



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

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

MEETING: **AUDIT COMMITTEE**

TIME: 4:30pm

DATE: **Monday 26th July 2021**

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

ENQUIRIES REGARDING THIS AGENDA: Tracy Couper

TELEPHONE: (01353) 665555 EMAIL: tracy.couper@eastcambs.gov.uk

MEMBERSHIP:

Conservative Members

Cllr Lis Every (Chairman)

Cllr Dan Schumann (Vice-Chairman)

Cllr Alan Sharp

Liberal Democrat Members (subject to Council decision 15/07/21)

Cllr Charlotte Cane (Lead Member)

Cllr Alison Whelan

Substitutes:

Cllr Lavinia Edwards

Cllr Amy Starkey

Cllr Lisa Stubbs

Substitutes:

Cllr Simon Harries

Cllr Mark Inskip

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 29th April 2021.

5. **Chairman's Announcements** **[oral]**
 6. **External Audit Update Report**
 7. **Draft Annual Governance Statement**
 8. **Internal Audit Annual Report and Opinion 2020/21**
 9. **Internal Audit Charter and Work Plan 2021/22**
 10. **Risk Management Policy and Framework**
 11. **Corporate Risk Management Progress Report**
 12. **Forward Agenda Plan**
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NOTES:

1. Members of the public are welcome to attend this meeting. There are a number of schemes aimed at encouraging public participation in the Council's activities and meetings. These include Public Question Time at the start of a meeting and a process to enable petitions to be submitted. Details of these can be obtained by calling the telephone number on this Agenda or by logging onto the Council's website.
2. 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.
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 remote meeting of the Audit Committee held at 9:13pm on Thursday 29th April 2021, facilitated by the Zoom video conferencing system.

PRESENT

Cllr Charlotte Cane
Cllr Lis Every
Cllr Mark Inskip (Substitute for Cllr Alison Whelan)
Cllr Daniel Schumann
Cllr Alan Sharp

OFFICERS

John Hill – Chief Executive
Jo Brooks – Director Operations
Emma Grima – Director Commercial
Maggie Camp – Legal Services Manager and Monitoring Officer
Tracy Couper – Democratic Services Manager
Ian Smith – Finance Manager
Caroline Evans – Democratic Services Officer

1. TO ELECT A CHAIRMAN FOR THE ENSUING MUNICIPAL YEAR

Cllr Lis Every was duly nominated by Cllr Daniel Schumann and seconded by Cllr Alan Sharp. Cllr Charlotte Cane was duly nominated by Cllr Mark Inskip and seconded by Cllr Charlotte Cane.

On being put to the vote, it was resolved:

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

2. TO ELECT A VICE-CHAIRMAN FOR THE ENSUING MUNICIPAL YEAR

Cllr Daniel Schumann was duly nominated by Cllr Lis Every and seconded by Cllr Alan Sharp. Cllr Charlotte Cane was duly nominated by Cllr Mark Inskip and seconded by Cllr Charlotte Cane.

On being put to the vote, it was resolved:

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

The meeting concluded at 9:17pm.

**East Cambridgeshire
District Council**

External audit update

Year ended 31 March 2021

5 July 2021



East Cambridgeshire District Council

5 July 2021

To the members of the Audit Committee

External Audit Update

We are pleased to attach a short audit update following the Outline Audit Plan that we issued to the 25 March meeting of the Finance and Assets Committee.

This will be my last Committee meeting as the Partner in Charge of the audit of East Cambridgeshire. Your new Partner in Charge, Mark Hodgson, will also attend the 26 July meeting.

If Committee members have any questions or comments please contact me, Mark (MHodgson@uk.ey.com) or your audit manager Jacob McHugh (jmchugh@uk.ey.com).

Yours faithfully

Suresh Patel (SPatel22@uk.ey.com)

For and on behalf of Ernst & Young LLP

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Audit update

Update to the Outline Audit Plan

We issued and presented an Outline Audit Plan for the audit of the Council's 2020/21 financial statements to the 25 March 2021 Finance and Assets Committee. The plan is attached as Appendix 1.

Change in Partner in Charge

Suresh Patel leaves EY in mid-August and Mark Hodgson (Associate Partner) will take over as Partner in Charge for the 2020/21 audit. Mark is EY's lead for public sector assurance in the East of England and is an experienced Partner in Charge. He is based in the EY Cambridge office and is responsible for a number of other local government audits including Cambridge County Council.

Change to identified risks

Since drafting that plan we have now completed our audit planning procedures and have one change to report to the Audit Committee.

Item of account	Previous classification	Revised classification	Reasons for the change
National Non-Domestic Rates (NNDR) Appeals Provision	Significant risk	Inherent risk	Since issuing the Outline Audit Plan the government announced that it would not allow businesses to claim NNDR appeals in respect of material changes in circumstances as a result of Covid-19. As a result, we have down graded the audit risk from significant to inherent. This reduces the level of testing we will apply to the appeals provision.

There are no other changes to the risks we reported in the Outline Audit Plan.

Timetable for the audit

In early June, EY's lead Partner for local public audit wrote to the Chief Finance Officers of all the local authorities where EY is the appointed auditor to outline EY's position in respect of the timing of the 2020/21 external audits and MHCLG's revised target dates for accounts publication. We can confirm that the timetable we included in the Outline Audit Plan and agreed with the Finance team remains and that we plan to conclude the audit of the Council's 2020/21 financial statements by the end of November.



Audit update

Value for money (VFM) risk assessment

Scope

In the Outline Audit Plan we included details of the new NAO Code of Audit Practice (the Code) in respect of VFM and outlined that at that time we had yet to complete our risk assessment procedures. Under the Code we are required to carry out sufficient work to enable us to provide a commentary against the arrangements shown in Appendix 2.

Risk assessment

Given the timing of the Council's audit we have yet to complete our assessment of the risk of significant weaknesses in the arrangements outlined in Appendix 2. We plan to issue an information request to the Finance team to enable us to complete the risk assessment. We will provide a verbal update to the Committee.

Reporting

The NAO is cognisant of the pressures facing local authorities and auditors to meet their reporting requirements for 2020/21 whilst dealing with the challenges and issues presented by the pandemic. As a result, the NAO have now confirmed the following requirements:

1. The Code requires auditor's to report by exception within the auditor's opinion on the financial statements if they have identified a significant weakness in VFM arrangements, i.e. if auditor's have not identified a significant weakness then the audit opinion does not include reporting in respect of VFM. For 2020/21 the NAO's revised guidance allows auditors to issue the audit opinion even when the auditor has not concluded on their VFM work to address identified risks of significant weaknesses in arrangements, as long as the risks do not impact the financial statements.
2. The Code requires auditor's to issue their commentary on VFM as part of a new Auditor's Annual Report (AAR) by the end of September. For 2020/21 the NAO's revised guidance allows auditors to issue the commentary on VFM and AAR by 3 months after the date of the audit opinion on the statements.

Appendix 2 – VFM arrangements

Financial sustainability

How the Authority plans and manages its resources to ensure it can continue to deliver its services.

1. How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.
2. How the Authority plans to bridge its funding gaps and identifies achievable savings.
3. How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.
4. How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.
5. How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance

How the Authority ensures that it makes informed decisions and properly manages its risks.

1. How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.
2. How the Authority approaches and carries out its annual budget setting process.
3. How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.
4. How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee.
5. How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).



Appendix 2 - VFM arrangements

Improving economy, efficiency and effectiveness

How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

1. How financial and performance information has been used to assess performance to identify areas for improvement;
2. How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
3. How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
4. Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits

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ED None

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East Cambridgeshire District Council

Outline audit planning report

Year ending 31 March 2021

08 March 2021

Appendix 1

08 March 2021



Dear Committee Members

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

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

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

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

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

Yours faithfully

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

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young

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

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

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



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

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

Audit risks and areas of focus

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

Overview of our 2020/21 audit strategy

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

Overview of our 2020/21 audit strategy

Accounting estimates

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

Materiality

Planning materiality

£0.790m

Performance materiality

£0.593m

Audit differences

£39k

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

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

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

Audit scope

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

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

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

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

Overview of our 2021 audit strategy

Value for money conclusion

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

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

Timeline

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

Fees

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



02

Audit risks



Audit risks

Our response to significant risks

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

Misstatements due to fraud or error *

What is the risk?

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

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

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

What will we do?

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

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

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

Audit risks

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

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

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

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

What is the risk?

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

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

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

What will we do?

We will:

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

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

Audit risks

Our response to significant risks

Inappropriate claim under the Local Government income compensation scheme *

Financial statement impact

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

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

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

What is the risk?

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

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

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

What will we do?

We will:

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

Audit risks

Our response to significant risks

National Non-Domestic Rates (NNDR) Appeals Provision

Financial statement impact

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

What is the risk?

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

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

What will we do?

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

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

Audit risks

Our response to significant risks

Accounting for Covid-19 related grant funding

Financial statement impact

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

What is the risk?

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

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

What will we do?

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

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

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

Audit risks

Other areas of audit focus

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

What is the area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

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

What will we do?

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Pension Liability Valuation & Pensions Assets

The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. At 31 March 2020 the liability totalled £21.6 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

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

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

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 considering fund assets and the Authority's liability.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Group Accounting

The Authority consolidates East Cambridgeshire Trading Company and East Cambs Street Scene into its group accounts. There is an inherent risk in ensuring that the group accounts reflect fairly the financial position and performance of each component.

We identified the need for adjustments to be made to the prior year statements in respect of the consolidation and group accounts.

What will we do?

We will:

- ▶ Review the group assessment prepared by the Authority;
- ▶ Scope the audit requirements for each of the companies based on their significance to the group accounts. Liaising with the external auditors of each and potentially issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ Ensure the appropriate consolidation procedures and the Code of Practice are applied when preparing the group accounts.

Bad debt provision and recoverability of debtors

As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies and outstanding management fees in respect of the leisure centre. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

In order to address this risk we will:

- ▶ Review the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Consider the recoverability of debts in testing a sample of trade receivables.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Accounting for Collection Fund disclosures

During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income.

There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year,

What will we do?

We will consider the Council's accounting for Collection Fund disclosures by performing the following:

- Performing an analytical review of collection fund income, building in any changes in relief as appropriate;
- Document our understanding of the process for the raising of specific additional reliefs
- Review the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirements

Going concern disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

Other areas of audit focus (Continued)

What is the risk/area of focus?

