EAST CAMBRIDGESHIRE DISTRICT COUNCIL

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

MEETING: **AUDIT COMMITTEE**
TIME: 4:30pm
DATE: **Monday 10 January 2022**
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

Substitutes:
Cllr Lavinia Edwards
Cllr Amy Starkey
Cllr Lisa Stubbs

Liberal Democrat Members
Cllr Charlotte Cane (Lead Member)
Cllr Mark Inskip

Substitutes:
Cllr Alec Jones
Cllr Christine Whelan

Lead Officer
Ian Smith, Finance Manager

Quorum: 3 Members

AGENDA

1. Public Question Time [oral]
The meeting will commence with up to 15 minutes public question time

2. Apologies and Substitutions [oral]

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

4. Minutes
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 22 November 2021

5. Chairman's Announcements [oral]

6. External Audit – Auditor's Annual Report

7. Provision of Internal Audit Services

8. Internal Audit Progress Report

9. Risk Management

10. Forward Agenda Plan

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 meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Monday, 22 November 2021, at 4.30pm.

P R E S E N T

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

OFFICERS

Ian Smith – Finance Manager
John Hill – Chief Executive
Maggie Camp – Legal Services Manager
Tracy Couper – Democratic Services Manager
Anne Wareham – Senior Accountant
Angela Tyrell – Senior Legal Assistant
Russell Wignall – Legal Assistant

IN ATTENDANCE

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

15. **PUBLIC QUESTION TIME**

No public questions were received.

16. **APOLOGIES AND SUBSTITUTIONS**

No apologies for absence were received.

17. **DECLARATIONS OF INTEREST**

No declarations of interests were made.

18. **MINUTES**

The Committee received the Minutes of the meeting held on 26th July 2021.

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

In response to a request by a Member, it was agreed to include the responses to the Member queries answered in writing after the meeting held on 26th July 2021 as an Appendix to those Minutes, as otherwise there would be no record of the responses.

A Member also requested that an item on Audit Committee self-assessment checklist be added to the list of items to be considered for inclusion on the Forward Agenda Plan, as detailed in Minute 14 of the meeting held on 26th July 2021.

It was resolved:

That the Minutes of the meeting of the Committee held on 26th July 2021 be confirmed as a correct record and signed by the Chairman, subject to the two amendments detailed above.

19. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman gave her apologies for being unable to attend the last meeting and highlighted the key roles of the Committee, as defined in the Terms of Reference, in relation to the Statement of Accounts, External and Internal Audit and Risk Management. She again emphasised the independence and non-political nature of the Committee and the need to avoid straying into operational and policy matters which were not within the remit of this Committee. She expressed the hope that the Committee could work in a spirit of transparency and co-operation.

The Chairman also welcomed the agreement notified to Members in the preceding week to move the publication/despatch of agendas for this Committee, Council and the two Policy Committees to seven working days, to give Members a longer timescale to submit questions in advance of meetings.

Consideration also would be given under Agenda Item 12, to the possible changing of the day for meetings of this Committee.

20. **EXTERNAL AUDIT PLAN ADDENDUM – VFM RISK ASSESSMENT**

The Committee received the External Audit Plan Addendum giving an update on the value for money (VFM) Risk Assessment.

It was resolved:

That the External Audit the VFM Risk Assessment be noted.

21. **EXTERNAL AUDIT – AUDIT RESULTS REPORT**

The Committee considered the Annual Results Report, previously circulated.

Members were informed that the Audit had progressed well, would be completed within the timescale agreed with the S151 Officer and his Team and everything was on course for a sign-off by the deadline of 30 November. Mark Hodgson

then updated the Committee on the outstanding areas of work identified in the report at the time of publication as follows:

- Debtors & Creditors Testing – Creditors completed & no matters to report; Debtors 1 account to be completed
- Grant Receipts in Advance)
- Expenditure testing)
- Housing Benefit expenditure testing) All completed, no matters to
  Related Party Transactions) report
- Journals Testing)
- Narrative report – completed subject to final review, no matters to report
- Grant Income (including Covid related grants) – 1 issue of classification identified relating to Covid related Grant income, explained in more detail below
- Group Consolidation procedures – in process of completion, 1 issue identified, explained in more detail below

With regard to the single entity accounts, Mr Hodgson reported that there had been very few issues and none that impacted on the bottom line of the accounts.

With regard to the Group Accounts, 2 issues had been identified – one related to unadjusted differences amounting to £80K in respect of ECTC, which the Board had decided not to adjust on the grounds of materiality. The other related to an error in the consolidation of a sum of £2M at gross rather than net rate, which would be adjusted prior to the signing of the final accounts. This did not impact on the bottom line of the accounts.

With reference to the classification issue regarding Covid related Grant income, Mr Hodgson explained to Members the detail in terms of the difference between Agent/Principal in Central Government accounting terms.

However, External Audit had given an unqualified opinion on the authority's financial statements.

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

With regard to the questions listed, which were still to receive a response from External Audit, Mr Hodgson updated the Committee as follows:

Question 1: Internal Control Weaknesses – this was not an area of reliance for External Audit, who triangulated the satisfactory assurances in the Annual Governance Statement AGS and expenditure testing to reach the conclusion that there were no significant control weaknesses.

Question 2: Appendix E Financial Stability – no issues had been identified with regard to the robustness of the MTFS and authorities frequently reported variances in Budget Outturn and Capital Programme slippage, which External

Audit assessed for reasonableness and had been comfortable with the justifications given.

Question 3: Savings/Increased Income – detailed work had not yet commenced on the 2023/24 Budget, but the Council had a good record on identifying savings/generating income, so External Audit were comfortable from a going concern perspective.

Question 4: Governance – the requirements of the Council during the Covid pandemic may have resulted in such arrangements.

Question 5: Improving Economy – Performance Monitoring arrangements were suspended during the Covid pandemic, but were to be reinstated for the forthcoming Financial Year. Our statements can be amended to reflect this.

Question 6: Contract Procedure Rules – External Audit have reviewed all entries in the Contract Register and tested materiality and no issues were identified.

Some Members expressed concern that the date of this meeting had not been deferred to enable a completed Audit Results Report to be submitted. However, the Chairman commented that the Audit was now substantially complete and the External Auditor had updated the Committee this evening on all of the outstanding areas.

In response to a question by a Member, Mr Hodgson explained the expenditure testing process. A Member then highlighted an issue whereby expenditure of £218K had been incurred in respect of the former Mepal Outdoor Complex when it appeared that only £30K had been authorised by full Council. The Finance Manager stated that an explanation of this issue had been provided on a number of occasions and that there was nothing further to add to those explanations.

A Member thanked External Audit for their clear and concise update of the current position regarding the audit and asked whether the Agent/Principal issue had any impact on the accounts. Mr Hodgson confirmed that the impact was limited, but was more of a technical issue.

Similarly, the Member queried if the consolidation of the sum of £2M at gross rather than net rate had any impact on the accounts. Mr Hodgson stated that it would not make a difference from a public perspective but was significant in accounting terms, although it did not affect the outturn position. Another Member then queried if the £2M impacted on the Income & Expenditure or Balance Sheet and Mr Hodgson confirmed that it impacted on both.

Despite the above explanations, some Members expressed concern at the impact of these items on the Accounts and asked what action the Council would be taking to ensure that the governance processes were improved to prevent such situations arising in the future. The Chief Executive agreed to provide a written response on this issue to be circulated to Members of the Committee.

The Chairman thanked External Audit for their attendance and clear and comprehensive explanations.

It was resolved:

That the Audit Results Report be noted.

22. **STATEMENT OF ACCOUNTS 2020/21**

The Committee received a report (reference W105, previously circulated) containing the Statement of Accounts for 2020/21.

The Finance Manager thanked the External Audit Team for their work and stated that the Audit had progressed well. The Accounts accorded with the prescribed format and had received an unqualified opinion.

A Motion to accept the recommendation in the report to approve the Statement of Accounts was proposed.

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

A Member requested confirmation that the version of the Accounts contained within the report had not been corrected for the items relating to consolidation and Group Accounts referred to in the preceding Minute. The Finance Manager confirmed that these would be amended before the final version of the Accounts were signed, but had no material impact on the bottom line. The Member expressed grave concern at approving Accounts with such material errors.

Another Member commented that the Committee had been reassured that the process had been completed correctly and External Audit were satisfied and had provided clear explanation of the issues and an assurance given that these would be corrected before the final version of the Accounts were signed and published. Therefore, the Audit Committee had fulfilled its role.

A Member requested that a recorded vote be taken on the Motion to approve the Statement of Accounts due the number of material changes required.

Another Member requested clarification as to whether the changes were material and Mr Hodgson confirmed that they had been classified as material in accounting terms but that the net impact was nil.

Some Members still expressed their unwillingness to approve the accounts due to the material errors and the Finance Manager and External Auditor highlighted the fact that these issues had been explained to the Committee and would be corrected before the Accounts were signed and published.

