impact on this policy, The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020. Although Local Authorities are not obliged to comply with the requirements of this legislation, the Chartered Institute of Public Finance and Accounting (CIPFA) advises that an organisation should consider a policy framework which supports the implementation of the counter fraud strategy and includes an anti-money laundering policy to prevent the use of their services for money laundering. The Proceeds of Crime Act 2002 and the Terrorism Act 2000 are also relevant in informing the Council's response.

The Council has sought to establish internal procedures to prevent the use of its services for money laundering and the prevention of terrorist financing. The Council has also appointed a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of suspected money laundering activity.

We are committed to robust arrangements to identify and prevent any attempts to use East Cambridgeshire District Council to launder money. Offences under money laundering legislation may be committed by individuals or organisations, and money laundering is widely defined as “possessing, concealing, disguising or in any way dealing with the proceeds of any crime by any person known or unknown”.

When a person knows or suspects that money laundering activity is taking place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, they must report this as soon as practicable to the Money Laundering Responsible Officer (MLRO) or risk prosecution. Offences under the Proceeds of Crime Act and Money Laundering Regulations can attract penalties of unlimited fines and up to 14 years imprisonment.

This policy has been written so as to enable us to meet the legal requirements in a way that is proportionate to the risk of contravening the legislation. It also serves to protect the Council's employees through making them aware of their personal obligations and providing a mechanism for them to raise any issues of concern.

Scope

This policy applies to all employees and agency workers.

This policy aims to maintain the high standards of conduct that currently exist within by preventing criminal activity through money laundering. The separate Anti-Money Laundering - Employee Guidance sets out the steps that must be followed to comply with its legal obligations.

Further information is set out in the Anti-Money Laundering - Employee Guidance which is available to all staff.

Definition

The introduction of the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 has broadened the definition of money laundering and has widened the range of activities controlled by the statutory framework. Money laundering has been defined as:

- concealing, disguising, converting, transferring or removing criminal property from the UK;
- entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property;
- acquiring criminal property, using criminal property; or possession of criminal property.

These are the primary money laundering offences and thus prohibited acts under the legislation. In addition, an offence of "Tipping off" can be committed should an individual make a disclosure that is likely to prejudice a current or potential investigation into any potential money laundering.

Potentially any employee could contravene the money laundering provisions if they know or suspect money laundering and either become involved with it in some way and/or do nothing about it.

Whilst the risk of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities - serious criminal sanctions may be imposed for breaches of the legislation.

Council obligations

To comply with the obligations and recommended practice, we have:

- Nominated a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity;
- Nominated a deputy Money Laundering Reporting Officer; and
- Implemented a procedure to enable the reporting of suspicions of money laundering and communicated this policy to members of staff.

The Money Laundering Reporting Officer

The officer nominated to receive disclosures concerning potential money laundering activity is the Council's Director, Finance and their contact details are set out in the Anti-Money Laundering - Employee Guidance. Also provided within the employee guidance is a template form for making a referral to the Director, Finance.

In the absence of the Director, Finance, the Deputy Money Laundering Reporting Officer is the Senior Accountant.

Contact details for the Money Laundering Reporting Officer and Deputy are provided on the Council's intranet pages and the supporting employee guidance.

Further information

If you have any questions about these procedures, please contact Rachel Ashley-Caunt, Chief Internal Auditor on 01353 616219 or email Rachel.Ashley-Caunt@northnorthants.gov.uk

INTERNAL AUDIT PROGRESS REPORT

To: Audit Committee

Date: 17th October 2022

From: Chief Internal Auditor

[X86]

1. **ISSUE**

1.1. To advise Members of the work of Internal Audit completed during the 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, 45% 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, one further audit report has been finalised (in relation to Safeguarding) and the key findings are summarised in Appendix 1.

3.3. Since the last Audit Committee update, seven actions arising from audit reports have been implemented by officers. There are 14 actions which remain overdue and are subject to ongoing follow up by Internal Audit.

