



# East Cambridgeshire District Council

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MEETING: **AUDIT COMMITTEE**

TIME: 4:30pm

DATE: **Monday 17 July 2023**

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

ENQUIRIES REGARDING THIS AGENDA: Tracy Couper

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

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## MEMBERSHIP:

### Conservative Members

Cllr David Brown (Chairman)

Cllr Keith Horgan

Cllr Kelli Pettitt (Vice-Chairman)

### Substitutes:

Cllr Christine Ambrose-Smith

Cllr Lavinia Edwards

Cllr Lucius Vellacott

### Liberal Democrat Members

Cllr Charlotte Cane (Lead Member)

Cllr Christine Whelan

### Substitutes:

Cllr Mary Wade

Cllr Gareth Wilson

### Lead Officer

Ian Smith, Finance Manager

Quorum: 3 Members

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## AGENDA

- 1. Public Question Time** [oral]  
The meeting will commence with up to 15 minutes public question time
- 2. Apologies and Substitutions** [oral]
- 3. Declarations of Interest** [oral]  
To receive declarations of interest from Members for any Items on the Agenda in accordance with the Members Code of Conduct
- 4. Minutes**  
To confirm as a correct record the Minutes of the meetings of the Audit Committee held on 20 March and 25<sup>th</sup> May 2023

5. **Chairman's Announcements** **[oral]**
  6. **External Audit – Audit Results Report Final Update**
  7. **Statement of Accounts 2021/22**  
Due to their size, the Statement of Accounts has been printed separately to the Agenda and a copy is available with the Agenda on the Council's website [www.eastcambs.gov.uk](http://www.eastcambs.gov.uk)
  8. **Internal Audit Annual Report and Opinion 2022/23**
  9. **Internal Audit Progress Report**
  10. **Corporate Risk Management Monitoring Report**
  11. **Forward Agenda Plan**
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#### NOTES:

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

The meeting will be webcast and a live stream of the meeting will be available. Further details can be found at [www.eastcambs.gov.uk/meetings/audit-committee-170723](http://www.eastcambs.gov.uk/meetings/audit-committee-170723) Please be aware that all attendees, including those in the public gallery, will be visible on the livestream.

2. Public Questions/Statements are welcomed on any topic related to the Committee's functions as long as there is no suspicion that it is improper (e.g. offensive, slanderous or might lead to disclosures of Exempt or Confidential information). Up to 15 minutes is allocated for this at the start of the meeting. Further details about the Public Question Time scheme are available at: <https://www.eastcambs.gov.uk/committees/public-question-time-scheme>
3. The Council has adopted a 'Purge on Plastics' strategy and is working towards the removal of all consumer single-use plastics in our workplace. Therefore, we do not provide disposable cups in our building or at our meetings and would ask members of the public to bring their own drink to the meeting if required.
4. Fire instructions for meetings:
  - If the fire alarm sounds please make your way out of the building by the nearest available exit i.e. the back staircase or the fire escape in the Chamber. Do not attempt to use the lifts.
  - The fire assembly point is in the front staff car park by the exit barrier.
  - The building has an auto-call system to the fire services so there is no need for anyone to call the fire services.

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

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

6. If required, all items on the agenda can be provided in different formats (e.g. large type, Braille or audio tape, or translated into other languages), on request, by calling Main Reception on (01353) 665555 or e-mail: [translate@eastcambs.gov.uk](mailto: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).”

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EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

## **Agenda Item 4a**

Minutes of a meeting of the Audit Committee held in the Council Chamber, The Grange, Nutholt Lane, Ely on Monday, 20 March 2023, at 4.30pm.

### **PRESENT**

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

### **OFFICERS**

Ian Smith – Director Finance & S151 Officer  
Maggie Camp – Director Legal & Monitoring Officer  
Tracy Couper – Democratic Services Manager & Deputy Monitoring Officer  
Anne Wareham – Senior Accountant (until end of item 46)

### **IN ATTENDANCE**

Rachel Ashley-Caunt – Head of Internal Audit  
Mark Hodgson – External Audit, Ernst & Young (until end of item 46)  
Jacob McHugh – External Audit, Ernst & Young (until end of item 46)

#### 40. **PUBLIC QUESTION TIME**

No public questions were received.