In that connection, the meeting was adjourned from 5.40pm to 5.47pm to enable wording to be included in the Motion to approve the Statement of Accounts to reflect the material changes required.

On re-convening, the following revised Motion was accepted by the proposer and seconder:

'That the 2020/21 Statement of Accounts as set out in Appendix 1, which will incorporate additional differences in relation to Agent/Principal and Group Accounts identified and reported by the External Auditor at the meeting in the previous Agenda item, be approved subject to the Section 151 Officer, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make any final non-material changes, as required, prior to final sign-off by EY on/or around the 30th November 2021.'

Upon being put to the vote, the revised Motion was carried, with voting as follows:

FOR (3): Councillors Every, D Schumann, Sharp

AGAINST (2): Councillors Cane and Inskip

ABSTENTIONS (0):

It was resolved:

That the 2020/21 Statement of Accounts as set out in Appendix 1, which will incorporate additional differences in relation to Agent/Principal and Group Accounts identified and reported by the External Auditor at the meeting in the previous Agenda item, be approved subject to the Section 151 Officer, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make any final non-material changes, as required, prior to final sign-off by EY on/or around the 30th November 2021.

23. INTERNAL AUDIT PROGRESS REPORT

Following a request by Councillor Cane, the Chairman stated that she had agreed to amend the order of business to take this item prior to the final draft Annual Governance Statement (AGS).

The Committee considered a report (reference W108, previously circulated) advising Members of the work of Internal Audit completed for the financial year to date and the progress against the Internal Audit Plan.

Rachel Ashley-Caunt summarised the content of the update report highlighting the amendments to the Plan detailed in section 2.5 to accommodate the audits of ICT outages and the Financial Management Code requested by the Committee at the previous meeting. Ms Ashley-Caunt also reported that 2 further audits had been completed relating to Staff Recruitment Checks and Development Control, the results of which were detailed in section 2.3 of the update report, and no issues of concern had been identified arising form these. The audit of Fixed Assets also was due to be signed-off in the forthcoming week.

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

A Member highlighted that 3 priority items remained outstanding for more than 3 months and asked how Internal Audit would ensure that these would be resolved before the next meeting of this Committee. The Finance Manager reported that he would provide written details to Members of the Committee after the meeting.

With regard to the outstanding issue in relation to Asset Management, the Member asked why the issue of not having signed lease agreements in place for properties still had not been resolved, despite assurances given at the previous meeting of the Committee. The Legal Services Manager stated that the two outstanding leases would be signed on Wednesday. Following further comments from Members regarding the need for a proper brought forward process/arrangements for lease renewals, the Legal Services Manager and Internal Audit Manager agreed to pursue this to enable the Audit to be closed.

It was resolved:

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

24. **FINAL DRAFT ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report (reference W106, previously circulated) containing the final draft of the Annual Governance Statement (AGS) for 2020/21.'

The Chief Executive reminded Members that the AGS was the responsibility of Corporate Management Team and was reviewed by Internal Audit. He highlighted a number of amendments made the final draft version in 'track changes' resulting from comments by the Committee at the previous meeting.

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

A Motion to accept the recommendation in the report to approve the Annual Governance Statement was proposed and seconded.

In response to a question by a Member, the Chief Executive explained how sufficient assurance was obtained as to the adequacy of the Council's governance arrangements. The Member challenged the statement in section 6 on page 12-13 of the AGS regarding the impact of the Covid-19 pandemic, and asked how this impact would be assessed and reviewed by the Council and Internal Audit. The Chief Executive reminded the Committee that a review of Covid-19 recovery had been included in the Internal Audit Plan for the current year and next year's AGS would reflect the findings from this.

The Member highlighted that the outstanding issues of 3 months or more referred to in the preceding item were not reflected in the AGS and asked that these be included in a schedule in the AGS. The Finance Manager stated that the format of the AGS was a matter for individual Councils to determine and

that outstanding Audit recommendations were an operational issue which was regularly reviewed and reported to this Committee by Internal Audit.

The Member also highlighted that the AGS no longer included reference to shareholder arrangements and how conflicts of interest between the Council and its Trading Companies were dealt with. The Chief Executive stated that the wording of the AGS could be amended to clarify these issues.

Another Member also expressed concern at the statement in section 6 the AGS regarding the impact of the Covid-19 pandemic and the suspension of the Council's Service Planning process during the period of the pandemic and commented that this suspension needed to be referred to in section 6.

As a result of the above discussions, the Chief Executive suggested that the wording of the Motion to approve the Annual Governance Statement be amended as follows and this was agreed by the proposer and seconder:

'That the Annual Governance Statement for the financial year 2020/21, as detailed in Appendix 1 to the report, be approved, subject to the inclusion of a statement of the governance arrangements between the Council and its Trading Companies.'

A recorded vote having been requested, upon being put to the vote, the revised Motion was carried, with voting as follows:

FOR (3): Councillors Every, D Schumann, Sharp

AGAINST (2): Councillors Cane and Inskip

ABSTENTIONS (0):

It was resolved:

That the Annual Governance Statement for the financial year 2020/21, as detailed in Appendix 1 to the report, be approved, subject to the inclusion of a statement of the governance arrangements between the Council and its Trading Companies.

25. **PSAA - APPOINTMENT OF EXTERNAL AUDIT**

The Committee considered a report (reference W107, previously circulated) requesting consideration as to whether this Council wished to either opt-in to the appointing persons regime, or to establish an auditor panel and conduct their own procurement exercise, under the requirements of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

It was resolved TO RECOMMEND TO COUNCIL (unanimously):

That this Council opts-in to the appointing persons arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external audit.

26. **FORWARD AGENDA PLAN & POTENTIAL CHANGE OF DAY FOR MEETINGS**

The Committee received the Forward Agenda Plan and considered the current day/dates for meetings of the Committee. Following discussion, Members agreed to continue with Monday as the day for meetings for the remainder of the current and for the forthcoming Municipal Year.

A Member requested that, in future, the Internal Audit report be listed before the Annual Governance Statement on Agendas.

A Member queried why the items listed under this item at the previous meeting had not all been added to the Agenda Plan. The Chairman referred to the Minute which had stated that the inclusion of the items would be discussed by the Chairman and Finance Manager.

A Member asked that an item on Performance Monitoring be added to the Agenda Plan for the next meeting, due to concerns regarding the suspension of this process. However, Members were reminded that the Performance Monitoring and Service Delivery Plan process was to be re-started from April 2022.

A Member asked that a report on the Corporate Risk Management process and risk scoring criteria be included on the Agenda Plan for the next meeting, and a rolling programme of presentations from risk owners timetabled, as requested at the previous meeting of the Committee. In response, the Finance Manager stated that he would submit a report explaining the Corporate Risk Management process and risk scoring criteria to the next meeting of the Committee.

It was resolved:

That the Forward Agenda Plan be noted and the day for meetings of the Committee remain as Monday for the remainder of the current and the forthcoming Municipal Year.

The meeting closed at 6.56pm.

Chairman:…….

Date:

Agenda Item 6

East Cambridgeshire District Council

Auditor's Annual Report

Year ended 31 March 2021

8 December 2021

Building a better working world

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.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 Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of East Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 8 December 2021.
Going concern	We have concluded that the Finance Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 10 November 2021 to the Audit Committee. We issued an Audit Results Report Update Addendum on the 7 December 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued

Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant income, Going Concern, the valuation of Property, Plant and Equipment and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Finance Manager. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 8 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit

Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On 8 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 22 November 2021 and supplemented this with an Audit Results Report Update Addendum on the 7 December 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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 did not identify any material weakness in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We have not identified any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of expenditure 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.	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing did not identify any revenue items that were incorrectly classified. Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Inappropriate claims under the Local Government income compensation scheme 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.	Our review of claims through the Local Government Income compensation scheme did not identify any inappropriate claims under the scheme.
Accounting for Covid-19 related grant funding 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.	Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature. The Council incorrectly identified its responsibility for the 'Additional Restrictions' Grant as an 'Agent' instead of as a 'Principal' which impacts the disclosure accounting. Management corrected the £0.992 million understatement of both Income and Expenditure in respect of this. Our work also identified the need for additional disclosure around Agent based grants, given their material nature. These adjustments were corrected in the final Statement of Accounts.