Auditing accounting estimates

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

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

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

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

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



03

Value for Money Risks





Value for money

The Council's responsibilities for value for money

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

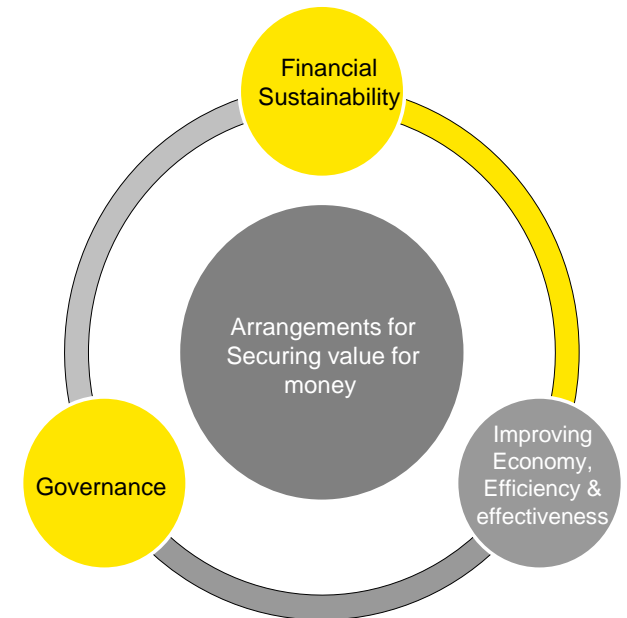
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its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

Auditor responsibilities under the new Code

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

The specified reporting criteria are:

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





Planning and identifying VFM risks

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

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

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

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

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

We should also be informed by a consideration of:

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



Value for money

Responding to identified risks

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

Reporting on VFM

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

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

Status of our 2020/21 VFM planning

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

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



04

Audit materiality



Materiality

Materiality

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



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

Key definitions

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

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

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

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



05

Scope of our audit



Scope of our audit

Objective and scope of our audit

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

We issue an audit report that covers:

1. Financial statement audit

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

Procedures required by standards

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

Procedures required by the Code

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

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

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

Scope of our audit

Audit Process overview

Our audit involves:

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

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

Analytics

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

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

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

Internal audit

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

Scope of our audit

Group scoping

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

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

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

Scoping by Entity

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

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

Scope definitions

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

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

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

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

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



06

Audit team



Audit team

Audit team structure:

Suresh Patel
Associate Partner

Jacob McHugh
Audit Manager

Rosanna Driver
Senior

EY Real
Estates (EYRE)

PwC (consulting
actuary) and EY
Actuaries

Working together with the Council

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

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

Audit team

Use of specialists

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

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

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

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

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



07

Audit timeline





Indicative Audit timeline

Indicative timetable of communication and planned deliverables

Indicative timeline

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

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



08

Independence



Introduction

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

Required communications

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Other communications

EY Transparency Report 2020

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

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

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



09

Appendices



Appendix A

Fees

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

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

The agreed fee presented is based on the following assumptions:

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

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

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





Notes:

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

Appendix B






Required communications with the Finance and Assets Committee

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

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





Appendix B

Required communications with the Finance and Assets Committee (continued)

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





Appendix B

Required communications with the Finance and Assets Committee (continued)

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





Appendix B

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

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

Appendix B

Required communications with the Finance and Assets Committee (continued)

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

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Purpose and evaluation of materiality

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

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

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

DRAFT ANNUAL GOVERNANCE STATEMENT

To: Audit Committee

Date: 26th July 2021

From: Finance Manager

[W51]

1. **ISSUE**

- 1.1. This report presents the draft Annual Governance Statement (AGS) for 2020/21 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 of 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 the 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 will be formally reported to the Audit Committee on 26th July 2021.
- 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. The latest CIPFA guidance has been considered in the drafting of the Statement, including accounting for the implications of the Covid-19 pandemic.
- 3.7. '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.
- 3.8. At the time of publishing the draft AGS on the Council's website 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 AND CLIMATE IMPACT ASSESSMENTS

- 5.1. There are no additional financial implications arising from this report. Equality and Climate Impact Assessments are 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	Ian Smith Finance Manager ian.smith@eastcambs.gov.uk

Draft Annual Governance Statement 2020-21

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.eastcamb.s.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 2021 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:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively:

- 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 to 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.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- Corporate policies and strategies, which are regularly reviewed, are available on the Council intranet.
- The Constitution contains responsibilities for functions of the Council, Policy Committees and 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 control and as such Service Leads are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.

3. Documenting a commitment to openness and acting in the public interest:

- 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. Due to the restrictions on gatherings of people, all meetings in the period 4th April 2020 to 7th May 2021 were held remotely via Zoom, with a live stream of the meetings available on YouTube.
- 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.
- In order to demonstrate its openness, the Council also publishes on the website the Constitution, Council and Committee agendas, reports, minutes and decision lists.
- In terms of transparency, 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.

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- 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.
- 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.
- In 2020/21 engagement with parish councils was conducted via a newly established Parish and Community Forum, a multi-agency network consisting of a variety of agencies and organisations, from across the public and voluntary sector, including parish councils. This approach was introduced as a result of the pandemic and proved an effective method of engagement to address matters arising from the ever-changing Covid-19 situation.
- Further examples of community engagement include Landlord Forums, Agents Forums, Taxi Driver Forums and the East Cambs Business Boost.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning:

- 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. It contains five themes which set out the main areas where the Council will concentrate work over the period:
 - Sound financial management
 - Improving transport
 - Housing
 - Cleaner, greener East Cambridgeshire
 - Social and community infrastructure
- Within each of these themes the Council has set out the priorities for the next three years.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the Council website at www.eastcambs.gov.uk
- 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.

6. Translating the vision into courses of action for the authority, its partnerships and collaborations:

- 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.
- 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. Service Delivery Plans are formally reported to the relevant Policy Committee.
- See note 8 below.

7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:

- 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.

8. 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:

- 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 year 2020/21 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. It is planned to reintroduce the Service Delivery Plan process from April 2022 for the 2022/23 year.
- A summary of the overall performance of the Council is published annually on the website.
- The Council continues to undertake service reviews to minimise bureaucracy, duplication and increase efficiency.
- 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.

9. 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:

- The Council's Constitution sets out how the Council operates, and contains separate articles and key documents covering Members 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 in order to maintain a shared understanding of roles and objectives.

10. 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):

- 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 is discharged by the Finance Manager & S151 Officer.

11. Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function:

- The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989. These responsibilities are delivered by the Legal Services Manager. 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.
- 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.

12. Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function:

- 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.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- 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.
- 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 Management Team annually for final consideration.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability:

- 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 (in 2020/21) the Finance and Assets 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.
- 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.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

- The Council has in place an Anti-Fraud & Corruption Strategy, the latest version being approved by Full Council in October 2019, which specifies the process by which allegations will be investigated and reported. The Council also acknowledges its responsibility to embed effective standards for countering fraud

and corruption that supports good governance and demonstrates effective financial stewardship and strong financial management.

- The Council's Whistle-Blowing Policy covers the arrangements for staff to report concerns anonymously. The Council's Complaints Scheme, and how to complain to the Ombudsman, are documented on the website. The Council has a dedicated resource in place to manage the complaints process.
- For the public there is also a procedure in place to report suspected cases of fraud via a dedicated fraud reporting mailbox reportfraud@eastcamb.gov.uk.
- The Council fully participates in the Cabinet Office's regular National Fraud Initiatives (NFI) and reports the results to Finance and Assets Committee.

16. Ensuring an effective scrutiny function is in place.

- 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.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact:

- Internal Audit is resourced externally and is 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.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013):

- The Council has a Finance and Assets Committee that fulfilled the role of the Audit Committee for the financial year 2020/21, 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.
- On 26th February 2021 Council approved a revised committee structure to include a separate Audit Committee from the Annual Council Meeting in 2021.

19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

- The Council provides support and information to the externally appointed auditors (Ernst & Young LLP). Audit findings and recommendations are reported through the Finance and Assets Committee. Moving forward these will be reported through the new Audit Committee.

20. 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.

- 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.

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 2020 the Council approved the Corporate Plan for 2020-2023 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 is discharged by the Council's Finance Manager & S151 Officer.
- The CIPFA Financial Management Code published in October 2019 sets out the financial standards of financial management for local authorities. Adoption of the

Code commenced on 1st April 2021 and Councils should have used 2020/21 to demonstrate by a self-assessment that they are working towards full implementation. The Council's Finance Manager & S151 Officer reviewed the Council's compliance against the consultation version and identified that the only area of non-compliance related to the reporting of reserve account details to committee and action was taken to include details in reports to the Finance and Assets Committee during the financial year 2020/21.

- 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 be for a period of four years, subject to ratification at the Council's Annual Meeting in May each year.
- Council approved key strategies and policies such as the Corporate Plan 2020-2023 and the revised Corporate Risk Management Policy.

2. The Finance and Assets Committee

- During the financial year 2020/21 the Finance and Assets Committee performed the role of the Audit Committee 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 2019/20.
- 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. The Committee also approved a revised Equality, Diversity & Inclusion Policy 2020-2023.
- In undertaking its role as the Shareholder Committee for East Cambridgeshire Trading Company (ECTC), the Committee approved the revised Business Plan for 2020/21 and the Business Plan for 2021/22 and noted the ECTC accounts for 2019/20.

3. The Operational Services Committee

- The Committee received and noted quarterly budget monitoring reports, and approved the Environment & Climate Change Strategy & Action Plan, Homeless & Rough Sleeper Strategy 2020-25 and the East Cambridgeshire Youth Strategy & Action Plan.
- 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 2021/22 and noted the ECSS statutory accounts for 2019/20.

4. 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 2021. This report outlined the key findings of the audit work undertaken during 2020/21 including areas of significant weakness in the internal control environment.
- The Chief Internal Auditor's annual opinion is that:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2020/21. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinions given in recent years.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively.

Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2020/21. The risk register was reviewed by the Finance and Assets 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 and work completed in 2020/21 has assessed assurances in relation to controls in some these key areas.

Internal control

For the audits completed in 2020/21, 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. There are three audits where the findings were assessed as posing a 'moderate' organisational risk and action plans are in place to address all risks identified within the reports, which will be subject to follow up testing.

Of the recommended actions agreed during the year, and due for implementation, 92% had been completed during the year. An action remains overdue in relation to the review of the Council's Contracts Register and this will continue to be followed up by Internal Audit in 2021/22.

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

5. 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 (ISA260) for the financial year 2019/20 was presented to Finance and Assets Committee on 26 November 2020. The annual audit letter 2019/20 was presented to the Committee on 25 January 2021.
- For the financial year 2019/20 EY issued unqualified audit opinions on the Council's financial statements and value for money conclusion.

6. Impact of the Covid-19 pandemic in 2020-21

- The Council's governance arrangements have been impacted by the coronavirus pandemic during the financial year 2020/21. Social distancing measures brought about by the Covid-19 pandemic have had an impact on the Council's governance arrangements. Due to the restrictions on gatherings of people and in accordance with regulations, all meetings in the period 4th April 2020 to 7th May 2021 were held remotely via Zoom, with a live stream available on YouTube for the press and public. This has allowed elected members to be fully involved in the decision making process and allow for public participation.
- The Council has put in place alternative working methods such as remote working to ensure services have continued to be provided with little or no affect on 'business as usual'.
- The Council has moved from the response to the recovery stage of the Covid-19 pandemic, and has established 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 include:
 - 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 Governments 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 have been 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 is fortunate in that it has had one of the lowest number of positive Covid-19 cases in the country, however the Council are committed to, and will endeavour, to maintain low numbers of Covid-19 positive cases and to maintain key services, be open for business, help those in need.
- The Council received £1,159,532 of un-ringfenced grant from Government to assist it with additional costs linked to the pandemic and was also able to recover a proportion of lost income in relation to Sales, Fees and Charges and Collection Fund deficits from Government Compensation Schemes. This resulted in the Council showing a cash surplus in relation to pandemic costs in the 2020/21 management accounts.
- The long term impacts of the pandemic, especially in relation to Council Tax and Business Rate receipts in future years, however remain unclear, but the Council has taken a prudent view of these in its budget and MTFS approved in February 2021.