3.4. The outcomes of the second of the Internal Audit team's rolling risk assurance reviews is incorporated within the progress report. This seeks to give assurance over the basis for the scoring assigned within the risk register 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 1 – Internal Audit Update Report – October 2022

Background Documents

None

Location

Internal Audit,
Room 207
The Grange
Ely

Contact Officer

Rachel Ashley-Caunt
Chief Internal Auditor
rachel.ashley-caunt@northnorthants.gov.uk



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Internal Audit Progress and Performance Update

October 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, in September 2022, fieldwork is either complete or underway in relation to 45% of the planned work. Delivery remains on track for the year.

Progress on individual assignments is shown in Table 1.

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

To date, one survey response has 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?

Since the last Committee meeting, the Internal Audit team has finalised a further audit report. The key findings were as follows:

Safeguarding

Safeguarding, in its broadest sense, is defined as 'to protect from harm'. East Cambridgeshire District Council (ECDC) has a number of duties to safeguard children and vulnerable adults. The purpose of this audit was to provide assurance that the Council has adequate controls in place to fulfil its responsibilities.

The Care Act 2014 sets out a clear legal framework for how local authorities and other parts of the system should protect adults at risk of abuse or neglect and the Children Act 2004 (section 11) places a statutory duty on key people and bodies, including district councils, to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children.

Defined leadership and accountability for safeguarding arrangements are evident across the Council. The Housing and Community Manager has been appointed as the Lead Safeguarding Officer who has overall responsibility for safeguarding children, young people and vulnerable adults on behalf of the Council and there are nine Designated Safeguarding Officers (DSO) across different service areas. The audit, however,

identified opportunities to further enhance the control framework. The Child and Adults at Risk Safeguarding Policy was found to be out of date and three named DSOs are no longer employed by the Council.

Staff and the public are made aware of their duty to report a safeguarding concern and all staff are suitably advised and trained on the signs and symptoms of abuse and how to report them through mandatory induction training. Biennial safeguarding training is also delivered externally to front line staff and various learning opportunities such as workshops, face to face training and online learning are offered to all staff throughout the year. However, it was difficult during the audit to ascertain who had undertaken the relevant training and therefore the Council would benefit from creating a safeguarding training matrix in order to monitor and evidence that training has taken place.

Audit review of a sample of ten employees and ten taxi licence holders established that right to work and ID checks are being undertaken, however the timeliness of staff DBS checks needs to be improved to ensure that certificates are obtained prior to an employee's start date and a risk assessment is formally documented for those instances where a DBS cannot be obtained.

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

Assurance Opinion		
Control Environment	Satisfactory	●
Compliance	Satisfactory	●
Organisational Impact	Moderate	●

During this period, the Internal Audit team has also been working on verification of the Council's use of Disabled Facilities Grant (DFG) monies to enable sign off by the deadline of the end of September 2022.

The National Fraud Initiative (NFI) exercise has also been underway during this period and the datasets are to be uploaded based on data held at 30th September 2022. Internal Audit has been facilitating and organising the preparation for this exercise to ensure deadlines are met.

Internal Audit has also provided advice on the recent review of counter fraud policies and advised on the development of the Annual Governance Statement.

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, seven agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there are 14 actions which remain overdue for implementation. Of these, there are two actions categorised as '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 select risk entries listed within the register on a rolling basis and conduct 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 second of the rolling risk assurance reviews has been completed and the risk selected was **C4: Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018)**.

At the time of reporting, the inherent risk scoring for this entry is 15 (3 for likelihood and 5 for impact) and the residual risk is 8 (2 for likelihood and 4 for impact). As such, the listed controls are claimed to reduce the risk of likelihood and impact. 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.

A RAG (red, amber, green) rating – as defined below Table 5 – has been assigned to each control. The listed controls were assessed as 'green' with the exception of controls related to staff and Member training and the Record of Processing Activity (ROPA) – where testing highlighted that compliance with the controls was not fully evidenced.