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
National Non-Domestic Rates Appeals Provision The calculation of the National Non-Domestic Rates (NNDR) Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion 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.	Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision. Where the Council had made local adjustments to reflect on local knowledge and developing appeals, these were also found to be reasonable. We had no other matters to report.
Valuation of Other Land & Buildings Other land and buildings (OLB) 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.	Our work has identified the following differences in respect of Land & Buildings valuations: • Indexation on one asset was incorrectly applied as a valuation increase, rather than a decrease. Land & Buildings were therefore overstated by £0.171 million. • Assets Held for Sale are required to be separately disclosed on the Balance Sheet as a 'Current Asset', at the lower of carrying amount and fair value. The classification of this asset, and the upwards revaluation of the asset, means total assets were overstated by £0.423 million • For 3 Car Park assets revalued in the year, the valuations have been calculated on the incorrect number of parking spaces. Land & Buildings is therefore overstated by £0.441 million. • The Council's valuer had retained the 'material uncertainty' clause within their valuation report. This had been disclosed by Management within the financial statements, however the original disclosure required updating to be specific to Car Park assets.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Pension Valuations and Disclosures The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. 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. For 2020/21, there may be an impact of Covid-19 on pension asset values as at 31 March 2021.	The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Council received an updated IAS19 report from the Actuary, which determined that the liability in the draft accounts was overstated by £0.566 million. The audited statements were updated in this respect.
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.	Our work identified the following issues in respect of group accounting: • The Council had incorrectly eliminated intercompany activity on a net basis, instead of a gross basis. This has been corrected in both the current year (£4.046 million) and comparative figures for 2019/20 (£4.886 million) reducing the overstatement of both Income and Expenditure in the Group CIES statement • The component auditor identified uncorrected misstatements within East Cambridgeshire Trading Company, meaning income was understated by £0.153 million. This misstatement remained uncorrected in the final Statement of Accounts as it was not material to the Group Accounts.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
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.	Our work did not identify any issues in respect of the bad debt provision calculation and the recoverability of debtors.
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 an inherent risk of incorrect accounting based on the significant level of change in the year.	Our work did not identify any issues with figures within the Collection Fund statement. The Council have presented the Collection Fund deficit as a 'Provision', where latest guidance is that this should be classified as an 'Earmarked Reserve'. As a result £3.105 million has been reclassified from Provisions to Earmarked Reserves.
Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management had used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
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.	We have not identified any issues in respect of estimates included within the financial statements, other than those specifically set out in this report.

Financial Statement Audit (continued)

Audit differences

Adjusted differences

- Property, Plant & Equipment – Indexation on one asset was incorrectly applied as a valuation increase, rather than a decrease. Property, Plant & Equipment therefore overstated by £0.171 million
- Property, Plant & Equipment – Under IFRS 5, Assets Held for Sale are required to be separately disclosed on the balance sheet as a current asset, at the lower of carrying amount and fair value. The classification of this asset, and the upwards revaluation of the asset, means total assets were overstated. The lower carrying amount value of £0.165 million should be shown and held as a 'Current Asset' instead of as 'Non-Current Asset - Property, Plant and Equipment'.
- Property, Plant & Equipment – For 3 car park assets revalued in year the valuations have been calculated on the incorrect number of parking spaces. Land & Buildings overstated by £0.441 million.
- Property, Plant & Equipment – During the year, the Council have disposed of Public Conveniences held within the asset register of £0.159 million. This has incorrectly been reflected as a downwards revaluation, when this should be recognised as a loss on disposal. This has no net impact on the closing value of Property, Plant & Equipment.
- Pension Liability – Management have corrected an audit difference in relation to the Pension Liability reducing the liability by £0.566 million, as a result of increases in the valuation of Pension Fund Investments due to timing differences reported through the audit of Cambridgeshire Pension Fund.
- Provisions – The Council have presented the Collection Fund deficit as a provision, where latest guidance is that this should be classified as an Earmarked Reserve. £3.106 million has been reclassified from Provisions to Earmarked Reserves.
- Cash and Cash Equivalents – The Council have classified £5.000 million within one account as a 'Cash and Cash Equivalent'. As the terms of this account, on acquisition, are that 180 days notice would be required to withdraw from the account, this should be classified as a 'Short Term Investment. This has no net impact on the Balance Sheet.
- Group CIES – The Council have incorrectly eliminated intercompany activity on a net basis, instead of a gross basis. This has been corrected in both the current year (£4.046 million) and comparative figures for 2019/20 (£4.886 million) overstatement of both Income and Expenditure in the Group CIES statement.
- Covid-19 Grant - The Council incorrectly identified its responsibility for the 'Additional Restrictions' Grant as an 'Agent' instead of as a 'Principal' which impacts the disclosure accounting. Management have corrected for £0.992 million understatement of both income and expenditure in respect of this.

Disclosure Differences

We also identified a small number of misstatements in disclosures which management corrected.

Uncorrected Differences

Management did not correct two immaterial adjustments. Management did not correct for a difference identified by the component auditor, relating to an understatement of income by £0.153 million. Management did not correct for a projected misstatement in creditors, where an identified difference has been extrapolated to give a projected overstatement of expenditure by £0.166 million.

Financial Statement Audit (continued)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £0.751 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.038 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness
- Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit Committee on the 22 November 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Finance Manager and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work in November 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified 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.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Each year the Finance team prepares a budget for the budget year, and the Medium Term Financial Strategy (MTFS) which sets out indicative budgets for three further years. The MTFS includes assumptions about all known expenditure and income over that period. This is taken to Full Council in February each year for approval. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council's latest published budget for the next financial year, 2021/22, was balanced via the use of the Surplus Savings Reserve. The 2022/23 budget has also been balanced through the use of the Surplus Savings Reserve. Further work is ongoing as part of the preparation of the detailed 2022/23 budget to balance the 2023/24 budget through additional identified saving opportunities. The Council's objective is always to have a balanced budget in each of the next two financial years when the budget is approved in the February of each year, to demonstrate that the Surplus Savings Reserve provides sufficient headroom to manage funding gaps.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget setting process considers any changes to service delivery proposed by Service Leads, as long as those changes are linked to the Council's priorities. The Medium Term Financial Strategy (MTFS) process, is the framework under which sustainable service delivery is planned for within an annual balanced budget, and over the next four year life of the MTFS.

How the body 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

The Council have joint arrangements in place with other local Council's to achieve effectiveness and efficiency of service delivery, including the Anglian Revenues Partnership (ARP) who provide services linked to local taxation collection and administration of housing benefits. Finances are planned through the Medium Term Financial Strategy (MTFS) and budget setting processes. The Council's Corporate Plan is also presented and approved at Full Council each year. This sets out the wider objectives and key priorities of the Council in respect of service delivery.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budgets are produced in line with expected income and expenditure based on the current knowledge of the Finance team. The key assumptions are set out in the Medium Term Financial Strategy (MTFS). The Council's Chief Finance Officer has set the minimum level of reserves for the General Fund at a level that is equivalent to 10% of the Council's net operating budget. In addition, the Council currently holds a 'Surplus Savings Reserve', derived from planned savings schemes set up as part of the annual budget setting process. Together, these provide Management with confidence that if unavoidable overspends did occur these could be managed through the Council's existing reserves balances. The Medium Term Financial Strategy sets out risks and uncertainties that could impact the Council's financial position.

Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council maintains a 'Corporate Risk Register' that is reviewed quarterly by the Risk Management Group and is presented to Audit Committee twice a year. The Council's Internal Auditor supports the production of the Council's Annual Governance Statement each year, feeding in their observations on internal control as identified through the audits that they have completed during the year. The Internal Audit Annual Report is presented to the Audit Committee which provides an overall audit opinion, alongside details of the individual audits undertaken during the year to reach the final opinion.

How the body approaches and carries out its annual budget setting process

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

An updated Medium Term Financial Strategy (MTFS) is taken to the Finance and Assets Committee in September each year, providing the initial budget for the following financial year, with forecasts across the remaining 3 years of the Medium Term Financial Strategy (MTFS) life (i.e. The MTFS is a rolling 4 year strategy). Following this meeting, the draft budget report is developed into a full annual budget, including the impact on Council Tax requirements. This is then re-presented to the Finance and Assets Committee in January, before being presented to Full Council in February for approval ahead of the start of the financial year to which it relates. Budget figures are determined by the Finance Team through discussions with relevant budget holders, and the Medium Term Financial Strategy (MTFS) is revisited at regular intervals to build in any significant changes.

How the body 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.

The Council operates a financial management system to which budget data is uploaded in line with agreed timescales. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Quarterly budget monitoring reports are presented to the Corporate Management Team, and to relevant Committees. Internal Audit review key aspects of the system of financial control as part of their cyclical audit strategy and report their findings as part of the Internal Audit Annual Report.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Decision making processes and schemes of delegation are set out within the Constitution for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are scrutinised by the appropriate committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Constitution contains policy documents such as the 'Member's Code of Conduct' which defines the rules to be adhered to as part of meeting the relevant requirements and setting appropriate standards. There is a separate 'Employees Code of Conduct' to ensure employees are also meeting the required standards for officers of the Council. Any issues, for example through the Council's whistle-blowing policy or complaints policy, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate to the issue. Councillors are required to complete and update their 'Declarations of Interest' on an annual basis.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

Regular reporting of performance and finances is undertaken, with quarterly budget monitoring reports presented to the Corporate Management Team, and then to the Finance and Assets Committee. As part of this, the Council consider the delivery of services and the Council's priorities and previous performance. Service leads are responsible for monitoring the performance of teams, in line with key Council objectives as set out in the Corporate Plan. This is reflected on within the Commentary and Review of 2020/21 section of the Narrative Report within the Statements of Accounts.