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.

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:

INTERNAL AUDIT ANNUAL REPORT AND OPINION

To: Audit Committee

Date: 26th July 2021

From: Chief Internal Auditor

[W52]

1. **ISSUE**

- 1.1. To report on the work of Internal Audit and the annual opinion for 2020/21.

2. **RECOMMENDATION**

- 2.1. That the Committee considers and approves the Internal Audit report and opinion for 2020/21.

3. **BACKGROUND/OPTIONS**

- 3.1. The role of Internal Audit is to provide the Audit Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.
- 3.2. The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Audit Committee.
- 3.3. The purpose of the report is for the Audit Committee to consider the Annual Internal Audit Report for 2020/21 and be made aware of the Chief Internal Auditor's opinion on the state of the Internal Control Framework within East Cambridgeshire District Council.

4. **ARGUMENTS/CONCLUSIONS**

- 4.1. The attached report (Appendix 1) summarises the opinion of the Chief Internal Auditor for 2020/21 and the basis for this opinion.

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

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

6. **APPENDICES**

- 6.1. Appendix 1 – Internal Audit Annual Report 2020/21

Background Documents

None

Location

LGSS,
Room 207
The Grange
Ely

Contact Officer

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Chief Internal Auditor
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Rachel Ashley-Caunt
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EAST CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2020/21

1. Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Standards specify that the report must contain:

- an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards.

2. Head of Internal Audit Opinion 2020/21

2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2020/21 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the Council's system of internal control is that:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2020/21. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinions given in recent years.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively.

Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2020/21. The risk register was reviewed by the Finance and Assets 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 and work completed in 2020/21 has assessed assurances in relation to controls in some these key areas.

Internal control

For the audits completed in 2020/21, 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. There are three audits where the findings were assessed as posing a 'moderate' organisational risk and action plans are in place to address all risks identified within the reports, which will be subject to follow up testing.

Of the recommended actions agreed during the year, and due for implementation, 92% had been completed during the year. An action remains overdue in relation to the review of the Council's Contracts Register and this will continue to be followed up by Internal Audit in 2021/22.

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

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in addressing any control weaknesses. A summary of audit opinions is shown in Table 1.

Table 1 – Summary of audit opinions 2020/21:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	6	3	3	-	-
Key policy compliance	2	1	1	-	-
Risk based audits	2	8	4	-	-
Total	10	12	8	0	0
Summary	34%	40%	26%	-	-
2019/20 summary – for information	16%	56%	20%	8%	-

3. Review of audit coverage

Audit opinion on individual audits

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

Table 2 – Assurance categories:

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

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

Summary of audit work

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

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

Table 3 – Summary of audit opinions 2020/21:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Anglia Revenues Partnership				
Council Tax	Satisfactory assurance (draft opinion)			July 2021
NNDR	Satisfactory assurance			July 2021
Housing Benefit	Satisfactory assurance (draft opinion)			July 2021
Enforcement	Good assurance			July 2021
Financial				
Bank Reconciliations	Substantial assurance	Substantial assurance	Minor	March 2021
Budgetary Control	Satisfactory assurance	Good assurance	Minor	July 2021
Creditors	Satisfactory assurance	Satisfactory assurance	Minor	July 2021
Debtors	Good assurance	Good assurance	Minor	July 2021
Payroll	Substantial assurance	Substantial assurance	Minor	July 2021
Treasury management	Substantial assurance	Substantial assurance	Minor	March 2021
Key policy compliance				
Procurement compliance (draft report)	Good assurance	Satisfactory assurance	Moderate	Awaiting management response to finalise
Off contract spend	Substantial assurance	Substantial assurance	Minor	July 2021

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Risk based audits				
Local authority trading companies	Good assurance	Good assurance	Minor	March 2021
Asset management	Satisfactory assurance	Good assurance	Moderate	July 2021
Data Protection / GDPR	Substantial assurance	Satisfactory assurance	Minor	March 2021
S106 monitoring	Good assurance	Good assurance	Minor	July 2021
Disabled facilities grants	Good assurance	Good assurance	Minor	September 2020
Building control	Good assurance	Substantial assurance	Minor	November 2020
Cyber security	Satisfactory assurance	Satisfactory assurance	Moderate	July 2021

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

3.6 A number of these audit outcomes have been reported to the Finance and Assets Committee during the 2020/21 financial year. Summaries of those which have been finalised since the last progress report was presented are provided in Appendix A to this report.

Implementation of Internal Audit recommendations

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

3.8 A total of 22 audit recommendations have been implemented by officers during 2020/21. Of those implemented actions, 12 related to recommendations made since 1st April 2020.

3.9 Details of the implementation rate for the audit recommendations made during 2020/21 are provided in Table 4.

Table 4 - Implementation of audit recommendations agreed and due in 2020/21:

	Category 'Essential' recommendations	Category 'Important' recommendations	Category 'Standard' recommendations	Total
Agreed and implemented	3	5	4	12 (27%)
Agreed and not yet due for implementation	5	18	9	32 (71%)
Agreed and due within last 3 months, but not implemented	-	-	-	-
Agreed and due over 3 months ago, but not implemented	1	-	-	1 (2%)
TOTAL	9	23	13	45 (100%)

3.10 A full overview of overdue actions as at 31st March 2021 is provided in Table 5.

Table 5 - Summary of overdue recommendations as at 31st March 2021

Audit issue	Audit Year	Essential		Important		Standard	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Contract register	2019/20	1	-	-	-	-	-
Totals		1	0	0	0	0	0

Other sources of assurance

- 3.11 In addition to the Internal Audit work, assurances from other sources are also taken into consideration in informing the annual Internal Audit opinion.
- 3.12 It is noted that the Council's Public Sector Network compliance certificate was awarded in July 2020. This provides some assurances over the security of the Council's IT networks.

4.0 Internal Audit contribution

Added value

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the Council in new areas of work.
- 4.2 The Council commissioned 200 days from the delegated Internal Audit service to deliver the 2020/21 Audit Plan. This involved delivery of the current year Audit Plan, client liaison, support, reporting and attendance at the Finance and Assets Committee.
- 4.3 Internal Audit has delivered **100%** of the assignments from the 2020/21 Audit Plan.

Internal Audit contribution in wider areas

- 4.4 Key additional areas of Internal Audit contribution to the Council in 2020/21 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Sharing advice and fraud alerts in relation to the Covid-19 business grants.	Pro-active counter fraud support and learning from other authorities.
Promotion of fraud awareness week in November 2020 and maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero tolerance culture.
Maintaining good working relationships with External Audit.	Reducing duplication and maximising value of audit resources.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.

Professional Standards

- 4.5 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 4.6 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 4.7 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which can be provided on request. The outcome of the assessment was that the Internal Audit service is operating in general conformance with the Standards.

ARP - National non-domestic rates (NNDR)

This key system review, conducted on an annual basis, considers the key risks to achieve the objectives of the ARP to deliver revenues and benefits services to five partner authorities, providing a robust and flexible service to their councils.

Assurance was gained that:

- Parameters for NNDR multipliers were correct on Academy for 2020/21.
- Batch totals for NNDR bills expected, produced and posted agreed for all authorities, and checks were completed promptly by appropriate officers.
- Reliefs sampled during the course of the audit were all calculated accurately.
- A new relief of Expanded Retail Discount was introduced in 2020/21 and sampling confirmed the relief has been applied and calculated in accordance with Government criteria.
- Income collection via direct debit was processed and authorised correctly, including management of individual direct debit rejections.
- Income suspense accounts hold minimal balances and show evidence of prompt action to allocate income correctly.
- ARP officers have access to partner councils' Anti Money Laundering Policies.
- Both individual refunds and refund BACS payment files are approved by an appropriate independent officer.

It was, however, noted that:

- Areas for improvement remain consistent with issues identified in previous years:
 - VO Reconciliations for four of the five councils were seen to contain errors or omissions, and therefore the existing action has been reassessed as a high risk priority.
 - Debt recovery management has not progressed significantly. The impact of COVID-19 meant that ARP has been unable to progress debt recovery via court for a significant portion of the period under review and the adjusted in-year income collection rate remains on target. However, review of monitoring arrangements and sampling of accounts found that delays in recovery remain a risk area independently of the impact of COVID-19.
- Reliefs have been identified as a new area for improvement. In particular, the introduction of a COVID-19 business grant in 2020/21 has highlighted weaknesses in the process for managing Small Business Rate Relief. The root cause of some issues with SBRR is driven by national policy decisions to deregulate this relief, but additional controls have been recommended to improve the local risk profile where possible.
- Ratepayer data quality was requested as a supplemental area for assurance to S151 Officers in 2020/21, following concerns raised from the use of NNDR data to support the administration of COVID-19 business grants. This audit does not provide assurance on the risks affecting grants administered by sovereign councils as its scope is the administration of NNDR. Review of ratepayer data quality indicates that quality issues do exist, and mitigating controls could be introduced to improve the information available. However, the observed data quality issues are ad hoc in nature and have not been seen to cause significant issues for NNDR purposes. A medium risk priority action has been raised to address the issues found.

The systems and processes of internal control are overall deemed as Satisfactory in managing the risks associated with the NNDR system.

ARP - Enforcement

This key system review, conducted on an annual basis, considers the key risks to achieve the objectives of the ARP Enforcement Agency to deliver services to five partner authorities, providing a robust and flexible service to their councils.

Assurance was gained that:

- The Enforcement Team has good working practices in place that work effectively with a successful collection rate across all areas of debt
- Working practices have been adapted as a result of the COVID-19 pandemic. Agents are sympathetic to circumstances customers may find themselves in.
- System Access - A sound control process is in place for case histories within the One Step system, with good audit trails and records kept of all interactions, including the status and progress of the accounts.
- System Access - The system administration for One Step users is proactively checked on a quarterly basis to ensure only authorised users are active and that access levels are accurate and appropriate.
- Payment Collection - All methods of payments are promoted.
- The ICT shared finance and enforcement drives have provided direct access to supporting documentation for testing and evidence requirements.
- All staff contacted during the audit process were efficient and effective in their work and provided background and supporting information promptly
- To date, there have been no failed BAC's payments to the partner Authorities.
- To date, there has been no requirement to action 'Recovery of Goods'
- All key areas of debt are being recovered on across the partnership, 83% of which are for Council Tax.

It was noted that:

- The Strategic Manager confirmed that as a result of the COVID-19 pandemic, Enforcement visits were suspended by Government from March 2020 and re-commenced on 24 August 2020.
- The published performance report for July 2020/21 stated that the team have collected £1m compared to £1.838m at the same time the previous year.
- The Team will be taking on parking enforcement for East and West Suffolk.
- A number of unallocated payments have been actioned and allocated to relevant accounts. There are still some historic payments that require further action and these are due to be discussed and progressed by the Enforcement Manager, Strategic Manager and Senior Accountant at the earliest opportunity. They endeavour to allocate historic debt accordingly and progress is being made.
- A new 'standard action' has been developed and set up within CAPITA to improve the communication channels for key information. The Billing Team must complete and advise the Enforcement Team of any change of circumstances. The Enforcement Manager is hopeful that this new process should improve the updating of the system and subsequently prevent inefficient use of Agent time.
- Collection rates have been affected by the COVID-19 pandemic and as a result are lower than anticipated.