#### 41. **APOLOGIES AND SUBSTITUTIONS**

No apologies for absence were received.

#### 42. **DECLARATIONS OF INTEREST**

No declarations of interests were made.

#### 43. **MINUTES**

The Committee received the Minutes of the meeting held on 30 January 2023.

A Member requested two amendments to Minute 38 on Corporate Risk Management Update Report, as follows:

Amendment of 5<sup>th</sup> paragraph to refer to the fact that the Member's requests for particular officers to attend meetings of the Committee had been refused on a number of occasions and the addition of wording to final sentence of the 5<sup>th</sup> paragraph to state that a list of officers who had attended the Committee would be provided by the Director Finance or Democratic Services Officer.

It was resolved:

That the Minutes of the meeting of the Committee held on 30 January 2023 be confirmed as a correct record and signed by the Chairman, subject to the above amendments.

44. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

45. **EXTERNAL AUDIT – PROVISIONAL AUDIT RESULTS REPORT**

The Committee considered the provisional Annual Results Report, previously circulated.

Members were informed that the Audit had progressed well and was on track to be completed within the timescale agreed with the S151 Officer and his Team for a sign-off by the deadline of 31 March 2023. Mark Hodgson then updated the Committee on the areas of work identified as outstanding in the report at the time of publication as follows:

- Debtors )
- Grant Receipts in Advance )
- Housing Benefit expenditure testing )
- Related Party Transactions )
- Grant Income (excluding Covid related grants) All completed, no
- Property Plant & Equipment ) matters to report
- Provisions & Litigation )
- Housing Benefits Expenditure )
- Related Parties )
- Collection Fund )
- Creditors – in review no matters to report
- Cash Flow Statement – 1 outstanding item
- Asset Register Valuations – last 3 assets outstanding: 1 travellers site, 1 car park, and The Hive Leisure Centre
- Journals Testing – in review
- Reserves - ongoing
- Group Statements – awaiting consolidation
- Going Concern – in review, 1 item to check with management

Mr Hodgson reported that there had been no uncorrected differences and 4 corrected differences as stated on page 7 of the Audit Results Report. Therefore, he anticipated giving an unqualified audit opinion as detailed in section 3 of the report. No additional assurances were required and no risks had been identified as a result of the Value for Money (VFM) Audit, resulting in an unqualified VFM conclusion.

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 expressed concern and disappointment that the date of this meeting had not been deferred to enable a completed Audit Results Report to be submitted and reviewed fully by this Committee. This was a repeated and recurring issue which needed to be addressed. At the very least, a written update should have been provided by External Audit to the Members of the Committee after the agenda despatch/publication for this evening.

The Member then raised a question on the audit of the Fixed Assets Register, which was responded to by Mr Hodgson and he also confirmed that the Group Accounts were still subject to consolidation.

Another Member concurred with the view that a written summary of progress on the audit to date should have been provided this evening.

However, another Member commented that the Audit now was substantially complete, the External Auditor had updated the Committee this evening and only 3/4 outstanding areas remained.

A Member queried if one-off or systems errors were indicated from the audit results and answers to the questions thereon. In their opinion, systems errors were demonstrated and they questioned how a recurrence of these would be prevented in the future. The Member queried why the CIPFA checklist had not been completed and this was explained by the Director Finance. The Director Finance also expressed the view that a number of the items such as Covid Grants were one-offs, although he acknowledged that processes would need to be reviewed for future years. The Member then asked for the External Auditor's view regarding completion of the CIPFA checklist and he commented that, whilst it was preferable for this to be completed, the key issue was that all of the relevant areas were checked. The Member asked for this matter to be reviewed.

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

It was resolved:

That the Audit Results Report be noted.

46. **STATEMENT OF ACCOUNTS 2021/22**

The Committee received a report (reference X166, previously circulated) containing the Statement of Accounts for 2021/22.

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

An amendment then was proposed by Councillor Cane and Seconded by Councillor Inskip as follows:

'The Committee notes with concern that the 2021/22 Statement of Accounts submitted for approval were a version before the audit was complete. It therefore resolves that:

A meeting be arranged for this Committee to approve the 2021/22 Statement of Accounts once the audit is completed and a final version of the Accounts is ready for review.