Improving economy, efficiency and effectiveness (continued)

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Plan sets out the Council's priorities which the Council call as 'future promises and commitments'. The Council monitors the provision of services against these commitments, with quarterly budget monitoring reports presented to the Corporate Management Team, and then to the Finance and Assets Committee. Monitoring of the Corporate Plan and the progress of actions to address the plan is through discussion at Corporate Management Team, with subject papers taken to relevant Committees on an ad-hoc basis. The nature of monitoring therefore is dependent on the nature of the service provided and the commitments monitored. The Narrative Report sets out a review of achievements against the Corporate Plan for that year.

How the body 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

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council ensures that it is represented on partnership bodies by relevant officers or members, as required. Key partnerships include the Anglia Revenues Partnership and working arrangements with the two subsidiary companies, East Cambridgeshire Trading Company and East Cambridgeshire Street Scene, for which regular reports are taken to the Finance & Assets Committee and the Operational Services Committee.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has, as part of its Constitution, 'Contract Procedure Rules' which officers are expected to adhere too when procuring on behalf of the Council. The Council also maintain a 'Contract Register'. Internal Audit review procurement activity as part of their cyclical Internal Audit plan, and procurement compliance received 'satisfactory assurance' for 2020/21. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.

VFM Commentary

Recommendations

Recommendations

As a result of our VFM procedures we have not made any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see assessed and continually updated and reflected within the Medium Term Financial Plan.

Section 5

Other Reporting Issues

Other Reporting Issues

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and identified that the conclusion of the Annual Governance Statement required additional narrative to specifically set out whether any significant governance issues had been identified. The Council amended the Annual Governance Statement to include this.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

Appendix A

Audit Fees

Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Audit Results Report presented to the Audit Committee on 22 November 2021.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Scale Fee – Code work	31,955	31,955	31,955
Additional Fee determined by PSAA Ltd (Note 1)	-	-	25,600
Revised Proposed Scale Fee	**31,955**	**31,955**	**57,555**
2020/21Additional work:			
Changes in work required to address professional and regulatory requirements and scope associated with risk. 2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: • Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Group Accounts.	Note 2	-	-
Total fees	**TBC**	**31,955**	**57,555**

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. In addition there are additional procedures required for the risks identified and addressed through the audit as reported in both the Audit Plan and the Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

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AGENDA ITEM 7

PROVISION OF INTERNAL AUDIT SERVICES

Committee: Audit Committee

Date: 10th January 2022

Author: Finance Manager

[W131]

1. ISSUE

1.1 The Council's current internal audit partnering and delegation agreement comes to an end on 31st March 2022.

2. RECOMMENDATION

2.1 Members are asked to approve the contents of this report and enter into a delegation agreement for our Internal Audit Service with North Northamptonshire Council for five years from 1st April 2022, authorising the Finance Manager, in consultation with the Legal Services Manager, to finalise the delegation agreement.

3. BACKGROUND / OPTIONS

3.1 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive are responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council.

3.2 The delegation of functions to another local authority is permissible under sections 101 and 102 of the Local Government Act 1972 and sections 19 and 20 of the Local Government Act 2000.

3.3 The current internal audit service is provided through a delegation agreement which was entered into in October 2016 with Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council who were originally operating under the banner of Local Government Shared Services (LGSS). This followed a number of years when the Council had its own internal audit team of one, which clearly raised significant issues relating to the resilience of service delivery. Delegating the service in 2016 therefore led to significant improvement in resilience as well as stabilising costs.

3.4 The current delegation agreement ends on 31st March 2022 and therefore it is necessary to enter into a new agreement if the Council wishes to continue with the current service provision. North Northamptonshire Council who will become the new employer of the current internal audit team (following the winding up of LGSS as an entity and the local government reorganisation in

Northamptonshire) have offered to continue to provide the current service with an inflationary uplift to the rate charged, which has also applied each year under the current agreement. The service level agreement (SLA) / partnering agreement would be updated to reflect current service requirements and the new lead authority.

3.5 The service is currently high performing; the audit plan is delivered in full each year, with reports being of high quality, and further represents good value for money with a high level of resilience and access to specialist services should they be required.

3.6 The Internal Audit Team have demonstrated their ability to be independent in the way they work and report. The delegated service provides an embedded service which remains independent of the Council, with staff employed by another local authority. As a result, this report proposes a new service level agreement is entered into to continue the delegation with the same Internal Audit Team.

3.7 Other councils that are currently operating the same service delivery model; Rutland County Council, Melton Borough Council and Harborough District Council are also progressing this option and therefore there is the opportunity to negotiate and update the agreement collectively. This will ensure the same level resilience of service as is currently enjoyed as well allowing best practice to be shared across the councils, particularly if the current practice of coordinating audit plans across partners is pursued so that similar audits can be undertaken at the same time.

3.8 For information the SLA has already been extended by six months to the 31st March 2022, to bring us in line with the other councils mentioned above.

3.9 The alternate option to this delegation is for the council to progress the provision of audit services with an alternative supplier either through partnering or procurement or to employ an internal audit team directly in house.

3.10 Before entering into the current delegation agreement in 2016 research was undertaken into the alternative options available. It is considered that due to there being little change in the internal audit market since this time there is no compelling reason to change providers from 1st April 2022 when the current agreement ends. There are the following justifications for the approach being moved forward:

- The existing internal audit team are currently working well and have demonstrated that they can deliver what is needed;

- Current performance levels are very good and there are no resilience issues;

- There would be minimal disruption as the audit lead would remain with the current lead officer and the audit team would remain mostly unchanged;

- The cost of the service which currently provides value for money would remain stable with only an inflationary increase each year;

- The internal audit team have developed good relationships with senior management and members;

- The Council would continue to have access to a bigger team with wider skills particularly in specialist areas which have been utilised in the past five years.

3.11 As set out above the alternative to entering into a further agreement is to partner with an alternative Council, run a procurement exercise or employ the team directly in house. These are not considered either necessary or appropriate at this time for the reasons set out above.

4 OPTION TO BE IMPLEMENTED

4.1 The Council delegates its internal audit service for five years from the 1st April 2022 to North Northamptonshire Council.

4.2 Delegate to the Finance Manager, in consultation with the Legal Services Manager, to finalise the delegation agreement with North Northamptonshire Council for the provision of internal audit services prior to the service starting on the 1st April 2022.

5 FINANCIAL IMPLICATIONS / EQUALITY AND CLIMATE IMPACT ASSESSMENTS

5.1 The Council currently receives 210 days of audit support which includes management time, committee attendance, training, liaison with external audit etc. The cost of the service for 2021/22 is £70,026, which equates to a charge £333.46 per day.

This compares with the estimate that if we had continued to have our own one person audit team, the direct cost of that employee would be around £61,000, with then additional management support, training and office and IT on-costs. Clearly with this option we would lose the resilience issues detailed in the paper and also the specialist skills we can call upon for specific audits.

5.2 Equality Impact Assessment (INRA) not required.

5.3 Carbon Impact Assessment (CIA) not required.

Background Documents	Location	Contact Officer
	Room 206 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

AGENDA ITEM NO 8

INTERNAL AUDIT PROGRESS REPORT

To: Audit Committee

Date: 10th January 2022

From: Chief Internal Auditor

[W132]

1. ISSUE

1.1. To advise Members of the work of Internal Audit completed during the financial year to date, and the progress against the Internal Audit Plan.

2. RECOMMENDATION

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

3. BACKGROUND/OPTIONS

3.1. The role of Internal Audit is to provide the Audit Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.

3.2. At the time of reporting, 71% of assignments within the plan are either complete or in progress. In addition to this planned work, the Internal Audit team have assisted with extensive counter fraud work in relation to pre/post payment checks on Covid-19 business grants and work associated with the bi-annual National Fraud Initiative matches.

3.3. Since the last Audit Committee update, nine actions arising from audit reports have been implemented by officers. There are five actions which remain overdue and are subject to on-going follow up from Internal Audit.

4. ARGUMENTS/CONCLUSIONS

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

5. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

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

6. APPENDICES

Appendix A – Internal Audit Update Report – January 2022

Background Documents	Location	Contact Officer
None	Internal Audit, Room 207 The Grange	Rachel Ashley-Caunt Head of Internal Audit RAshley-Caunt@rutland.gov.uk

AGENDA ITEM NO 9

RISK MANAGEMENT

To: Audit Committee

Date: 10th January 2022

From: Finance Manager

[W133]

1. ISSUE

1.1. To make changes to the Risk Management Policy and Framework documents and review the updated Corporate Risk Register.

2. RECOMMENDATION

2.1. The Committee is asked to recommend to Full Council that the updated Risk Management Policy and Framework documents be approved.

2.2. Committee is asked to note the updated Corporate Risk Register.

3. BACKGROUND/OPTIONS

3.1. The Audit Committee is responsible for risk management. The Risk Management Policy and Framework were last approved at Full Council on the 22nd October 2020.