- The Enforcement Team has not yet had the need to recover goods; therefore there were no records to review for seized goods and compliance with requirements.
- A locked receptacle now currently provided for retention of receipt books.

The systems and processes of internal control are overall deemed as Good in managing the risks associated with the ARP Enforcement Agency system.

Budgetary control

The public sector continues to face many challenges due to the rapid pace of change with regards to the way in which services are delivered; organisational structures and relationships; and ongoing reductions in government funding. As new policy developments are introduced, the need for effective governance and budgetary control arrangements to ensure probity and sound financial management remain undiminished.

Part 4 of the Council's Constitution (Rules of Procedure) includes matters in relation to budget monitoring and control; the documenting of operational procedures and a budget monitoring timetable would provide assurance that roles and responsibilities are clearly communicated, and may enhance control and improve operational efficiency.

Budget data is uploaded to the financial system (Unit4 - Agresso) in line with the agreed timescales, and budget holders are able to access the financial system in order to review the budgetary position and complete the budget monitoring process. Internal Audit review confirmed that all 22 budget holders had been granted access appropriate to their role.

It is understood that budget monitoring arrangements provide for the timely identification, investigation and reporting of significant variances, and whilst template budget monitoring returns are not submitted by budget holders each month, the relevant information is obtained via other channels in line with quarterly reporting requirements. Introducing a comments column within the budget monitoring reports would enable budget holders to consistently record the relevant reasons for any significant variances.

Commitments are accounted for in the budget monitoring process, it is however noted that 45% of outstanding purchase orders totalling £415,566 as at 7th June 2021 had been raised over six months ago, and as such, may no longer be required, and may need to be removed from the financial system.

Material variances are reported to the Finance and Assets Committee and Operational Services Committee on a quarterly basis. A value above which such variances are defined as material, and reported upon, should be detailed going forward to ensure consistent and transparent reporting practices. It is noted that one virement had been processed during 2020/21, a review of which confirmed that controls had operated as intended.

Internal Audit review confirmed that quarterly budget monitoring reports had been presented to the Corporate Management Team (CMT) and relevant Committees in line with timetabled meetings.

Creditors

The audit of creditor payments forms part of the 2020/21 suite of annually performed key financial system reviews and is undertaken in order to inform the Head of Internal Audit's overall opinion on the financial control environment, which supports the Annual Governance Statement. All creditor

payments are processed through the Unit4 Business World system (Unit4) and administered by the Finance Team. The objective of the audit was to review the design of, and compliance with, key controls within the creditor payments system, and to provide assurance over the controls to prevent and detect fraud and error. The scope of testing for the 2020/21 review has been in relation to raising requisitions, authorisation of purchase orders and invoices, control of credit notes, and changes to supplier standing data.

The review has identified that the authorisation levels for expenditure set up within Unit4 do not currently match those set out in Financial Procedure Rules which the Council adopted in February 2019. This has led to payments over £50,000 not being authorised on the system at Director level in 18 cases out of the 20 payments over this value made in the period April 2020 to December 2020. Of these, five had been signed off by the Finance Manager and five by the Head of ECSS. Action is required to ensure access permissions within Unit4 are compliant with Financial Procedure Rules.

Testing of controls over ordering and approval of invoices for payment, suppliers standing data, urgent payments and credit notes confirmed that these had operated effectively.

Debtors

The audit of the debtors system forms part of the 2020/21 suite of annually performed key financial system reviews and is undertaken in order to inform the Head of Internal Audit's overall opinion on the financial control environment, which supports the Annual Governance Statement. All debtor invoices raised are processed through the Unit4 Business World system (Unit4) and administered by the Finance Team. The objective of the audit was to review the design of, and compliance with, key controls within the debtors system, and to provide assurance over the controls to prevent and detect fraud and error. The scope of testing for the 2020/21 review has been in relation to the accurate raising of invoices, new debtors and changes to standing data, credit notes and cancelled invoices. Testing did not cover debt recovery which was last reviewed by Internal Audit in the financial year 2019/20.

There are documented procedure notes which are available to the relevant staff to enable them to fulfill their debtor responsibilities however these had not been reviewed for a number of years and should be updated. Access to the debtors system is restricted to only two members of staff. This allows for an appropriate separation of duties between key tasks such as creating and amending debtor standing data, generating invoices and raising of credit notes / cancellation of invoices. Sample testing of these area confirmed that key controls had operated as intended in all cases tested.

Payroll

The audit of payroll forms part of the 2020/21 suite of annually performed key financial system reviews and is undertaken in order to inform the Head of Internal Audit's overall opinion on the financial control environment, which supports the Annual Governance Statement. Staff costs account for a significant proportion of the Council's total annual spend, therefore it is important to ensure that a sound framework of controls is in place to manage this expenditure effectively and minimize the risk of fraud or error. Responsibility for administering the Council's payroll was transferred to Midland HR(MHR) with effect from 1st April 2018. The Council has retained an in-house Payroll Officer post and the Human Resources service. The objective of the audit was to review the design of, and compliance with, key controls within the payroll and HR system, and to provide assurance over the controls to prevent and detect fraud and error. The scope of testing for the 2020/21 review has been in relation to new employees, leavers and non-standard payments.

Testing completed on a sample of new employees and leavers confirmed that data had been correctly input onto iTrent from the supporting documentation held, however it was identified that one new employee who commenced employment on 28th September 2020 had not received the back pay that was due to them in their October 2020 salary, resulting in a minor underpayment of £238.93. This has now been paid to the employee.

Testing completed on a sample of additional payments and deductions (additional hours, overtime, mileage, childcare payments etc.) found that all had been processed accurately, were properly supported and approved, in accordance with relevant policies.

Off contract spend

Off-contract purchases refer to the procurement of goods and services from a single supplier for which there is no valid contract in place, in breach of the Council's procurement rules. Off-contract spend can potentially result in poor value for money, lack of transparency and may result in legal challenge.

The Council's Contract Procedure Rules are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements in respect of competition and transparency. This year's audit was carried out against a backdrop of the Covid-19 pandemic and associated national and regional restrictions. In these circumstances, full compliance with Contract Procedure Rules may not have been possible in all cases and this has been taken into account during the audit. Nevertheless, effective governance and transparency of decision making remains important to ensure contracts are procured or extended in a fair and transparent manner and achieve value for money.

A review of all payments with a value over £15k covering the period April 2020 to December 2020 has confirmed that where they related to the supply of goods, works or services there was evidence to confirm that there was a contract, service level agreement or framework agreement in place which covered the expenditure. There were payments included in the sample that related to other expenditure such as local government pension payments and business rates payments that were not subject to the requirements of Contract Procedure Rules. To comply with the Local Government Transparency Code, the Council is required to publish payments over £5k in the contracts register. Testing has identified a number of payments that were not included in the contracts register and therefore the Council was not compliant with the requirements of the Code. This area of non-compliance has been covered and reported upon as part of the Internal Audit review of Procurement Compliance.

Asset management

The Council has a range of responsibilities in relation to the ongoing maintenance and inspection of its corporate buildings, in order to ensure these comply with relevant legislation and standards and align with its duty of care to staff and users of the buildings. In addition, the Council must manage the risks arising from the management of its wider portfolio of assets and seek to maximise income to be generated from these to support front line services. There are many aspects of property management which are required if the assets are to be maintained properly, costs and income are to be effectively managed and the landlord/tenant relationship is to remain effective.

It is evident that Council officers have sound systems in place for monitoring and evidencing compliance with statutory compliance regimes for operational assets (i.e. including gas safety, electrical installation certification and asbestos management). Records are maintained by the Assets Manager and flag when inspections or services are due. Officers have been provided with training on

water safety and asbestos which should enable them to competently conduct the regular checks throughout the year, between commissioned assessments/servicing.

In sample testing, two of the selected leased assets did not have a signed legal agreement in place with the tenants and these require addressing as a matter of priority. Rents for the selected properties were found to have been charged in line with the contractual figure, or in line with the latest uplift. It is also noted that all leases are required to be signed by the Council's Chief Executive or Legal Services Manager and in sample testing this was found to be consistently complied with. There is scope, however, to clarify and formalise the processes in relation to rent reviews, condition surveys and visits – recommendations have been raised in these areas to tighten controls and audit trails. It was also noted that there was no evidence of EPC ratings being obtained for new or renewed leases in the last twelve months, contrary to legal requirements, and procedures must be implemented to address this for all assets going forward.

There is no Asset Management Plan or Development Programme currently in place and, as such, the medium to long term plans are not documented. There are also no related performance indicators. It would be good practice to document and seek approval of such plans in order to inform maintenance plans, forward planning and budget forecasting.

S106 monitoring

Section 106 Planning Obligations are legal agreements formed between the Council and developers as part of the planning application process. These legal agreements allow the Council to control the impact of development, beyond that which can be achieved via planning conditions. Planning obligations are an established mechanism to secure the delivery of services or facilities needed as a result of new development. Contributions to infrastructure are delivered by way of either physical works (on or off-site), land transfer, or financial contributions. Planning obligations are typically secured towards infrastructure and facilities such as affordable housing, open space, education, community facilities and transport improvements.

The Council's Supplementary Planning Document on Developer Contributions sets out the Council's approach to seeking developer contributions for infrastructure or environmental improvements required as a result of new developments. Sound controls are in place to ensure that developments requiring s106 contributions are appropriately identified, negotiated, recorded and monitored.

Sample testing completed as part of the review has confirmed that S106 Agreements have been drawn up in a timely manner, all covenants included in individual S106 Agreements have been accurately input onto the S106 administration system (EXACOM) and that where works have commenced, demand notices for contributions due had been issued in a timely manner and for the correct amount.

Under the Community Infrastructure Levy (Amendment) (England) Regulations 2019 No. 1103, local authorities are required to produce an Infrastructure Funding Statement which is required to be published by December each year. It was confirmed that the Infrastructure Funding Statement for the financial year 2019/20 had been published on the Council's website.

Cyber security

The National Crime Agency estimates that the cost of cyber-crime to the UK economy is billions of pounds per annum – and increasing. Councils must ensure that they have suitable controls in place to protect their systems and data and to enable recovery of systems in the event of an attack.

The Council has recognised the threat of cyber-crime and is implementing a number of measures to actively manage the risks. Penetration testing was last completed in 2020 and a remedial plan was delivered to address all vulnerabilities reported; enabling successful PSN certification in July 2020. As part of the Eastnet Project Offering, the Council is introducing further controls, including intruder prevention and detection systems; and extensive work on disaster recovery planning concluded in January 2021 with the adoption of a new disaster recovery plan. The plan now requires testing to ensure it is robust and would support timely recovery.

Upon adoption of the new systems, the Council would benefit from a documented active monitoring strategy to clarify how these tools will be applied in practice and to include reference to vulnerability scanning and patching processes.