There were six 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					Support on review of policies complete. Awareness week planned for November.
National Fraud Initiative	Q3	In progress					
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					

					<i>Assurance Opinion</i>				
<i>Assignment</i>		<i>Planned start</i>	<i>Status</i>		<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
Treasury management		Q3	Not started						
Budgetary control		Q3	Not started						
Key policy compliance									
Staff claims		Q4	Not started						
Safeguarding		Q1	Final report issued		<p>To provide assurance that adequate and effective controls are in place to mitigate the risks identified below in respect of the Council's safeguarding arrangements:</p> <ul style="list-style-type: none"> - Lack of effective leadership and accountability impacts how the Council manages its safeguarding arrangements; - Inappropriate vetting and training of individuals has the potential to expose vulnerable adults and/or children resulting in harm; or - A safeguarding or child protection issue arises due to inadequate safeguarding protocols and procedures. 	Satisfactory	Satisfactory	Moderate	See section 2.3
Enforcement policy compliance		Q2	Fieldwork complete						
Risk based audits									
Asset related audits – follow up		Q4	Not started						
Performance management		Q4	Not started						

<i>Assignment</i>	<i>Planned start</i>	<i>Status</i>	<i>Assurance sought</i>	<i>Assurance Opinion</i>			<i>Comments</i>
				<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	
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	Reported at July 2022 meeting.
Grant claims	As required	In progress					
IT audits							
IT asset management	Q2	Fieldwork underway					Audit start date delayed due to IT officer availability.
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	33%	2	22%	3	50%	7	34%
Actions overdue by less than three months	4	67%	5	55%	2	33%	11	52%
Actions overdue by more than three months	-	-	2	22%	1	17%	3	14%
Totals	6	100%	9	100%	6	100%	21	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
2020/21	Cyber Security	<p>Incident management planning There is no specific major malware breach incident plan in place to ensure the most effective and timely response to breaches, limiting impact and enabling recovery to be as effective as possible.</p> <p>Such a plan should include communications with the police and relevant third parties and would inform responses in the case of an incident.</p> <p>An incident management plan should be produced and should include template documentation and logs and details of communications with the police and key partners to support timely action and resolution.</p>	Medium	ICT Manager	31 March 2022	<p>September 22 - Response from ICT Manager:</p> <p>An existing Incident Management Plan formed part of the previous Information Security Policy. This Plan will be reviewed and updated. This has been delayed due to the other pressures within the team working on other projects and issues.</p>
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>	Medium	ICT Manager	31 March 2022	<p>September 22 - Response from ICT Manager:</p> <p>The team have contacted our Microsoft Partners concerning the support current provided and the</p>

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
		<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>				<p>cost to enhance this support. Microsoft have provided a price for Unified Enterprise Support. However, it is felt that based on the experience of needing Microsoft support in a high level incident, where the team can only recall 3 incidents in the past 18 years, that the increase in cost could not be justified. A report will be presented to Management Team for consideration by the end of October 2022, providing a view on the value for money of the packages available and a recommendation as to how to continue.</p>


Table 4: Customer Satisfaction

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

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	1	-	-	-
Communication during assignment	1	-	-	-
Quality of reporting	1	-	-	-
Quality of recommendations	1	-	-	-
Total	4	-	-	-