3.2. Since this time, the way that risk is managed within the Authority is mostly unchanged, but for clarity these documents have been updated to better reflect the position, not least detailing / adding clarity around the timeframes when different activities take place.

3.3. I will be making a presentation to Committee on the current arrangements as part of this Agenda item.

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
- Appendix 3 – Corporate Risk Register – Commentary on Changes
- Appendix 4 – Corporate Risk Register

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

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Appendix 1

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.
V1.2	Ian Smith	10/01/22	

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
- 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 and monitoring 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.

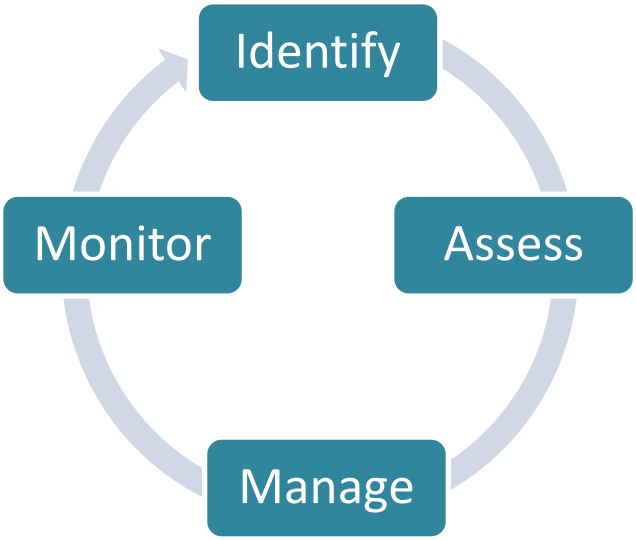
The Council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at **appendix 1** (for corporate priority risks).

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 from the corporate risk register to individual service plans.



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, 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

EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Appendix 2

Risk Management Framework

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Contents

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:

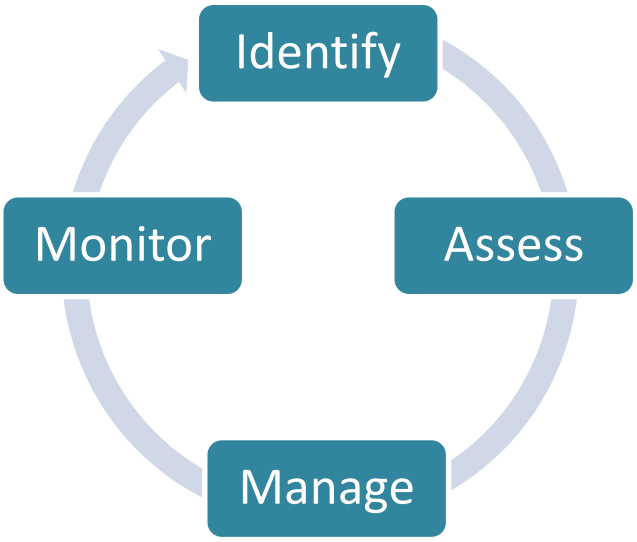
'The system of internal control is a significant part of that [governance] fr*amework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. The system 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 risks is through open discussion at individual service team meetings, where each team member is able to identify their perspective of risk, potentially linked to the Service Planning process. The outputs from this process can then be subject to review to give a consensus on the main risks faced by the Council and which risks need including in the Corporate Risk Register.

Further guidance and support on the risk identification process, including facilitation of workshops, can be obtained from the Chief Internal Auditor, or Directors and Service Leads who act as risk champions for their service. The detailed responsibility of these support roles can be found in Appendix 1: Roles and 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. To be clear however, Service Planning is about the management of the service, so while Service Leads need to be mindful of the risks in their areas when preparing their Plan, there is no expectation that these plans will include a specific formal risk register.

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.

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

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, Audit Committee and Full Council.

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 Service Leads, the Finance Manager or from the Chief Internal Auditor.

In determining the mitigation required to manage a risk, one option is to think about the proportionality of the cost of the mitigation compared 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 (post holder) 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 corporate risks should be undertaken on a three-monthly basis by the Risk Management Group. Directors and service leads should be reviewing their elements of the register on a regular basis and reporting issues to the Risk Management Group 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

The Risk Management Group, on behalf of Corporate Management Team, will on a quarterly basis, review the Council's risk register at a corporate level and determine if any risks escalated from service areas, those with risk scores in excess of the risk appetite, should be included on the Corporate Risk Register.

The Audit Committee is responsible for overseeing the Corporate Risk Register and recommending revisions to the Risk Management Policy. They will receive the Corporate Risk Register twice a year (every six-months) 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	As above, it is critical that senior managers and ultimately members understand all the known risks associated with the plans being designed by the Council at the point of design. While preparing their Service Plan, Service Leads need to be mindful of the service risks in their area and ensure these are reflected in the narrative within the document as necessary. However, Plans are not required to specifically include a formal risk register (as in appendix 3). Service Plans are signed off by directors and service leads.

	Presentations to members on budget proposals will highlight key financial risks. 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.
Project management	Risk (and issue) management is a key element in delivering an effective project management methodology. A 5 by 5 matrix is used and any risks scoring above 15 are escalated to the Project Board.
Contracts and joint ventures	The Council aims to influence strategy and deliver outcomes for the district through a range of different collaborative relationships, and alternative delivery models, in addition to direct contracts. As a result, effective contract and relationship management is of vital importance. Business relationship and contract management tools are used to minimise risks.
Health and safety	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.
Partnerships	Councils increasingly deliver their services through partnerships with other local authorities, third sector groups and statutory bodies. Assurance will be taken from joint registers where possible – e.g. Anglia Revenue Partnership. 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.
Business continuity planning	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.

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 thorough formal training programmes, risk workshops, briefings, and internal communication channels.

3.14 Risk Management Group

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

The group is facilitated by 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
- Emma Grima – Director, Commercial
- Maggie Camp – Monitoring Officer
- Annette Wade (representing Operational Services)

Appendices
Roles & Responsibilities

Who	Risk Management Role
Elected Members	Ensure that risks are taken into consideration for Committee and Council decisions.
Audit Committee	To oversee the Council's Corporate Risk Register and recommend revisions to the Council's Risk Management Policy and Framework documents. This includes: 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. Approval of the Council's Risk Management Policy and Framework documents.
Chief Executive	Overall responsibility and accountability for leading the delivery of an effective Council-wide risk management approach.
Chief Finance Officer	Championing and taking overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council Chair the Risk Management Group Provide awareness and training on risk management to Members, employees and partners as appropriate
Corporate Management Team	Owning and leading the corporate risk management process. Reviewing corporate risks by exception. Ensuring that risk is given due consideration in all management processes.

Who	Risk Management Role
Risk Management Group	Provide support for the delivery of the Risk Management Framework across the Council. 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. Meet quarterly to review the Corporate Risk Register and consider if any further risks need to be added to this. Make updates to the Corporate Risk Register, for review at Audit Committee.
Internal Audit	Providing guidance, advice & support on the Council's risk management approach Facilitate risk workshops Maintain the Corporate Risk Register, based on input / requests from the Risk Management Group Arranging risk management awareness, support and training for managers, staff and members, as requested Prepare reports for the Audit Committee Provide independent assurance on the risk management process
All Service Leads	Ensuring that risk is given due consideration in all management processes Ensuring that risks are identified / reviewed as part of the Service Planning process and while individual Service Plans will not contain a risk register, these are managed / monitored at an appropriate level and escalated to the corporate register where appropriate Provide an annual assurance statement as to how risk is being managed, to help produce the Annual Governance Statement Drive the development and embedding of effective risk management across their service Contributing to the development of the Council's risk management processes.
All staff	Understand their accountability for individual risks Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures Completing any risk management training relevant to the post, including e-learning

Appendix 2 - 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	**Customers:** • Customers are not provided with the services they need
	Citizens: • 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
	Councillors: • 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	• 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	**Regulators:** • 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 **Partners/Suppliers:** • Poor partnership agreements / arrangements / relationships • Suppliers / partners do not provide effective, efficient and economic services to the Council, e.g. a major contract fails **General** • Weakness in procedures / systems that could lead to breakdown in service • Criminal or corrupt activity • Incorrect / unreliable / untimely information
Learning and Growth	• 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, the Finance Manager or Internal Audit.