Remote access to the Council's network is via a secure portal requiring multi factor authentication and records in relation to hardware issued to network users are regularly updated. It is noted that checks on network user accounts require further work, with audit testing identifying a number of named and generic user accounts which had been obsolete for over a year. There is also currently a lack of records in relation to software and it is strongly recommended that a software register be developed and maintained to ensure effective monitoring of licences and security updates.

Training has been rolled out to network users but has not been subject to monitoring of completion rates. There is a risk therefore that some users may not have completed the sessions and not be alert to the risks - there is scope for further work in this area.

It is recommended that policies and protocols on passwords, use of auto-forwarding and removable media also be reviewed to ensure that the potential cyber security risks are actively managed.

INTERNAL AUDIT PLAN 2021/22 AND CHARTER

To: Audit Committee

Date: 26th July 2021

From: Head of Internal Audit

[W53]

1. **ISSUE**

- 1.1. To present the approved Internal Audit Plan for 2021/22 and Internal Audit Charter to the Committee for noting.

2. **RECOMMENDATION**

- 2.1. The Committee is asked to note the Internal Audit Plan for 2021/22 and the Internal Audit Charter.

3. **BACKGROUND/OPTIONS**

- 3.1. The Audit Committee is responsible for formally approving the annual Internal Audit Plan. This effectively sets out the programme of work that will be delivered by the Internal Audit team during the financial year. The role of the 'Audit Committee' was exercised by the Council's Finance and Assets Committee until April 2021. The Internal Audit Plan for 2021/22 was approved by the Finance and Assets Committee on 25th March 2021.
- 3.2. Internal Audit is required to provide 200 days of audit and assurance work in 2021/22. A two year plan has been prepared to illustrate how assurance could be provided over the longer term.
- 3.3. The Internal Audit Plan should provide the Committee and senior management with the assurances required over key risks for the year ahead. A copy of the approved Internal Audit Plan is provided in Appendix 1.
- 3.4. The Plan will remain subject to ongoing review during the financial year to ensure it continues to address the Council's key risks and adds value. Should the risk environment change during the year, the Audit Plan should be updated accordingly. To enable the Internal Audit service to be responsive in addressing risks, delegated authority has been approved for the Section 151 Officer, in consultation with the Chair of the Audit Committee, to approve Audit Plan changes between meetings should this be necessary. Any such changes would be reported to the subsequent meeting of the Audit Committee.

4. **INTERNAL AUDIT CHARTER**

- 4.1. The Internal Audit Charter is also brought to Committee for annual approval. This document sets out how the Internal Audit service will be delivered for the year ahead. This document was formally approved by the Finance and Assets Committee on 25th March 2021.

5. ARGUMENTS/CONCLUSIONS

5.1. The attached Audit Plan and Charter should provide appropriate coverage for the Council.

6. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

6.1. There are no additional financial implications arising from this report. Equality and Climate Impact Assessments are not required.

7. APPENDICES

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

Background Documents

None

Location

Internal Audit,
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Ely

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Internal

Audit Plan

2021/22

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Audit	2021/ 22	2022/ 23	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Anglia Revenues Partnership						
Council Tax	10	10	Revenues and Benefits	<i>Sound Financial Management</i>	B1	To provide assurance over the controls operating in the management of revenues and benefits services – given the high volume and value of transactions.
Benefits & Overpayments	15	15				
National Non Domestic Rates	10	10				
Counter Fraud and Corruption						
Counter Fraud Procedures	5	5	Cross-cutting	<i>Sound Financial Management</i>	<i>Fraud risks</i>	To review the Council's counter fraud policies and procedures against best practice and to review their robustness in light of latest trends/developments.
National Fraud Initiative	10	10	Cross-cutting		<i>Fraud risks</i>	Support with reviewing and investigating matches identified by the National Fraud Initiative.
Key Financial Systems						
Bank reconciliation	6	6	Finance	<i>Sound Financial Management</i>	B1	To review the design of, and compliance with, key controls within the Council's financial systems - working on a cyclical basis. Providing assurance over the controls to prevent and detect fraud and error.
Creditors	7	7	Finance		B1	
Debtors	6	6	Finance		B1	
Payroll	7	7	Finance		C5	
Treasury management	5	5	Finance		B1	
Budgetary control	5	5	Cross-cutting		B1	
Fixed assets	7	-	Finance		B1	
Risk management						
Risk management support	12	12	Cross-cutting	<i>All</i>	All	Administration and reporting of corporate risk register, supporting documents and review of the framework against best practice.
Making every penny count						
Procurement compliance	9	9	Cross-cutting	<i>Sound Financial Management</i>	B1	Selection of a sample of transactions over £500, to be checked against the published list, to ensure compliance with contract procedure rules and achievement of value for money.
Key policy compliance						
Fees and Charges	-	5	Cross-cutting	<i>Sound Financial Management</i>	C3	To provide assurance over compliance with key Council policies and procedures, based on sample testing.
Use of agency staff	-	7	Cross-cutting			
Staff claims	-	6	Cross-cutting			

Audit	2021/ 22	2022/ 23	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Staff recruitment checks	7	-	Cross-cutting			
Safeguarding	-	8	Cross-cutting			
Enforcement policy compliance	-	7	Cross-cutting			
Risk Based audits						
Covid-19 recovery	15	-	Corporate	<i>Sound Financial Management</i> <i>Social and Community Infrastructure</i>	A5 A6	To provide assurance over the management of the Council's response to the pandemic and implications for the controls environment arising from amended ways of working.
Performance management	8	-	Cross-cutting	<i>All</i>	C6	A Council-wide audit that will seek to provide assurance that the following risk areas are sufficiently controlled: a) Use of performance indicators across the Council; b) Reporting of performance indicators including both positive and negative performance; and c) Deriving value from performance indicators.
Financial management	-	8	Corporate	<i>Sound Financial Management</i>	B1	To assess the Council's financial management arrangements against the latest CIPFA Financial Management Code.
Environment and climate change strategy	10	-	Cross-cutting	<i>Cleaner, Greener East Cambridgeshire</i>	C3	The Council declared a climate emergency in 2019 and has since adopted an Environment and climate change strategy. To provide assurance over embedding of the new strategy and effective delivery of the associated actions and vision.
Development control	10	-	Planning	<i>Social and Community Infrastructure</i>	B2	The audit will provide assurance that the Council operates in accordance with key legislation, it monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached.
Food safety	-	8	Commercial	<i>Social and Community Infrastructure</i>	C3	The audit will provide assurance on the processes and procedures for supporting the Food Standards Agency's Rating Scheme, including businesses food safety management systems and people fitness to work arrangements.
Community right to bid	-	6	Corporate	<i>Social and Community Infrastructure</i>	C3	To provide assurance over the Council's consistent and compliant handling of applications for assets of community value.

Audit	2021/ 22	2022/ 23	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
IT asset management	8	-	ICT	<i>All</i>	C2 C6	To provide assurance over the Council's IT asset records and management – in light of increased flexible working in 2020/21.
Controls review of critical systems /cyber security	-	10	ICT	<i>All</i>	C2	To provide assurance over the robustness of critical IT systems, including follow up on cyber security audit from 2020/21.
Client Support						
Advice and guidance	5	5	Cross-cutting			
Follow up of agreed actions	5	5	Cross-cutting			
Annual report and Head of Internal Audit opinion	5	5	Cross-cutting			
Audit plan development	3	3	Cross-cutting			
Committee and Management reporting	10	10	Corporate			
Total	200	200				



Appendix 2

INTERNAL AUDIT CHARTER AND STRATEGY

1. INTRODUCTION & CONTEXT

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

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

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

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

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

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

and

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

And that:

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

A relevant authority must, each financial year—

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

(b) prepare an annual governance statement

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

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

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

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

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

1.4 The following definitions apply throughout the Charter and Strategy:

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

2. STRATEGY & VISION

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

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

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

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

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

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

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

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

3. AUTHORITY

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

4. INDEPENDENCE & OBJECTIVITY

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

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

5. HOW THE SERVICE WILL BE DELIVERED

Audit Planning

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

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

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

Internal Audit Annual Opinion

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

Conduct of work

5.8 The principles of how we conduct our work are:

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

Reporting

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

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

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

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

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

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

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

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

Actions / Recommendations

5.13 Actions are categorised dependent on the risk as follows:

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

Follow up

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

Quality Assurance

5.15 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

5.16 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual documenting methods of working;
- Supervision and review arrangements;
- Customer feedback arrangements;
- Quality Standards;
- Annual Internal review;
- Periodic external reviews;
- Performance measures, including:
 - i) Proportion of Plan completed, including spread of areas covered
 - ii) Proportion of agreed actions implemented
 - iii) Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up
 - iv) Productive/direct time as a % of total time
 - v) Customer satisfaction levels

5.17 The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

5.18 The Audit Committee, Corporate Management Team and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Limited opinion reports and key actions not implemented are discussed in more detail as appropriate with CMT, the Section 151 Officer and / or the Audit Committee.