Table 5: Risk register entries – rolling review of controls

Risk entry			
C4: Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018).			
Assurance and Findings			
Key control reference	Key control listed on register	RAG rating	Auditor comment and assurances obtained
C4.1	All Council staff and members undertake annual online data protection training. All new staff briefed at Corporate Induction.	● Amber	<p>New starters are provided with a data protection leaflet via ICT at 'account set up induction'.</p> <p>Annual data protection training is provided by an external training provider (online), with completion records filed.</p> <p>Completion rates were confirmed as: approx. 65% for staff and 7% (2 out of 28) for Members in 2021/22.</p> <p>The Information Governance Officer (Data Protection Officer (DPO)) sends reminders and chases both staff and Member annual training completion.</p> <p>It should be noted that in the case of a data breach, the Information Commissioner would request evidence of training for those involved, as a source of assurance over the organisation's control framework.</p> <p>Recommended actions: <u>New Starter data protection training</u> - Mandatory online training should be created and completed by all new staff prior to them accessing personal data and within one month of their start date. Completion of this training should be recorded within individual corporate induction records.</p>

Risk entry			
C4: Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018).			
Assurance and Findings			
Key control reference	Key control listed on register	RAG rating	Auditor comment and assurances obtained
			<p><u>Annual data protection training for all staff</u> – Mandatory annual online refresher training should be completed by all staff with a one month deadline for completion. Completion of this training should be recorded as part of staff training records.</p> <p><u>Annual data protection training for Members</u> – Annual refresher training should be completed by all Members. Completion of this training should be recorded as part of Member training records.</p> <p><u>New Member Induction</u> – Mandatory Data Protection training should be included within the new member induction programme held by the democratic services team. This may be an online training, session with the DPO or a hardcopy exercise. Completion of this training must be recorded as part of Member induction records.</p>
C4.2	Data breach register maintained. All breaches risk assessed, investigated and recommendations made.	 Green	<p>The data breach log has provided assurance that all recorded breaches had been assessed and investigated, with recommendations recorded. The log is sent to the Council's Senior Information Risk Owner (SIRO) monthly for review. However, the DPO has asserted that they would inform the SIRO of any substantial breaches at the time to ensure appropriate reporting to the Information Commissioners Office. Supporting Information provided and reviewed.</p> <p>Guidance and reporting forms are available to all staff via the Council's Intranet.</p>

Risk entry			
C4: Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018).			
Assurance and Findings			
Key control reference	Key control listed on register	RAG rating	Auditor comment and assurances obtained
C4.3	Record of Processing Activity (ROPA) in place and maintained by Information Officer.	● Amber	<p>A departmental annual ROPA update reminder was sent in January 2022.</p> <p>All departments responded, with the exception of Anglia Revenues Partnership (ARP). The DPO has chased for this information. There is also an expectation that there will have been new information to be added to the ROPA by ARP due to the administration of Covid Grants requiring substantial personal data checks.</p> <p>Recommended action that due to the high level of personal data processed by Anglia Revenues Partnership (ARP) in administering local taxation (and considering ARP's involvement in processing test and trace grant payments during the pandemic) it is recommended that this matter is escalated to senior management to resolve so that the Council remains compliant with Article 30 of the GDPR.</p>
C4.4	Data Protection guidance in place and regularly maintained by Information Officer.	● Green	<p>The Council has published information and guidance on both the intranet and internet to cover the relevant areas. Supporting information has been provided and reviewed.</p> <p>Recommended action that a review of the information published on the Council's website has identified that further review and updates are required to some published documents – detailed findings shared with officers for actioning.</p>

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.

RISK APPETITE

Committee: Audit Committee

Date: 17th October 2022

Author: Director, Finance

[X87]

1. **ISSUE**

1.1 To update Committee on the Council's Risk Appetite.

2. **RECOMMENDATION**

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

3. **BACKGROUND / OPTIONS**

3.1 Following the discussion at Committee on the 25th July 2022 with regard to the Council's Risk Management process, it was resolved

“That the update report and Corporate Risk register, as set out in Appendix 2 of the report, be noted and the Finance Manager [now Director, Finance] bring a Risk Appetite Options Paper to the next meeting of Committee, for a review of the Council's risk appetite.”

3.2 This is the requested report.

3.3 The Council's current Risk Appetite is detailed in the Risk Management Policy which states:

Appetite for Risk

As an organisation with limited resources it is inappropriate for the Council to seek to mitigate all of the risk it faces. The Council therefore aims to manage risk in a manner which is proportionate to the risk faced, based on the experience and expertise of its senior managers.