Appendix 3 - 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

Appendix 4 - 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

Appendix 5 - Impact guidance

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

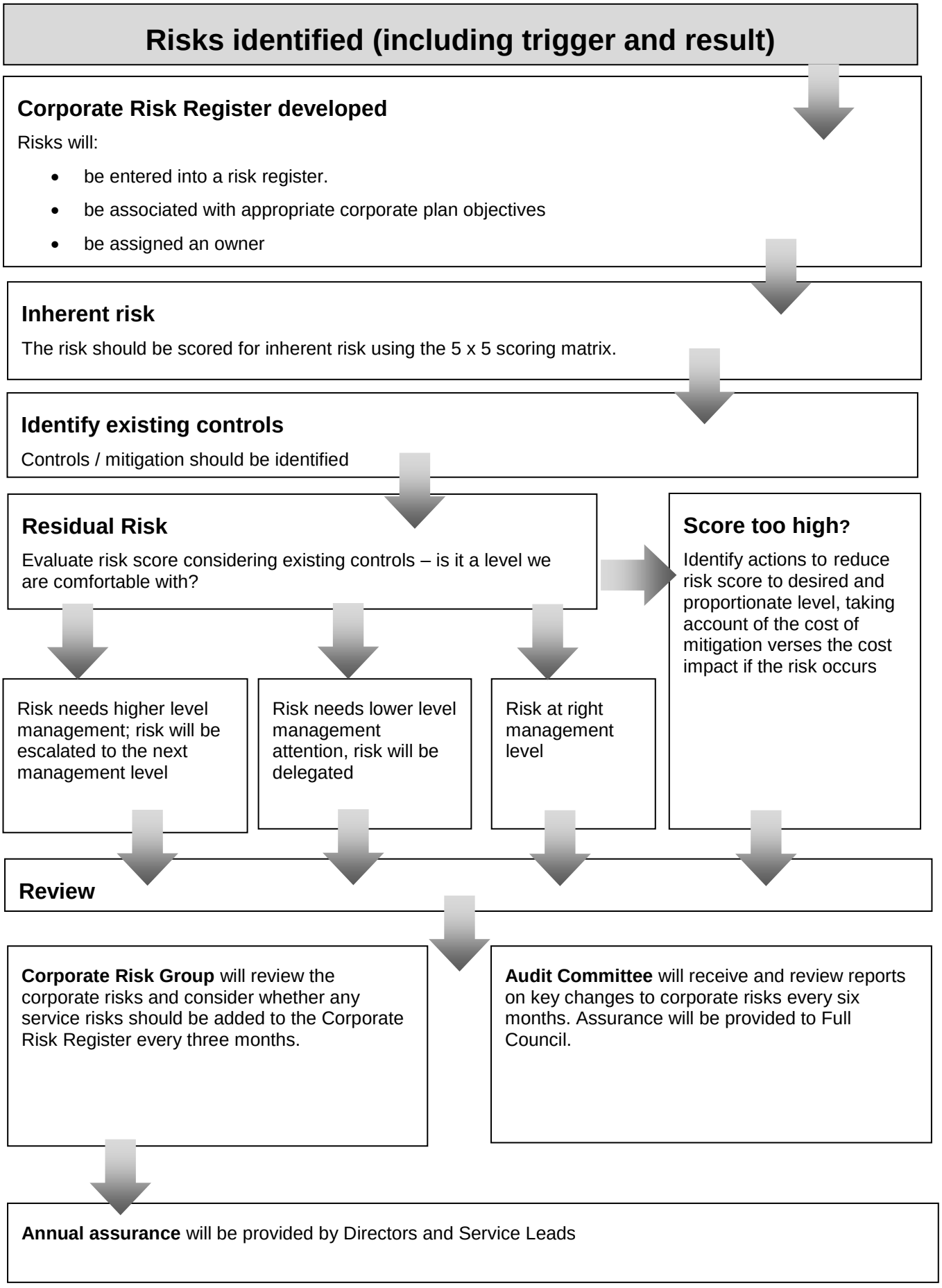
	Negligible 1	Low 2	Medium 3	High 4	Very High 5
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention 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

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

Appendix 6 - Diagram of the Risk Management Process



Appendix 3 – Corporate Risk Management Report – January 2022

Background

1. Risk management is a key element of East Cambridgeshire District Council's Code of Governance.

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

3. The Risk Management Policy was last reviewed by the Finance and Assets Committee in September 2020 and approved by Full Council in October 2020.

4. Six monthly updates on the Corporate Risk Register are presented to the Audit Committee.

Corporate risk register updates

5. The Corporate Risk Register has been updated, and is attached at **Appendix 4.**

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
B3 Failure to accommodate the impacts of Brexit.	The scoring of the residual risk has been reduced from 6 to 4, based on a reduced impact score. The United Kingdom left the EU on 31st January 2020, with the transitional arrangements having ended on the 31st December 2020. Since this time, there has appeared to be little impact on Council services. In recent weeks there have been driver shortages with ECSS that have impacted on some waste collections. It is probable that Brexit paid a contributory factor in this, but it is believed that the overriding issue is the Covid pandemic.
C1 Failure to maintain service delivery	The scoring on the inherent risk has been amended to reflect a reduced impact (reducing the score from 15 to 12). The scoring of the residual risk has also been reduced from 6 to 4.

Risk	Description
and support the community in the event of an unforeseen emergency or loss of resources.	This reflects the successful delivery of services during the pandemic and the assurances which can be taken from the proven ability to maintain service delivery without access to buildings, for example. The strengthening of IT systems through the recent implementation of Office 365 further enables flexibility in working arrangements and continuity in the case of loss of systems/resources.
C2 Loss of data or access to ICT systems due to a breach of information security and / or weaknesses in the IT infrastructure.	The residual risk scoring has been increased pending the completion of all actions arising from the Internal Audit review of Cyber Security. This has increased the residual scoring from 6 to 9.
C3 Non-compliance with legislative and regulatory requirements	The scoring for this risk has been reviewed and reduced from 12 to 6, for inherent risk and from 6 to 3 for residual risk. This was based on reflection by the Risk Group on the Council's policy framework. Officers continue to stay up-to-date and implement any changes arising from changes in legislation to ensure that the Council meets legislative and regulatory requirements. There are no known issues of non-compliance.
C5 Payroll and HR system not meeting the needs of the whole organisation.	This risk has been removed from the corporate risk register as the project is now fully delivered and any system risks are now managed as business as usual.
D8 Difficulties with staff recruitment, absence and retention – leading to lack of resources.	The likelihood scores for both the inherent and residual risk have been reduced from 4 to 3. As such, the overall inherent score is reduced to 9 and the residual risk to 6. This reflects a low staff turnover rate.

Corporate residual risk heat map

9. An updated risk heat map is included at **Appendix 4** 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 a 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.

Corporate Risk Register **Appendix 4**

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 / D-O	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.	ISM D-C	3	4	12 (A)	Council Support Programme to Community Land Trusts. Community Led Development SPD. Engagement with CPCA to access Housing Fund. Newly published Strategic Housing Market Assessment (SHMA) Small loan agreed to ECCLT to deliver 15 Shared Ownership Units in Ely. Approved £100k homes allocation policy.	2	3	6 (A)	Approve first homes local allocation policy.	D-O	March 2022	G

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
A4	Homelessness in the District.	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 department meaning that residents now have a one stop shop for early intervention and homelessness prevention. Purchase (via COMF fund) of a housing and community advice bus which tours the whole of the district, meaning that the service goes to the residents rather than vice versa to enable early intervention and prevention. Community bus is now on the road and stops at various locations throughout the month to give advice on housing and community advice. Team continues to prevent homelessness and B&B has not been required to date.	2	2	4 (G)				
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.	CMT	3	3	9 (A)	Regular meetings of multi-agency groups and internal business continuity groups. Regular communication with all stakeholders, including contractors. Risk assessment produced to comply with the Government guidance document *Offices and Contact Centres – Working Safely During Coronavirus (COVID-19)* and the associated Council building risk assessments. Corporate buildings are 'COVID-19 Secure' in line with Government guidance control measures. Reviewed business continuity plans to ensure priority services are correctly assessed and continue to prioritise based on emerging needs and capacity.	3	2	6 (A)	Continue to ensure staff, members and the community are kept informed as the situation develops. Ongoing monitoring of 'Working Safely in East Cambridgeshire District Council Buildings' risk assessments.	CMT DV	Ongoing Ongoing	G G