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

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

6. *AUDIT COMMITTEE OVERSIGHT*

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

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

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

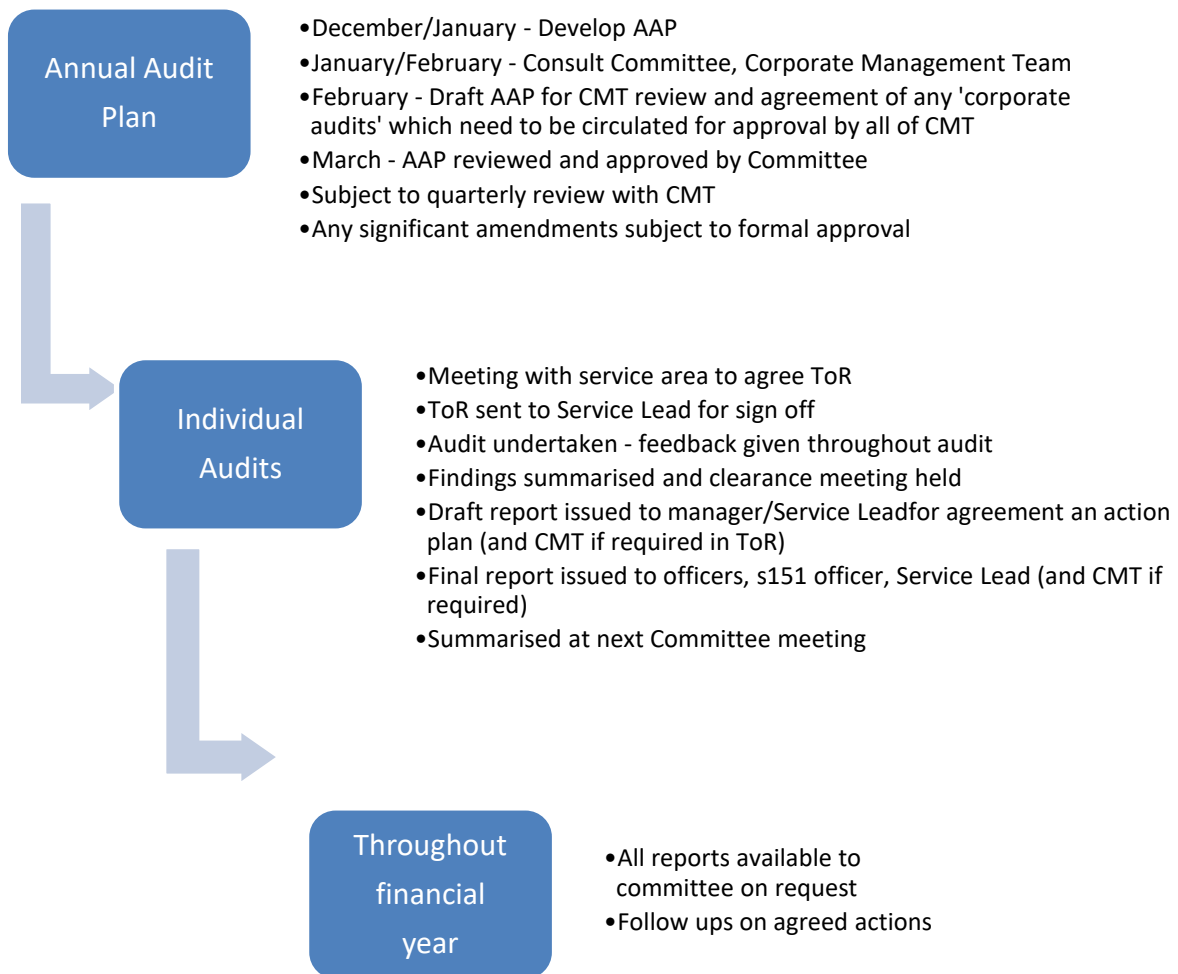
7. *ANTI-FRAUD AND ASSOCIATED ISSUES*

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

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

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

Annex A – Audit Planning & Delivery Process



Annex B – Audit Definitions

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

Control Environment / System Assurance

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

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

Compliance Assurance

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

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

Organisational Impact

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

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

Findings prioritisation key

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

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

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

RISK MANAGEMENT POLICY AND FRAMEWORK

To: Audit Committee

Date: 26th July 2021

From: Finance Manager

[W54]

1. **ISSUE**

1.1. To present the approved Risk Management Policy and Framework to the Committee.

2. **RECOMMENDATION**

2.1. The Committee is asked to note the Risk Management Policy and Framework documents.

3. **BACKGROUND/OPTIONS**

3.1. The Audit Committee is responsible for risk management. The Risk Management Policy and Framework were approved at Full Council on the 22nd October 2020, and so do not need to be approved further at this time.

3.2. However, it is felt appropriate to bring these documents to the first meeting of Audit Committee to ensure that all members are aware of how the risk process works within the Council.

3.3. While not considered a significant change, these documents have been amended from those approved by Council, to change reference from Finance and Assets Committee to the new Audit Committee.

4. **FINANCIAL IMPLICATIONS, EQUALITY AND CLIMATE IMPACT ASSESSMENTS**

4.1. There are no additional financial implications arising from this report. Equality and Climate Impact Assessments are not required.

5. **APPENDICES**

- Appendix 1 – Risk Management Policy
- Appendix 2 – Risk Management Framework

Background Documents

Location

Contact Officer

None

Room 104
The Grange
Ely

Ian Smith
Finance Manager
ian.smith@eastcambs.gov.uk



Risk Management Policy

Document control

Version	Author	Date	Summary of changes
V1.0	Jonathan Tully	14/03/17	First draft following CMT review. Formally approved by Full Council in October 2017.
V1.1	Ian Smith	24/07/20	References to latest corporate plan and structure Formally approved by Full Council in October 2020.



1. Introduction by Chief Executive

East Cambridgeshire District Council seeks to ensure that services, delivered either directly or through others, are of a high quality, provide value for money and meet evidenced need. We are a complex organisation that works with a wide variety of other organisations in different and varying ways. As a result, we need to ensure that the way we act, plan and deliver is carefully thought through both on an individual and a corporate basis.

We have a clear set of objectives which demonstrate our commitment to ensuring that the District remains one of the best places to live in the country. These are:

- To be financially self-sufficient and provide services driven by and built around the needs of our customers.
- 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.

The Council has five Priorities which set out the main areas where we will concentrate our work using a four year Corporate Plan, which is supported through service and team plans.

There are many factors which might prevent the Council achieving its plans, therefore we seek to use a risk management approach in all of our key business processes with the aim of identifying, assessing and managing any key risks we might face. This approach is a fundamental element of the Council's Code of Governance.

The Accounts and Audit Regulations 2015 state:

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

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

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

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

This Risk Management Policy is fully supported by Members, the Chief Executive and the Corporate Management Team (CMT) who are accountable for the effective management of risk within the Council. On a daily basis all officers of the Council have a responsibility to recognise and manage risk in accordance with this policy.

Risk management is about improving our ability to deliver our strategic objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities.

I am committed to the effective management of risk at all levels of this Council. This policy, together with the Risk Management Framework, is an important part of ensuring that effective risk management takes place.

John Hill
Chief Executive



2. What is risk?

The Council's definition of risk is:

“Factors, events or circumstances that may prevent or detract from the achievement of the Council's corporate priorities and objectives.”

3. Risk Management Objective

Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the Council's governance framework.

The Council will operate an effective system of risk management which will seek to ensure that risks which might prevent the Council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice, this means that the Council has taken steps to ensure that risks do not prevent the Council achieving its corporate priorities or objectives.

4. Risk Management Principles

- The risk management process should be consistent across the Council, clear and straightforward and result in timely information that helps informed decision making
- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment
- The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, i.e. the concept of proportionality
- Risk management should be embedded in everyday business processes
- Officers of the Council should be aware of and operate the Council's risk management approach where appropriate
- Members should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with Council Members being involved in the identification of risk on an annual basis.



5. 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.

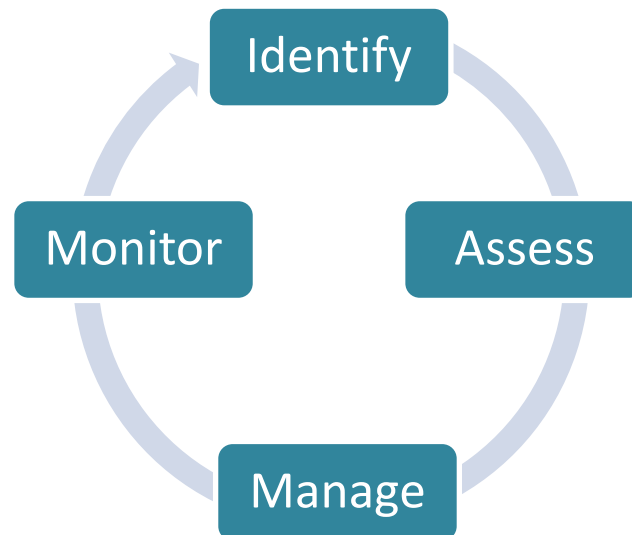
The Council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at **appendix 1** (for corporate priority risks).

6. Benefits of Risk Management

- Alerts members and officers to the key risks which might prevent the achievement of the Council's plans, in order that timely mitigation can be developed to either prevent the risks occurring or to manage them effectively if they do occur.
- Risk management at the point of decision making should ensure that members and officers are fully aware of any key risk issues associated with proposals being considered.
- Leads to greater risk awareness and an improved and cost effective control environment, which should mean fewer incidents and other control failures and better service outcomes.
- Provides assurance to members and officers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.
- Allows the Council to take informed decisions about exploiting opportunities and innovation, ensuring that we get the right balance between rewards and risks.

7. Risk Management Approach

The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council:



The detailed stages of the Council's risk management approach are recorded in the Risk Management Framework, which is regularly reviewed by Corporate Management Team (CMT). The Framework provides managers with detailed guidance on the application of the risk management process.

The Framework can be located on the intranet [[insert link here](#)].

Additionally individual business processes, such as decision making, project management will provide guidance on the management of risk within those processes.

8. Awareness and development

The Council recognises that the effectiveness of its risk management approach will be dependent upon the degree of knowledge of the approach and its application by officers and members.

The Council is committed to ensuring that all members, officers, and partners where appropriate, have sufficient knowledge of the Council's risk management approach to fulfil their responsibilities for managing risk. This will be delivered through formal training programmes, risk workshops, briefings, and internal communication channels.

9. Conclusion

The Council will face risks to the achievement of its plans. The risk management approach detailed in this policy should ensure that the key risks faced are recognised, and effective measures are taken to manage them in accordance with the defined risk appetite.

Appendix 1

The table illustrates how risks are scored and the Council’s risk appetite:

Further guidance is documented in the Risk Management Framework:

Impact	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
Likelihood							

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, Finance and 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

CORPORATE RISK MANAGEMENT PROGRESS UPDATE

To: Audit Committee

Date: 26th July 2021

From: Finance Manager

[W55]

1. **ISSUE**

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

2. **RECOMMENDATION**

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

3. **BACKGROUND/OPTIONS**

- 3.1. The Audit Committee is responsible for overseeing the Council's Corporate Risk Register and recommending revisions to the Council's Risk Management policy.
- 3.2. Updates on the Corporate Risk Register are provided on a six monthly basis. The Finance & Assets Committee (prior to the introduction of the Audit Committee) last received an update in March 2021. The updates to the Register are collated by Internal Audit but the content and scoring is the responsibility of senior management.
- 3.3. The Corporate Risk Register (Appendix 2) has been updated to reflect the latest risks for the Council, including those posed by the Covid-19 pandemic.

4. **ARGUMENTS/CONCLUSIONS**

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

5. **FINANCIAL IMPLICATIONS, EQUALITY AND CLIMATE IMPACT ASSESSMENTS**

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

6. APPENDICES

Appendix 1 – Corporate Risk Management Report – July 2021

Appendix 2 – Corporate Risk Register

Background Documents

None

Location

Room 104
The Grange
Ely

Contact Officer

Ian Smith
Finance Manager
ian.smith@eastcambs.gov.uk

Appendix 1 – Corporate Risk Management Report – July 2021

Background

1. Risk management is a key element of East Cambridgeshire District Council’s Code of Governance.
2. The Audit Committee is now responsible for overseeing the Council’s Corporate Risk Register.
3. The Risk Management Policy was last reviewed by the Finance and Assets Committee in September 2020 and approved by Full Council in October 2020 and has been included earlier on the agenda for information.
4. Six monthly updates on the Corporate Risk Register will be presented to the Audit Committee moving forward.

Corporate risk register updates

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

Risk	Description
A6 Council unable to manage impact of Coronavirus (Covid-19) on Council services	This risk entry has been updated to reflect the latest work of the recovery group and the strategic co-ordinating group.