The Director Finance provides this Committee with a timetable to ensure that the External Audit of the 2022/23 Statement of Accounts can be completed before the Committee papers are sent out seeking approval of the Statement of Accounts and that if this timetable slips, the Committee meeting will be moved so that it can review the post-audit version of the 2022/23 Statement of Accounts.'

Speaking in support of the amendment, Councillor Cane stated that it was a key responsibility of this Committee to review the Statement of Accounts and this was difficult to do if it did not have a completed audit of the accounts. She highlighted the outstanding issues relating to Fixed Assets and Group Accounts consolidation and stated that these had resulted in significant problems in previous years. It would not be responsible for this Committee to approve the Statement of Accounts under such circumstances. As this was a recurring issue, this Committee needed to plan for the future, with a realistic audit and meetings timetable, and contingency plans to allow for slippage in order that the Committee could see a final version of the Statement of Accounts and Audit.

Councillor Cane requested that a recorded vote be taken on the Amendment and Motion.

A Member commented that the Audit was very close to completion and he could see no evidence of an irresponsible approach being taken by this Committee.

Another Member concurred with the view that this Committee should be approving the final version of the Statement of Accounts post-audit, as it did not know the final position at this stage and whether there could be further material changes. The Committee would not be properly fulfilling its role, if it gave an officer delegation.

The Chairman highlighted that the officer delegation only would be valid if there were no changes that impacted upon the overall substance of the Accounts, and that, as S151 officer to the Council, the Director Finance had a professional and statutory obligation to make financial judgements/decisions on such matters and act within the limits of this delegation.

Members asked for a definition of 'overall substance of the Accounts', however, the Director Finance explained that this would be difficult to define, as it would be dependent on a number of factors relating to the individual items, but he gave an assurance that his role required him to make financial judgements/decisions in the best interests of the Council and within the limits of any delegation given to him.



Upon being put to the vote, the Amendment was lost, with voting as follows:

FOR (2): Councillors Cane and Inskip

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

ABSTENTIONS (0):

During discussion of the Motion, Members raised points as follows:

A Member expressed concern that the Motion referred to the term 'substance', which could not be defined and therefore was meaningless. They also were critical of the fact that the Motion did not seek to improve the situation for future years. Therefore, they considered the Motion to be deeply disappointing and irresponsible.

Another Member highlighted that there were only 3-4 outstanding External Audit issues, that they felt confident to give the delegation under such circumstances and that the Committee was not behaving irresponsibly by doing so. However, the Member concurred with the view that the 2022/23 Audit of the Statement of Accounts timetable needed to be better defined. Another Member supported the Member's views and stated that this Committee needed to trust the professional judgement of its officers.

Upon being put to the vote, the 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 approval be given to the 2021/22 Statement of Accounts as set out in Appendix 1, subject to the Director Finance, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make changes in relation to issues discussed during the previous item on the agenda in relation to the Audit Results Report, identified since the agenda was dispatched, and then, if required, any other changes that, in the opinion of the Section 151 Officer, do not impact on the overall substance of the Accounts, this prior to final sign-off by EY on or around the 31<sup>st</sup> March 2023.

#### 47. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report (reference X167, 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.

The Chief Internal Auditor Rachel Ashley-Caunt, summarised the content of the update report and the outcome of the 4 audits completed since the last meeting of the Committee.

With regard to completion of the 3 remaining Audits in the Audit Plan, Ms Ashley-Caunt reported that the Asset Management and Procurement audits were in the final stages. The Cyber Security audit now would not be completed by the end of the current year, since a number of critical issues from other ICT areas impacting on this remained outstanding. It was anticipated that these would be addressed by the end of June enabling Internal Audit to give an assurance opinion for this audit.

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

Further questions/comments were raised by Members as follows:

In response to a question by a Member, the Director Finance confirmed that the Extra Responsibility Allowance payments policy and procedures had been updated to reflect current practice.

In response to a further question by a Member regarding whether the Tax implications for the Council of the payment to staff for ineligible Home to Office mileage had been addressed, the Director Finance agreed to seek clarification from the HR Officer and provide a written response to Members of the Committee.