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
A6	Impact of Coronavirus (Covid-19) on the business and communities of East Cambridgeshire.	The various lockdowns and other restrictions have had and continue to have a significant impact on the economy. Whilst the Furlough scheme has helped protect jobs in the short term there is an expectation that unemployment and dependency on welfare and support will increase over the coming months. This in turn may create greater financial, physical and mental health challenges and put pressure on housing. Whilst the Council has provided support to businesses in East Cambridgeshire through government grant schemes, there is a risk that some businesses do not survive.	Higher unemployment, greater dependency on welfare, impacts on physical and mental health, impacts on business survival rates, increased homelessness.	CMT	4	4	16 (R)	The Council continues to work closely with partner agencies in the LRF to ensure response are co-ordinated and as effective as possible. Recovery group meets twice a week. Strategic coordinating group meets three times a week with health, PHE and all other cat 1 responders. Strategy and action plan is regularly monitored and updated. This plan has enabled the Council to bid for extra monies - £880k from the Government's COMF - which is purely to assist residents. The Council has established recovery structures to fully assess impacts and identify appropriate responses. These have been discussed with Members and with partners. Resources have been secured to support those areas where the Council anticipates greater demand but to an extent the Council, and the public sector more generally, will require ongoing government support to mitigate the substantial impacts there have been. Fraud risk assessments completed in relation to business grants. Members are being regularly up-dated on the pandemic, both regarding the national position and the actions being taken locally. East Cambs Recovery group (headed by Director, Operations) has a 12 month roadmap, action plan which has been approved by Public Health. Rollout of the national COVID vaccination programme. Staff encouraged to get vaccinated. Track and Trace system operating within Council corporate buildings.	3	3	9 (A)	Continued involvement, leadership and engagement within the LRF and support to local partners and businesses as required. Review of Corporate Strategy to incorporate key recovery actions. Recovery group, led by Director, Operations, continues to meet twice a week to understand epidemiology and put measures in place to keep covid positive numbers to a minimum. Have continued to provide payments for those self isolating. Roadmap is referred to and updated where appropriate	CMT CMT	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
	FINANCE AND RESOURCES														
B1	Inability to balance the Council's budget.	Reductions in public sector funding. 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. Lack of opportunity to make further savings. Not maximising the opportunities from the Combined Authority deal and other income opportunities.	Failure to achieve budgets savings leading up to 2022/23 and undermining the revised Medium Term Financial Strategy.	FM	3	5	15 (A)	Agree Medium Term Financial Strategy (MTFS) each February as part of budget setting process. The MTFS 2021/22 was approved by Full Council in February 2021. Quarterly budget monitoring through Management Team and relevant Committees, including the impact of Covid-19 on expenditure and income. Partnership working (principally with the Combined Authority) and ongoing consideration of potential opportunities linked to the key ambitions. Strong leadership from members and officers. Reporting impact of the pandemic to the Ministry of Housing, Communities and Local Government.	3	4	12 (A)				
B2	Failure to achieve expected levels of development and planning gain	The viability and delivery of residential and commercial development. Changes in legislation such as the Planning for the Future White Paper.	Council failing to deliver its growth trajectory and not generating projected s106 and CIL income.	D-CS	3	4	12 (A)	CIL and s106 collection and monitoring CLT support programme Working with developers Up to date Local Plan	3	4	12 (A)	Monitor and respond to the outcomes of the Planning for the Future White Paper	ISM	Ongoing	G
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	2	4 (G)				
	PROCESSES AND SYSTEMS														

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
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: • 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	4	12 (A)	Business Continuity Plan (BCP) updated. Business Continuity Training and exercises. Member's handbook. Emergency Management Plan with supporting plans for specific activities e.g. rest centres. Rest Centre plans reviewed by 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 on risk register at A5 / A6	2	2	4 (G)				
C2	Loss of data or access to ICT systems due to a breach of information security and / or weaknesses in the IT infrastructure.	ICT systems abuse, intrusion or failure. Under investment in IT infrastructure and lack resource to implement change. Employees not having the right tools for the job to work efficiently.	Business interruption resulting in reduced ability to deliver services. Not prepared for disaster recovery. Non-compliance with legislation, resulting in financial penalties 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. Implementation of Office 365	3	3	9 (A)	Actions arising from Cyber Security audit report Internal audit review of Outlook outages	ITM ITM	March 2022 January 2022	

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: • health and safety, • equalities, • safeguarding, • environmental legislation, • employment law.	Financial penalties for non-compliance. Reputational risk.	CMT	2	3	6 (A)	Monitoring changes to legislation that impacts the Council. Topical examples include H&S sentencing guidelines, and earlier closedown of accounts. Procedural 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 management system. Disaster Recovery Plan and supporting systems / hardware. Equality, Diversity and Inclusion policy. Training on equality, diversity and inclusion for Members and officers rolled out. Equality monitoring reports published. Annual health and safety report.	1	3	3 (G)	Review Safeguarding Policy	H&CA-M	By March 2022	
C4	Failure to achieve compliance with Data Protection legislation (UK General Data Protection Regulations and Data Protection Act 2018).	Data breaches. Failure to meet legislation deadlines. ICT system failure / cyber-attack.	ICO monetary penalties, enforcement notices, prosecution. Compensation claims and reputational damage.	LSM	3	5	15 (A)	All Council staff and members undertake annual online data protection training. All new staff briefed at Corporate Induction. Data breach register maintained. All breaches risk assessed, investigated and recommendations made. Record of Processing Activity in place and maintained by Information Officer.	2	4	8 (A)				

Inherent Risk								Residual Risk				Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
C6	Failure of corporate governance and counter fraud and corruption controls.	Attempts at fraud and corruption from internal or external sources are successful due to inadequate corporate governance and counter fraud controls.	Financial losses and reputational damage. Impact on service delivery.	CMT	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 21st 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	ISM	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)	Second Consultation on Single Issue Review of Local Plan Proposed Submission draft (for consultation)	ISM ISM	February 2022 Summer 2022	

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. More acute in areas with reliance on single officer.	CMT	3	3	9 (A)	Investment in training and up-skilling existing staff. Absence Management policy. Management Development training has been delivered to all Service Leads and team leaders. Remote working policy.	3	2	6 (A)	Service Delivery Plans to be reintroduced	CMT	April 2022	G

Corporate Priorities:

1 Sound financial management

2 Improving transport

3 Housing

4 Cleaner, greener East Cambridgeshire

5 Social and community infrastructure

Key to risk owners (above):

CEX	Chief Executive
D-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
CMT	Corporate Management Team
ITM	IT Manager
H&CA-M	Housing & Community Advice Manager

Appendix 3 - Corporate Risk Register Heat Map

Summary of Residual Scores for Corporate Risks

Impact								
	Very High	5		**C5**			
	High	4		**A2, C4**	**B1, B2, D2, C2**		
	Medium	3	**C3**	**A3, C6**	**A6, C2**		
	Low	2		**A4, B3, C1**	**A5, 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.
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. 10

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

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Meeting: Monday 26 July 2021 4.30pm	
Agenda Planning meeting:	
Pre-meeting briefing:	
Report deadline: 4pm Wed 14 July 2021	
Agenda despatch: Fri 16 July 2021	
Chairman's Announcements	Chairman
External Audit Progress Report	External Audit
Internal Audit Annual Report & Opinion	Internal Audit
Draft Annual Governance Statement	Internal Audit
Internal Audit Charter and Work Plan 2021/22	Internal Audit
Risk Management Policy and Framework	Internal Audit
Corporate Risk Management Monitoring Report	Internal Audit
Actions taken by the Finance Manager on the grounds of urgency (if any)	DSO
Forward Agenda Plan	DSO

Meeting: Monday 22 November 2021 4.30pm	
Agenda Planning meeting:	
Pre-meeting briefing:	
Report deadline: 4pm Wed 10 November 2021	
Agenda despatch: Friday 12 November 2021	
Chairman's Announcements	Chairman
External Audit – Audit Results Report	External Audit
Statement of Accounts	Finance Manager & S151 Officer
Internal Audit Progress Report	Internal Audit
Annual Governance Statement	Chief Executive
Public Sector Audit Appointments Limited (PSAA) – Appointment of External Audit	Finance Manager & S151 Officer
External Audit – VFM Risk Assessment	External Audit
Actions taken by the Finance Manager on the grounds of urgency (if any)	DSO
Forward Agenda Plan	DSO

Meeting: Monday 10 January 2022 4.30pm	
Agenda Planning meeting:	
Pre-meeting briefing:	
Report deadline: 4pm Tues 21 December 2021	
Agenda despatch: Thurs 23 Dec 2021	
Chairman's Announcements	Chairman
External Audit – Auditor's Annual Report	External Audit
Provision of Internal Audit Services	Finance Manager
Internal Audit Progress Report	Internal Audit
Risk Managementt	Finance Manager & S151 Officer
Actions taken by the Finance Manager on the grounds of urgency (if any)	DSO
Forward Agenda Plan	DSO

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

AUDIT COMMITTEE
ANNUAL AGENDA PLAN

AGENDA ITEM NO.

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

DEMOCRATIC SERVICES OFFICER: Tracy Couper

Meeting: Monday 14 March 2022 4.30pm					
Agenda Planning meeting:					
Pre-meeting briefing:					
Report deadline: 4pm Mon 28 February 2022					
Agenda despatch: Weds 2 March 2022					
Chairman's Announcements	Chairman				
External Audit – Audit Plan 2021/22	External Audit				
Internal Audit Charter & Work Plan 2022/23	Internal Audit				
Internal Audit Progress Report	Internal Audit				
Actions taken by the Finance Manager on the grounds of urgency (if any)	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 A

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE

JANUARY 2022

Introduction

1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2021/22 Annual Audit Plan.

1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

Performance

2.1 **Delivery of the 2021/22 Audit Plan**

At the time of reporting, fieldwork is either complete or underway in relation to 71% of the planned work.

Progress on individual assignments is shown in Table 1.

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

To date, one survey response has been received in relation to feedback on completed assignments for the 2021/22 audit plan and results are summarised in Table 4.