Corporate residual risk heat map

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

Conclusion

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

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

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

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
B1	Inability to balance the Council's budget.	<p>Reductions in public sector funding.</p> <p>Uncertainty and changes in Government funding such as the Spending Review 2021, fair funding review and 75% retention of business rates, all planned to be introduced on 1st April 2022.</p> <p>Lack of opportunity to make further savings.</p> <p>Not maximising the opportunities from the Combined Authority deal and other income opportunities.</p>	Failure to achieve budgets savings leading up to 2022/23 and undermining the revised Medium Term Financial Strategy.	FM	3	5	15 (A)	<p>Agree Medium Term Financial Strategy (MTFS) each February as part of budget setting process.</p> <p>The MTFS 2021/22 was approved by Full Council in February 2021.</p> <p>Quarterly budget monitoring through Management Team and relevant Committees, including the impact of Covid-19 on expenditure and income.</p> <p>Partnership working (principally with the Combined Authority) and ongoing consideration of potential opportunities linked to the key ambitions.</p> <p>Strong leadership from members and officers.</p> <p>Government non-ringfenced Grant and other ring fenced funding to respond to the pandemic.</p> <p>Reporting impact of the pandemic to the Ministry of Housing, Communities and Local Government.</p>	3	4	12 (A)				
B2	Failure to achieve expected levels of development and planning income.	<p>The viability and delivery of residential and commercial development.</p> <p>Changes in legislation such as the Planning for the Future White Paper.</p>	Council failing to deliver its growth trajectory and not generating projected s106 and CIL income.	D-CS	3	4	12 (A)	<p>Ongoing Service Plan reviews</p> <p>CIL Implementation</p> <p>CLT support programme</p> <p>Business Plan (Property)</p>	3	4	12 (A)	Monitor and respond to the outcomes of the Planning for the Future White Paper	IS M	Ongoing	G

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

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

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

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

Corporate Priorities:

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

Key to risk owners (above):

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

Appendix 3 - Corporate Risk Register Heat Map

Summary of Residual Scores for Corporate Risks

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

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

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

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

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

D2	Failure to deliver upon strategic development plans and requirements.
D8	Difficulties with staff recruitment, absence and retention – leading to lack of resources.

AUDIT COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO. 12

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

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Meeting: Monday 26 July 2021 4.30pm		Meeting: Monday 22 November 2021 4.30pm		Meeting: Monday 10 January 2022 4.30pm	
Agenda Planning meeting:		Agenda Planning meeting:		Agenda Planning meeting:	
Pre-meeting briefing:		Pre-meeting briefing:		Pre-meeting briefing:	
Report deadline: 4pm Wed 14 July 2021		Report deadline: 4pm Wed 10 November 2021		Report deadline: 4pm Wed 22 December 2021	
Agenda despatch: Fri 16 July 2021		Agenda despatch: Friday 12 November 2021		Agenda despatch: Thurs 30 Dec 2021	
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
Draft Annual Governance Statement	Internal Audit	Statement of Accounts	Finance Manager & S151 Officer	External Audit – Auditor's Annual Report	External Audit
Internal Audit Charter and Work Plan 2021/22	Internal Audit	External Audit – Audit Results Report	External Audit	Internal Audit Progress Report	Internal Audit
Internal Audit Annual Report & Opinion	Internal Audit	Annual Governance Statement	Internal Audit	Corporate Risk Management Monitoring Report	Internal Audit
External Audit Progress Report	External Audit	Internal Audit Progress Report	Internal Audit	<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i>	DSO
Risk Management Policy and Framework	Internal Audit	<i>Actions taken by the Finance Manager on the grounds of urgency (if any)</i>	DSO	Forward Agenda Plan	DSO
Corporate Risk Management Monitoring Report	Internal Audit	Forward Agenda Plan	DSO		
<i>Actions taken by the Finance Manager 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.

Appendix 2

Risk Management Framework

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1. Introduction

East Cambridgeshire District Council seeks to ensure that services, delivered either directly or through others, are of a high quality and provide value for money and meet evidenced need. We are a complex organisation that works with a wide variety of other organisations in different and varying ways. As a result, we need to ensure that the way we act, plan and deliver is carefully thought through both on an individual and a corporate basis.

However, there are many factors which might prevent the council achieving its plans, therefore we seek to use a risk management approach in all of our key business processes with the aim of identifying, assessing and managing any key risks which might be faced. This approach is a fundamental element of the council's code of governance and is explained in the following extract from council's annual governance statement:

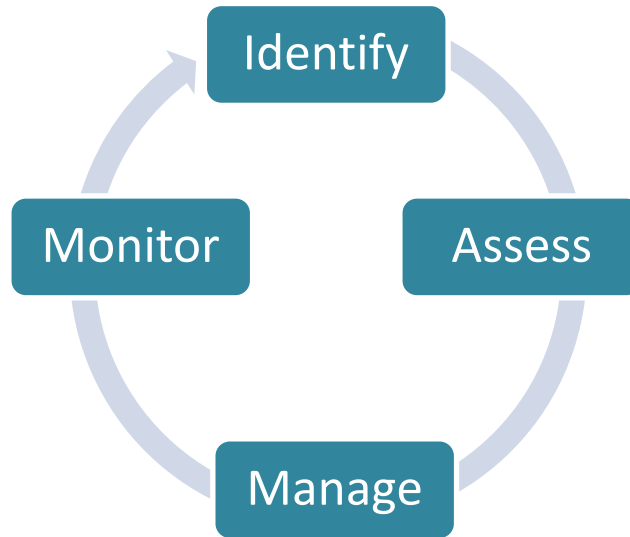
'The system of internal control is a significant part of that [governance] framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.'

It is important to recognise that the Council is not seeking to 'factor out' all risk, as this would not be a cost effective use of scarce resources, but instead to manage risk in a proportionate manner relative to the severity of the risk. It is also important to remember that risks must be managed, but not avoided to the extent that innovation and opportunities are stifled.

The definition of risk is:

“Factors, events or circumstances that may prevent or detract from the achievement of the Council’s corporate priorities and service plan objectives”.

The risk management approach is based upon the standard management cycle of:



This document details the Council’s risk management approach and the practices required to make it work.

Risk management is a dynamic tool which should be used from the point at which a risk is first identified until such time as it no longer represents a significant risk to the Council.

2. Benefits of Risk Management

There are many benefits to risk management:

- It alerts members and officers to the key risks which might prevent the achievement of the Council's plans, in order that timely mitigation can be developed to either prevent the risks occurring or to manage them effectively if they do occur.
- Risk management at the point of decision making should ensure that members and officers are fully aware of any key risk issues associated with proposals being considered.
- It leads to greater risk awareness and an improved and cost effective control environment, which should mean fewer incidents and other control failures and better service outcomes.
- It provides assurance to members and officers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.
- It allows the Council to take informed decisions about exploiting opportunities and innovation, ensuring that we get the right balance between rewards and risks.

3. Risk Management Processes

3.1 Risk Recording

It is important that all stages of the risk management process are recorded to allow risks to be managed effectively on a dynamic basis. A standard risk register template is shown at Appendix 3.

3.2 Risk Identification

The identification of risk is the most difficult aspect of risk management, as once a risk is identified the structured process of risk management should mean that the risk is fully evaluated and managed appropriately. Employees are therefore encouraged to devote sufficient time to it such that all key risks are recognised and appropriately managed.

Risk identification should include consideration of any risks associated with missed opportunities, e.g. failure to take advantage of external funding opportunities.

A good way to identify risk is through a risk workshop at Service Leads level, where each team member is able to identify their perspective of risk without influence from other team members. The outputs from this process can then be subject to full team review to give a consensus on the main risks faced by the Council. Other simpler risk identification approaches can also be effective, e.g. open discussion at team meetings.

Significant risks will be recorded in a corporate register.

Further guidance and support on the risk identification process, including facilitation of workshops, can be obtained from the LGSS Chief Internal Auditor, or Directors and Service Leads who act as risk champions. The detailed responsibilities of these support roles can be found in [Appendix 1: Roles & Responsibilities](#).

To assist risk identification, [Appendix 2: Risk Identification](#) lists the types of risks which might be faced. This list is simply a guide, and other factors could be considered.

Risks should be clearly articulated to ensure there is a clear understanding of the risk.

3.3 Trigger and Result

At the point of risk identification, the possible causes of the risk and the likely effects, if the risk were to occur, should be identified to give a good understanding of the dynamics of the risk.

“Trigger” naturally leads to the identification of the mitigating actions necessary to either prevent the risk occurring, or to recover quickly from the risk should it occur;

“Result” assists in understanding the impact of the risk and hence its scoring (see 3.6 below).

3.4 Risk Ownership

The effective management of risk requires that each risk should have a named owner (post title). Ownership should be assigned to an individual post and not team level.

3.5 Escalation of Risk

In the interests of empowerment each risk should be managed at the lowest appropriate level of management. However, if it is considered that a risk identified at one management level cannot be effectively managed at that level, the risk should be escalated up the management chain until it reaches the level at which it can be effectively dealt with.

3.6 Scoring of Risk

In order to assess the impact of risk in a consistent manner a scoring methodology has been adopted which takes account of the two distinct aspects of risk:

- The likelihood of the risk occurring;
- The impact if it does occur.

The scoring methodology is expressed in the corporate 5x5 scoring matrix as attached at [Appendix 4: Risk Scoring Matrix](#)

The matrix itself is supported by descriptors, over various elements, for the impact element of the risk. The impact score selected will be the highest score for any of the descriptor elements (not all may apply).

The risk will be scored in two stages:

- At inherent risk level, i.e. an initial base level which ignores any controls which might already be in place.
- A residual level which will take account of any controls already in place.

The identification of inherent risk provides the benefits of:

- Providing a listing of all major risks faced regardless of how well they are being managed in practice.
- Recording the key control framework for all major risks, which risk owners are responsible for ensuring are operating effectively in practice.

3.7 Risk Mitigation

Risk mitigation is the term used to show that the impact of a risk has been reduced.

The following examples illustrate how risks can be mitigated:

Transfer	Transfer the risk to someone else – i.e. insurance
Reduce	Introduce checks and balances – i.e. checks built into our everyday business processes which are the main source of risk mitigation
Recovery	These are the plans we have in place to recover business critical systems on a timely basis when business disruption occurs. The council’s approach to business continuity management is a key aspect of effective risk management.

When the above mitigating activities have been applied to the inherent risk the Council is left with the level of exposure which it is prepared to accept, or has to accept in the circumstances. This is known as the residual risk.

However, it is not appropriate for the council to attempt to manage all the risks which it faces – sometimes it is more effective to **terminate** the risk. This may mean ceasing the activity likely to trigger the risk or simply doing something in a different way that eliminates the original risk.

3.8 Action Planning

The residual risk score should be evaluated and an assessment made if this level of risk is appropriate, i.e. not too high, not too low.

The Council has defined its maximum risk appetite as not accepting a residual risk score of 16 or more unless actions are planned to reduce the score to below this level on a timely basis. In exceptional circumstances Council can approve a residual risk in excess of the risk appetite, 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 the Corporate Management Team and Audit Committee.

Otherwise the appropriate level of residual risk should be based on the experience of the manager responsible for managing the risk. Advice can be sought from risk champions (typically service leads) or from the LGSS Chief Internal Auditor.

In determining the mitigation required to manage a risk, think about the proportionality of the cost of the mitigation to the cost impact if the risk occurs. It would make no sense if the cost of the control exceeded the cost of the impact.

If the risk score is deemed to require adjustment, i.e. either reduction or increase, actions should be designed accordingly which must be assigned to a named owner and set an achievable specified target completion date. Target dates should not be set as 'ongoing', as this does not enable the effective management of action delivery.

3.9 Risk Monitoring

A full review of risk should be undertaken on a six-monthly basis at CMT. Directors and service leads should be reviewing their elements of the register on a regular basis and reporting issues to CMT on an exception basis to ascertain:

- If all relevant risks are included;
- If any risks can be closed;
- The progress in implementing agreed actions.
- If residual risk scores should be re-evaluated, e.g. to reflect completed actions.