The Council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at appendix 1 (for corporate priority risks).

Colour	Score	Detail
Red	16 and above	This is 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, Audit Committee and Council.
Amber	5 to 15	Likely to cause the Council some difficulties – six monthly monitoring
Green	1 to 4	Low risk. Monitor as necessary

4. ARGUMENTS / CONCLUSIONS

- 4.1 The Council has had the same Risk Appetite score for a number of years. This being that if a risk has a residual risk score of 16 or above, it should be escalated through management reporting as detailed above.
- 4.2 The Risk Appetite score is very much a subjective opinion, there is no formula approach that can be applied. The Risk appetite score should reflect the amount of risk that the Council is prepared to accept, and where the risk should be managed and reviewed at the various risk scores.
- 4.3 Options available for the Risk score at which risks are escalated to management and Full Council
- Retain the current Residual Risk score of 16 or above
 - Increase the Residual Risk score
 - Reduce the Residual Risk score
- 4.4 Therefore the question is – do we feel that any risk has not been managed in the right place in recent years?
- 4.5 No risks in recent years have been formally escalated to either Management Team or Full Council, this implies that the residual risk score does not need to be increased. An increase in score, would mean it's less likely that a risk would be escalated but if none are at present, then we should feel comfortable at the current level.
- 4.6 The other option is for the residual risk score to be reduced, resulting in more / some risks being escalated to Full Council for consideration. However, there is no suggestion that any of the risks encountered by the Council in recent years and managed via either the Risk Management Group or by individual service leads have not been handled correctly and mitigations put in place to manage the risk. Therefore there is seen to be no need for the Council to reduce its Risk Appetite score at this point.

4.7 It is therefore recommended that the current scores, detailing where risks are managed, as detailing in 3.3 above, be retained. If however, Audit Committee wish to suggest different scores, with an explanation to why they think these are more appropriate, then these can be taken away and considered by the Risk Management Group.

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

IMPACT OF COMPANY ACCOUNTS ON COUNCIL GROUP ACCOUNTS

Committee: Audit Committee

Date: 17th October 2022

Author: Director, Finance

[X88]

1. ISSUE

- 1.1 To up-date Committee on the audit of the accounts of the Council's trading companies, and how these impact on the Council's Group Accounts.

2. RECOMMENDATION

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

3. BACKGROUND / OPTIONS

- 3.1 Following the discussion at Committee on the 25th July 2022 with regard to the Council's External Audit – Initial Audit Plan, it was requested

“that a report be submitted to the autumn meeting of the Committee explaining any impacts / amendments resulting from the audited Group Accounts.”

- 3.2 This is the requested report.

4. ARGUMENTS / CONCLUSIONS

- 4.1 East Cambs Street Scene (ECSS)

The ECSS Accounts were presented to and approved by Board on the 1st September 2022. The net position on the Comprehensive Income Statement and the Balance Sheet remained unchanged from that used in the draft Group Accounts.

The Auditors recommended one change to the draft accounts, that being the treatment of income from AmeyCespa from the sale of recycled materials. ECSS pays AmeyCespa for the processing of these materials, and in the draft accounts any income generated was treated as a reduction in the cost of this processing. The approved accounts now show the expenditure gross, with the sales proceeds shown as income. This has resulted in both income and expenditure in the Group Accounts for 2021/22 being £329,000 higher than in the draft accounts.

4.2 East Cambs Trading Company (ECTC)

The ECTC Accounts were presented to and approved by Board on the 21st September 2022.