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

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

Bank reconciliations

The maintenance of accurate and complete bank reconciliations is vital to the Council's overall financial control framework. The effective operation of controls to maintain accurate records is pivotal in ensuring that the Council's financial statements are produced promptly and accurately. The bank reconciliation process ensures that transactions appearing on the Council's accounting records are compared with bank statements allowing differences to be appropriately managed. Generally, these will be timing issues such as cash in transit i.e. monies banked within an accounting period not yet credited to the bank account.

Internal Audit review confirmed that there are written operational procedure notes covering the bank reconciliation process and these provide assurance over the resilience of the process should there be a change in staffing or loss of key personnel through absence. Testing of the accuracy of the completed bank reconciliations for the months of July 2021 and October 2021 confirmed that the figures included in the reconciliations could be matched to supporting records. Testing included the verification of monies in transit at the end of each month.

Completed reconciliations are held electronically and should be signed off and dated by both the preparer and reviewer. A review of the completed reconciliations for the period April 2021 to October 2021 identified that some reconciliations had not been fully signed off by the preparer and/or reviewer. Reconciliations should be signed off fully to provide assurance that they have completed and reviewed promptly.

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

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

Counter Fraud support - ethical governance arrangements

As a local authority East Cambridgeshire District Council has a responsibility to act in an ethical way by demonstrating good governance practice and upholding high standards of conduct and behaviour by officers, Members, partners and providers.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable. The Constitution sets out how the Council ensures that it is doing the right things, in the right way, for the community it serves, in a timely, inclusive, open, honest and accurate manner. The Constitution is supplemented by a number of key documents including the Code of Corporate Governance which has been developed in accordance with and is consistent with the Delivering Good Governance in Local Government framework, which builds on the seven Principles for the Conduct of Individuals in Public Life. There are a wide variety of policies and codes of practice which ensure a consistent approach across the Council. It was identified that a number of these policies and codes of practice need to be updated and some were duplicated in different versions on the internet / intranet.

There is an induction programme in place for both new staff and Members which is supplemented by additional training and development. The induction programme for new staff includes a corporate induction which covers a number of areas including fraud awareness, freedom of information and data protection. The Council's decision making process is set out in the Constitution and covers the terms of reference for committees, the scheme of delegation and the roles of senior officers including the Chief Executive, Democratic Services Manager, Legal Services Manager (Monitoring Officer) and Finance Manager (S151 Officer).

A review of a sample of committee agendas and minutes confirmed that in each case there was a standing item on the agenda regarding declarations of interest and the minutes of the meetings recorded any declarations made.

A Register of Members Interests is maintained by the Monitoring Officer in accordance with Section 29 of the Localism Act 2011 and it is a legal obligation for Members to complete the Register and ensure that it is accurate and complete. The Register is published on the Council's website. Sample testing confirmed consistent completion and publication of information.

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

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

The following audit was finalised in July 2021 and related to the Internal Audit Plan from 2020/21 but was not reported to the committee in full as part of the 2020/21 annual report. As such, the summary below is provided for information:

Procurement compliance 2020/21

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.

Testing of a sample of ten contracts selected from both the contracts register and published spend over £500 has confirmed that contracts had been awarded in an appropriate manner consistent with the requirements of Contract Procedure Rules but in three cases there was not a documented contract in place between the Council and the supplier. To comply with the Local Government Transparency Code, the Council publishes all expenditure over £500 on its website together with a link to the latest version of the contracts register. Testing of five payments included in the expenditure reports with a value over £5k identified that four of the payments tested (80%) were not included in the contracts register and therefore the Council was not compliant with the requirements of the Local Government Transparency Code.

There have been issues and shortcomings in procurement documentation and compliance previously reported by Internal Audit. As a response, a report presented to the Finance & Assets Committee by the Director Commercial outlined specific action officers were taking to ensure future compliance. Each of the procurements tested pre-dated the report to the Committee. Whilst testing has again identified areas of non-compliance in this report, no recommendations have been made in respect of compliance to allow time for the actions included in the report to Finance & Assets Committee to be completed. Further resource has been included in the Internal Audit plan for the financial year 2021/22 to continue to follow up on actions from previous audit work and provide assurance that Contract Procedure Rules are being complied with.

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

Assurance Opinion	
Control Environment	**Substantial**
Compliance	**Satisfactory**
Organisational Impact	**Moderate**

2.4 **Implementation of audit recommendations by officers**

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation.

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

At the time of reporting, there are five actions which remain overdue for implementation. Of these, there is one action categorised as 'Important' which is more than three months overdue, further details are provided in Table 3.

2.5 Audit Plan 2022/23

Work on development of the updated audit plan for 2022/23 is underway. In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:

a) The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with input from senior management and the Audit Committee;

b) The audit plan should be reviewed and approved by an effective and engaged Audit Committee; and

c) The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

In order to ensure that the Audit Plan for 2022/23 address the Council's key risks and adds value to the organisation, it is proposed that the Head of Internal Audit will identify and prioritise the areas for coverage by:

- Reviewing the Council's Risk Register and Corporate Plan;
- Analysing coverage of Internal Audit reviews over the past four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the past four years;
- Consultation with the Audit Committee; and
- Meeting members of Corporate Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

All potential audit coverage identified will be risk assessed and prioritised for inclusion in the Audit Plan, in consultation with senior management, based on risk, other sources of assurance available and potential value added from a review.

The resulting draft Internal Audit Plan will then be presented to the Audit Committee in March 2022 for review and formal approval.

Members of the Committee are invited to highlight any risk areas where internal audit coverage may be of value in the year ahead. These can be raised either during the committee meeting or directly to the Head of Internal Audit by the end of January 2022.

Table 1 - Progress against 2021/22 Internal Audit Plan

Assignment		*Planned start*	*Status*		*Assurance sought*	*Assurance Opinion*			*Comments*
						Control Environment	*Compliance*	*Org impact*	
Governance & Counter Fraud									
Counter Fraud support / promotion		Q4	**Complete**			Consultancy			Report issued on Ethical Governance – see section 2.3
National Fraud Initiative		Q3	As required		See notes above	Consultancy			
Risk Management support		Q1 – Q4	In progress			Consultancy			
Annual Governance Statement support		Q1	**Complete**		Not applicable	Consultancy			
Procurement compliance		Q4	Not started						
Key Financial Systems									
Bank Reconciliation		Q3	**Final report issued**		*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.*	**Substantial**	**Good**	**Minor**	See section 2.3
Creditors		Q4	Planning						
Debtors		Q4	Planning						
Payroll		Q4	Not started						

						Assurance Opinion			
Assignment		***Planned start***	***Status***		***Assurance sought***	***Control Environment***	***Compliance***	***Org impact***	***Comments***
Treasury Management		Q3	Fieldwork underway						
Fixed Assets		Q3	Fieldwork underway						
Budgetary Control		Q3	Fieldwork underway						
Financial Management Code (consultancy)		Q4	Planning						
Key policy compliance									
Staff recruitment checks		Q1	**Final report issued**		*To provide assurance that appropriate processes are in place to ensure that the recruitment process is clearly documented, including appropriate checks to prevent and detect recruitment fraud.*	**Substantial**	**Substantial**	**Minor**	
Risk based audits									
Covid-19 recovery		Q3	Fieldwork underway						
ICT outages – lessons learnt review		Q3	Fieldwork underway						
Environment and climate change strategy		Q2	Draft report issued						

						Assurance Opinion			
Assignment		***Planned start***	***Status***		***Assurance sought***	***Control Environment***	***Compliance***	***Org impact***	***Comments***
Development control		Q2	**Final report issued**		*Assurance that the Council operates in accordance with key legislation, monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached.*	**Substantial**	**Substantial**	**Minor**	
Disabled facilities grants		Q2	**Verification completed**		*Verification completed and sent to Cambridgeshire County Council*	**Not applicable**			

Table 2 - Implementation of Audit Recommendations

	'Essential' priority recommendations		**'Important' priority recommendations**		**'Standard' priority recommendations**		**Total**	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Actions due and **implemented** since last Committee meeting	3	100%	6	74%	-	-	9	64%
Actions **overdue by less than three months**	-	-	1	13%	2	67%	3	22%
Actions **overdue by more than three months**	-	-	1	13%	1	33%	2	14%
Totals	**3**	**100%**	**8**	**100%**	**3**	**100%**	**14**	**100%**

Table 3 – Actions overdue more than three months (Essential or Important priority)

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
2020/21	Contract extensions	Review and update of the Contracts Register. Services should identify all contracts, including contract extensions, over £5,000 which are not yet on the Contracts Register and provide the required details to Legal Services.	Essential	Finance Manager	31/10/2020	The Finance team have conducted a review of spend reports to identify potential suppliers who are not included on the Contracts Register. The legal team are working with the relevant service leads to establish any gaps in contract register entries. This will be followed up again as part of internal audit testing in quarter 4.

Table 4: Customer Satisfaction

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

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

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

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

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

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

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

Opinion

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

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

Internal Control

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

Future Periods

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

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

Responsibilities of management and internal auditors

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

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