Action progress will be identified through a RAG rating, with red rated actions requiring written explanation from the action owner.

Managers should have regard to potential risks at all times and should use this risk management approach to help them analyse and manage such risks at the point they are identified. Managers should not wait for the next formal review.

3.10 Risk Reporting

Corporate Management Team, on a half-yearly basis, will review the Council’s risk profile at both corporate and business area / team levels, and will review details of business areas’ team residual risks in excess of the risk appetite (red risks).

The Audit Committee is responsible for overseeing the Corporate Risk Register and recommending revisions to the Risk Management Policy¹. They will receive a regular report to support them in delivering their responsibilities.

3.11 Annual Assurance

Directors and Service Leads will provide annual assurance in respect of the development, maintenance and operation of effective control systems for the risks under their control. This will provide a key assurance source for the Annual Governance Statement which is prepared by the council as part of the annual Statement of Accounts.

3.12 Risk Management in other business processes

The risk management approach defined in other business processes should be complied with. These include:

Member decision making	It is critical for effective decision making that the decision makers are provided with details of the risks associated with each proposal being considered.
Council and service planning	<p>As with member decision making it is critical that senior managers and ultimately members understand the risks associated with the plans being designed by the council at the point of design.</p> <p>Service plans have a risk section and require the service to identify risks and how they will be managed.</p> <p>Service plans are signed off by directors and service leads along with their portfolio holders.</p> <p>Presentations to members on budget proposals will highlight key risk issues.</p> <p>As with ‘Member decision making’ above, reports requesting approval of annual/medium term plans will detail the key risks associated with the decision being requested.</p>
Project management	Risk (and issue) management is a key element in delivering an effective project management methodology. Guidance is included in the Project Management Toolkit . A 5 by 5 matrix is used and any risks scoring above 15 are escalated to the Project Board.

¹ <https://www.eastcambs.gov.uk/sites/default/files/190916%20Part%203%20-%20Responsibility%20for%20Functions%20-%20B.%20Policy%20Committees%20%282%29.pdf>

<p>Contracts, joint ventures and shared services</p>	<p>The Council aims to influence strategy and deliver outcomes for the city through a range of different collaborative relationships, and alternative delivery models, in addition to direct contracts.</p> <p>As a result, effective contract and relationship management is of vital importance. Business relationship and contract management tools are used to minimise risks.</p>
<p>Health and safety</p>	<p>The Council’s health and safety policy is also a key component of the council’s structure of controls contributing to the management and effective control of risks affecting staff, contractors and the general public.</p>
<p>Partnerships</p>	<p>Councils increasingly deliver their services through partnerships with other local authorities, third sector groups and statutory bodies such as the police authority. Assurance will be taken from joint registers where possible – e.g. Anglia Revenue Partnership.</p> <p>Risk management for the council considers corporate risks relating to and/or arising from partnership activity, as well as risks within the partnership itself. The council needs to be able to understand and manage both types of risks by including partnership risk in the organisational risk management process.</p>
<p>Business continuity planning</p>	<p>The Civil Contingencies Act 2004 places a statutory duty on local authorities to establish business continuity management arrangements to ensure that they can continue to deliver business critical services if business disruption occurs.</p>

3.13 Risk Management Awareness

The Council is committed to ensuring that all members, officers and partners where appropriate, have sufficient knowledge of the Council’s risk management approach to fulfil their responsibilities for managing risk.

This will be delivered through formal training programmes, risk workshops, briefings, and internal communication channels.

3.14 Risk Management Group

The Council has a Risk Management Group, which convenes periodically to assess corporate risks and consider emerging threats. They review risk registers, the Risk Framework, and recommend updates to the Corporate Management Team.

The group is facilitated by LGSS Internal Audit, and comprises professional officers with specific advisory roles. This helps to efficiently conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The group includes the following people:

- Ian Smith – Finance Manager
- Sally Bonnet – Infrastructure and Strategy Manager
- David Vincent – Health & Safety / Emergency Planning Manager
- Jo Brooks – Director, Operations

- Maggie Camp – Monitoring Officer

Appendices

Roles & Responsibilities

Who	Risk Management Role
Elected Members	Ensure that risks are taken into consideration for Committee and Council decisions.
Audit Committee	<p>To oversee the Council’s Corporate Risk Register and recommend revisions to the Council’s Risk Management Policy.² This includes:</p> <ul style="list-style-type: none"> Ensuring corporate risks are identified and effectively managed across the council. Reviewing the Corporate Risk Register half-yearly. Receiving updates on significant risk issues Reviewing reports on the Council’s risk management processes in order to provide independent assurance of the adequacy of the risk management framework and the associated control environment
Council	. Notification of residual risks which exceed the Council’s risk appetite.
Chief Executive	Overall responsibility and accountability for leading the delivery of an effective Council-wide risk management approach.
Chief Finance Officer	<p>Championing and taking overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council. Direct the Risk Management Group as required.</p> <p>Provide awareness and training on risk management to Members, employees and partners as appropriate.</p>
Corporate Management Team	<p>Owning and leading the corporate risk management process</p> <p>Reviewing corporate risks half-yearly</p> <p>Ensuring that risk is given due consideration in all management processes</p>

² <https://www.eastcambs.gov.uk/council-and-democracy/councils-constitution>

Who	Risk Management Role
Risk Management Group	<p>Provide support for the delivery of the Risk Management Framework across the Council.</p> <p>Promote and advise upon risk management practices across all services of the Council. Help to develop a consistent and effective approach to risk management, which is adopted within relevant Council management functions.</p> <p>Meet quarterly to review team and corporate risk registers. Suggest updates to Corporate Management Team for approval.</p>
LGSS Internal Audit	<p>Providing guidance, advice & support on the Council's risk management approach</p> <p>Facilitate risk workshops</p> <p>Maintain the Corporate Risk Register, based on input/requests from the Risk Management Group</p> <p>Arranging risk management awareness, support and training for managers, staff and members, as requested</p> <p>Prepare reports for the Corporate Management Team, and the Audit Committee</p> <p>Provide independent assurance on the risk management process</p>
All Service Leads	<p>Ensuring that risk is given due consideration in all management processes</p> <p>Ensuring that risks identified within their service are managed at an appropriate level, including escalation to a corporate register where appropriate</p> <p>Provide an annual assurance statement as to how risk is being managed, to help produce the annual governance statement</p> <p>Drive the development and embedding of effective risk management across their service</p> <p>Contributing to the development of the Council's risk management processes.</p>
All staff	<p>Understand their accountability for individual risks</p> <p>Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures</p> <p>Completing any risk management training relevant to the post, including e-learning</p>

4. Risk Identification

The checklist below is an aid to managers in risk identification. However, the checklist cannot be exhaustive and you may identify other areas where you foresee there might be risks or opportunities.

Risks are grouped into categories, to help monitor them. The use of the “right” category is not critical, it is simply an aid to assist the identification of a risk. The critical factor is that all key risks are identified and then managed effectively.

The first stage of risk identification is making sure that the objectives of the area being assessed are clearly understood in accordance with the council’s risk definition:

“Factors, events or circumstances that may prevent or detract from the achievement of the council’s corporate priorities and objectives”.

A risk may relate to the non-achievement of all or a number of corporate or service priorities or a single corporate or service priority.

Depending on how a risk is worded, you may wish to reflect the areas detailed below as the trigger of a risk rather than a risk in its own right, e.g. ‘Changes in demography’ may be recorded as a trigger of ‘Customers are not provided with the services they need’.

Risk category	When thinking about possible risks that could affect the different categories you might like to consider the following areas:
Customer Perspective	<p>Customers:</p> <ul style="list-style-type: none"> • Customers are not provided with the services they need
	<p>Citizens:</p> <ul style="list-style-type: none"> • Changes in demographic, residential or socio-economic trends, e.g. an increase in demand for council services from a specific group of citizens • Effects on social wellbeing, e.g. changes in economic conditions • Environmental issues, e.g. the effects of climate change, progressing the council’s strategic objectives e.g. the disposal of waste
	<p>Councillors:</p> <ul style="list-style-type: none"> • Difficult political issues, lack of member support or disapproval • Election changes and new political arrangements

Risk category	When thinking about possible risks that could affect the different categories you might like to consider the following areas:
Finance and Resources	<ul style="list-style-type: none"> • Ineffective financial planning including budget preparation • Weaknesses in workforce planning • Ineffective budget management • Loss or reduction in funding • Missed opportunities for obtaining additional funding • Failure to manage the council's cash assets effectively, i.e. treasury management function • Failure to manage non-cash assets effectively
Processes and Systems	<p>Regulators:</p> <ul style="list-style-type: none"> • Non-compliance with regulatory expectations • Non-compliance with legislative requirements, e.g. health and safety, equalities, data protection, environmental legislation, employment law, etc. • The council does not act within its statutory/legal powers, i.e. it acts ultra vires <p>Partners/Suppliers:</p> <ul style="list-style-type: none"> • Poor partnership agreements/arrangements/relationships • Suppliers/partners do not provide effective, efficient and economic services to the council, e.g. a major contract fails <p>General</p> <ul style="list-style-type: none"> • Weakness in procedures/systems that could lead to breakdown in service • Criminal or corrupt activity • Incorrect/unreliable/untimely information
Learning and Growth	<ul style="list-style-type: none"> • Not having staff with the right skills and experience • Failure of key projects and programmes

Note: Further guidance on risk identification can be obtained from your Service Lead or Director, or LGSS Internal Audit.

5. Template register

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Action	Owner	Target Date	Action RAG

6. Risk Scoring Matrix

The following table illustrates how risks are scored:

Impact	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
Likelihood							

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

7. Impact guidance

The following table provides examples for the scoring of the impact of a risk:

	Negligible 1	Low 2	Medium 3	High 4	Very High 5
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/ or local public enquiry	Major civil litigation setting precedent and/ or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£25k	<£50k	<£100k	<£500k	>£500k
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	Slight injury or illness	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the council has a responsibility	Death of an employee or individual for whom the council has a responsibility or serious mistreatment or abuse resulting in criminal charges
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/ editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to the council's policies and/or sustained negative media reporting in national media
Project	Minimal effect on budget or overrun	Project overruns or over budget	Project overruns or over budget affecting service delivery	Project significantly overruns or over budget	Project failure
Sustainability and Environment	Minimal or no impact on the environment or sustainability targets	Minor impact on the environment or sustainability targets	Moderate impact on the environment or sustainability targets	Serious impact on the environment or sustainability targets	Very serious impact on the environment or sustainability targets

8. Likelihood guidance

Likelihood scoring is left to the discretion of managers as it is very subjective, but should be based on their experience of the risk. As a guide, the following may be useful:

Likelihood	Score	Guidance
Very rare	1	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will
Unlikely	2	Not expected, but there's a slight possibility it may occur at some time
Possible	3	The event might occur at some time as there is a history of occasional occurrence at the council
Likely	4	There is a strong possibility the event will occur as there is a history of frequent occurrence at the council
Very likely	5	The event is expected to occur in most circumstances as there is a history of regular occurrence at the council

9. Diagram of the Risk Management Process