Audit requested two adjustments to these from the draft version included in the Council's Statement of Accounts. These related to IFRS15 and IFRS9 accounting adjustments.

a) Kennett income

Of the £3,008,714 invoiced to the landowners under the promotion agreement, £2,780,000 of this is due in three instalments in October 2022, October 2023 and October 2024. Under IFRS15 revenues from contracts with customers, the correct treatment is to calculate the present value (PV) of the receivable amount and then in each period release interest income to the Profit and Loss to build the receivable back up to the full value before the last receipt is received. This adjustment has been made to the approved ECTC 2021/22 accounts with the consequence that income was reduced by £83,576, interest received income increased by £18,472 and the value of debtors reduced by £65,104.

b) CPCA loans

Under IFRS9 Financial Instruments, when the CPCA loans were renegotiated (June 2020) cashflows on each loan on a present value basis should have been recalculated; discounted using the interest rate in the loan agreement and recognise any gain or loss in the Profit and Loss for 2020/21. This was complicated by the fact that ECTC capitalises a portion of the interest charge until such time as houses are built and sold. The same exercise was undertaken for the 2021/22. The net effect of the amendment was:

2020/21 – P&L increased by £361,948

2021/22 – P&L reduced by £136,712

So overall the total amendment to the draft Group Accounts from a Profit and Loss perspective was to increase profits by £361,948 in 2020/21 and to reduce them in 2022 by £201,816 (£65,104 from a) and £136,712 from b)) so a net positive change of £160,131 over the two years. These accounting adjustments are also reflected in the up-dated Group Accounts Balance Sheet.

5. APPENDICIES

Appendix 1 – Group Income and Expenditure Account

Appendix 2 – Group Balance Sheet

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

Published Group Income & Expenditure Account

2020/21			2021/22		
GROSS EXPENDITURE	GROSS INCOME	NET EXPENDITURE	GROSS EXPENDITURE	GROSS INCOME	NET EXPENDITURE
£000	£000	£000	£000	£000	£000
26,294	(22,688)	3,606	40,069	(39,491)	578
9,891	(6,614)	3,277	12,629	(9,920)	2,709
36,185	(29,302)	6,883	52,698	(49,411)	3,287
3,124	(8)	3,116	3,061	(4)	3,057
614	(27)	587	1,563	5	1,568
-	(9,413)	(9,413)	0	(13,131)	(13,131)
39,923	(38,750)	1,173	57,322	(62,541)	(5,221)
	5,358	5,358	0	(10,681)	(10,681)
39,923	(33,392)	6,529	57,322	(73,222)	(15,900)

Restated Group Income & Expenditure Account

2020/21			2021/22		
GROSS EXPENDITURE	GROSS INCOME	NET EXPENDITURE	GROSS EXPENDITURE	GROSS INCOME	NET EXPENDITURE
£000	£000	£000	£000	£000	£000
26,225	(22,630)	3,595	40,575	(39,408)	1,167
10,064	(6,787)	3,277	12,959	(10,249)	2,710
36,289	(29,417)	6,872	53,534	(49,657)	3,877
3,124	(8)	3,116	3,060	(4)	3,055
243	(27)	217	1,176	5	1,181
-	(9,413)	(9,413)	0	(13,131)	(13,131)
39,656	(38,865)	791	57,769	(62,787)	(5,018)
	5,358	5,358	0	(10,681)	(10,681)
39,656	(33,507)	6,148	57,769	(73,468)	(15,699)

Published Group Balance Sheet

31 Mar 21 £'000		31 Mar 22 £'000
	LONG TERM ASSETS	
38,730	Property, Plant and Equipment	37,795
105	Heritage Assets	105
30	Intangible Assets	15
0	Investments in Subsidiaries	0
315	Long Term Debtors	319
39,180	TOTAL LONG TERM ASSETS	38,234
	CURRENT ASSETS	
5,000	Investments (Short Term)	6,000
165	Assets Held for Sale	165
5,650	Short Term Debtors	6,558
32,677	Inventories	25,515
0		0
14,069	Cash and Cash Equivalents	28,593
57,562	TOTAL CURRENT ASSETS	66,831
96,742	TOTAL ASSETS	105,066
	CURRENT LIABILITIES	
(13,982)	Short Term Creditors & Receipts in Advance	(16,727)
(2,176)	Provisions	(2,046)
(9,969)	Borrowings	(25,090)
	Lease Liability	0
(26,129)	TOTAL CURRENT LIABILITIES	(43,863)
31,432	TOTAL CURRENT ASSETS/LIABILITIES	22,968
70,613	TOTAL ASSETS LESS CURRENT LIABILITIES	61,202
	LONG TERM LIABILITIES	
(18,370)	Borrowings	1,300
	Lease Liability	0
(3,359)	Capital Grants Received in Advance	(3,474)
(29,781)	Net Pensions Liability	(23,692)
(51,510)		(25,866)
19,104	NET ASSETS	35,337
	FINANCED BY:	
19,317	USABLE RESERVES	26,841
	Profit & Loss Accounts	0
(213)	UNUSABLE RESERVES	(67)
19,104	TOTAL RESERVES	35,337

Restated Group Balance Sheet

31 Mar 21 £'000		31 Mar 22 £'000
Restated	LONG TERM ASSETS	
38,730	Property, Plant and Equipment	37,795
105	Heritage Assets	105
30	Intangible Assets	15
0	Trade & Other receivables	1,748
315	Long Term Debtors	319
39,180	TOTAL LONG TERM ASSETS	39,982
	CURRENT ASSETS	
5,000	Investments (Short Term)	6,000
165	Assets Held for Sale	165
5,650	Short Term Debtors	4,745
32,954	Inventories	25,951
0		0
14,069	Cash and Cash Equivalents	28,593
57,839	TOTAL CURRENT ASSETS	65,454
97,020	TOTAL ASSETS	105,436
	CURRENT LIABILITIES	
(13,983)	Short Term Creditors & Receipts in Advance	(16,727)
(2,177)	Provisions	(2,046)
(9,996)	Borrowings	(25,301)
	Lease Liability	0
(26,156)	TOTAL CURRENT LIABILITIES	(44,074)
31,683	TOTAL CURRENT ASSETS/LIABILITIES	21,380
70,864	TOTAL ASSETS LESS CURRENT LIABILITIES	61,362
	LONG TERM LIABILITIES	
(18,258)	Borrowings	1,300
0	Lease Liability	0
(3,359)	Capital Grants Received in Advance	(3,474)
(29,781)	Net Pensions Liability	(23,692)
(51,398)		(25,866)
19,466	NET ASSETS	35,496
	FINANCED BY:	
19,679	USABLE RESERVES	26,841
0	Profit & Loss Accounts	0
(213)	UNUSABLE RESERVES	93
19,466	TOTAL RESERVES	35,497

FINANCIAL MANAGEMENT CODE

Committee: Audit Committee

Date: 17th October 2022

Author: Director, Finance

[X89]

1. **ISSUE**

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

2. **RECOMMENDATION**

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

3. **BACKGROUND / OPTIONS**

- 3.1 Following the discussion at Committee on the 25th July 2022 with regard to the Council's application of the CIPFA Financial Management Code, it was resolved

"That the report be noted and that a report be submitted to the next meeting of the Committee on the survey of the adequacy of financial reports and action plan for improving the level of compliance with the Financial Management Code."

- 3.2 This is the requested report.

4. **ARGUMENTS / CONCLUSIONS**

- 4.1 The July report highlighted four potential area for improvement where further work / consideration was felt necessary over the Summer period. These areas are discussed in the following paragraphs.

- 4.2 Financial Reporting

Surveys were undertaken during the Summer to obtain the views of members, senior officers and service leads on the adequacy of financial reports.

The general consensus was that the information currently provided is giving all stakeholders the information they need to undertake their respective rolls. Budget holders, were happy with and understood the reports they received (see section 5.4 below).

With regard to reports for Committee, members universally liked the format of the reports, but there was a slight differing of opinion on the quantity of narrative required. Some members wanting greater detail, while others liked the preciseness of the reports, knowing they could ask further detailed questions where they felt this necessary.

4.3 Sensitivity Analysis

With the rate of inflation now a significant issue for the Council and the residents of East Cambridgeshire more generally, it is agreed that some sensitivity analysis around this should be included in the budget report for 2023/24.

4.4 Joint Finance and Performance Reporting

The possibility of joint finance and performance reporting has been considered at Corporate Management Team, but it is believed that the current process of separate financial and performance reporting remains fit for purpose, so no change is planned at this time.

4.5 Financial Training

The Finance Team has reviewed the finance training needs of budget holders and service leads over the Summer months and where knowledge gaps were identified, one-to-one training has been provided to resolve. At the end of the training, budget holders were asked to sign a form confirming their knowledge of:

- The budget and reports they receive from Finance
- The budgetary control process
- The process for determining forecast outturns
- The budget preparation process

4.6 Other Training

Not linked to the Financial Management Code, but at Committee on the 25th July 2022 there was also a request that Committee be provided with details of general, non-job specific, training provided to officers of the Council. This training includes:

- Corporate Induction
- Data Protection (GDPR)
- Cyber security
- Equality and Diversity
- Environment protection
- Budget holder
- Procurement
- Health & Safety
- Conflict Management

- Managing challenging phone calls
- Fire Extinguisher, bomb threat and suspicious packages
- First Aid
- Fire Warden

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

AUDIT COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO 13

LEAD OFFICER: Ian Smith, Director Finance & S151 Officer

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Mon 25 July 2022		Mon 17 October 2022		Mon 30 January 2023	
4:30pm		4:30pm		4:30pm	
Report deadline	4pm Mon 11 July	Report deadline	4pm Mon 3 Oct	Report deadline	4pm Mon 16 Jan
Agenda despatch	Wed 13 July 2022	Agenda despatch	Wed 5 Oct 2022	Agenda despatch	Wed 18 Jan 2023
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
External Audit – Initial Audit Plan	External Audit	Internal Audit Progress Report	Internal Audit	External Audit – VFM Risk Assessment	External Audit
Internal Audit Annual Report & Opinion	Internal Audit	Draft Annual Governance Statement	Chief Executive	Internal Audit Progress Report	Internal Audit
Code of Corporate Governance Review	Director Finance & S151 Officer	Anti-Fraud & Corruption Policy	Director Finance & S151 Officer	Corporate Risk Management Monitoring Report	Director Finance & S151 Officer
Provision of Internal Audit Services Update	Director Finance & S151 Officer	Provision of Internal Audit Service	Chief Executive	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO
Corporate Risk Management Monitoring Report	Director Finance & S151 Officer	Risk Appetite Options Paper	Director Finance & S151 Officer	Forward Agenda Plan	DSO
Internal Audit Progress Report	Internal Audit	Adequacy of Financial Reports and Action Plan for Improving the Level of Compliance with the Financial Management Code	Director Finance & S151 Officer		
Financial Management Code	Director Finance & S151 Officer	Impact of Company Accounts on Council Group Accounts	Director Finance & S151 Officer		
Forward Agenda Plan	DSO	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO		
		Forward Agenda Plan	DSO		

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: Ian Smith, Director Finance & S151 Officer

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Mon 20 March 2023	4:30pm
Report deadline	4pm Mon 6 March
Agenda despatch	Weds 8 Mar 2022
Chairman's Announcements	Chairman
External Audit – Audit Plan	External Audit
Internal Audit Charter & Work Plan	Internal Audit
Internal Audit Progress Report	Internal Audit
<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO
Forward Agenda Plan	DSO
External Audit – Audit Results Report	External Audit
Statement of Accounts	Director Finance & S151 Officer
Provision of Internal Audit Services Update	Chief Executive
Annual Governance Statement	Chief Executive

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.