A Member queried when the ICT Strategy/Service Plan would be completed and approved. The Director Finance reported that the timescale for completion was uncertain due to the ongoing staffing issues within the ICT Team, but it was anticipated that the work would be completed by the next meeting of the Committee scheduled for July.

A Member commented that ICT was a vital area impacting upon almost all core Council activities. Therefore, a timetable and milestones were required for addressing the outstanding issues.

The Member also queried if all staff expense claims had now been examined in the light of the audit findings. The Director Finance agreed to seek clarification from the HR Officer and provide a written response to Members of the Committee.

A Member expressed concerns at the delay of the Cyber Security audit and asked about the completion rate of Cyber Security training by staff and Members. The Director Finance stated that there had been a high level of staff completion but low rate of Member completion.

A Member queried when the changes to the Travel and Expenses Policy and Procedures would be implemented by. The Director Finance agreed to seek

clarification from the HR Officer and provide a written response to Members of the Committee.

It was resolved:

That the progress made by Internal Audit in the delivery of the Audit Plan and the key findings, as set out in Appendix 1 of the submitted report, be noted.

48. **INTERNAL AUDIT CHARTER AND STRATEGY 2023/24**

The Committee considered a report (reference X168, previously circulated) containing the Internal Audit Charter and Strategy.

The Chief Internal Auditor highlighted that the format of the Charter and Strategy had been fully reviewed and, whilst the content remained consistently aligned with the Public Sector Internal Audit Standards (PSIAS), some updates had been made, primarily to seek to further clarify the work of Internal Audit. In particular, one of the assurance levels had been amended to 'moderate' instead of 'satisfactory' and the impact/recommendation categories amended to 'High', 'Medium' and 'Low', as these were clearer and more widely understood terms. Members commended these changes.

It was resolved (unanimously):

That the Internal Audit Charter for 2023/24, as set out in Appendix 1 of the submitted report, be approved.

49. **INTERNAL AUDIT PLAN 2023/24**

The Committee considered a report (X169, previously circulated) presenting the draft Internal Audit Plan for 2023/24 which was recommended for approval and adoption by the Committee.

The Chief Internal Auditor explained that a 1 year rather than 2 year Plan had been produced, to accord with modern good practice service standards and a risk-based approach. However, a Reserve List was included in the Plan at Table 2 to flag-up lower priority items that were identified in the drafting of the Plan, which could be considered for inclusion depending on circumstances.

Members commended the move to a 1 year Audit Plan and the revised format of the Plan which was more agile.

A Member asked for the continuation of the real-time risk-based reviews and welcomed the proposed audit of the governance of Trading Companies. The Member queried if Internal Audit would have full access rights in relation to the latter audit and the Chief Internal Auditor confirmed that this was set out in the Memoranda of Understanding for the 2 Trading Companies, but she would be confirming arrangements with the relevant parties.

It was resolved (unanimously):

That the Internal Audit Plan for 2023/24, as set out in Appendix 1 of the submitted report, be approved.

It was further resolved (unanimously):

That the Director Finance be given delegated authority to approve amendments to the Audit Plan between Committee meetings, in consultation with the Chair of the Audit Committee.

50. **ICT AUDIT PROGRESS UPDATE**

The Committee considered a report (X170, previously circulated) giving an update on progress by the ICT Team on recent Internal Audit recommendations.

The Director Finance, as Director with responsibility for the ICT Team, reported that good progress was being made on the outstanding issues and matters were moving in the right direction with regard to the ongoing staffing issues.

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 welcomed the significant progress made and commended the ICT Team on this. The Member raised a number of further points on the arrangements for the disposal of Hard Drives, which were responded to by the Director Finance. The Member also queried if there were sufficient resources for the implementation of the Incident Management Plan. The Director Finance expressed confidence that sufficient resources would be available.

Another Member emphasised the importance of the Cyber Security Audit in the light of the risks to authorities identified by the National Cyber Security Centre (NCSC) in the run-up to Elections.

Whilst again acknowledging the progress made by ICT, a Member stated that assurances were required regarding the outstanding issues and proposed a revision to the recommendation to simply note the report, in the interests of ensuring that the Committee had this assurance. Therefore, the Member proposed an amendment which was seconded and accepted by the Committee.

It was resolved:

That the report be noted, a further update report be submitted to the next meeting of the Committee and, if all of the outstanding actions have not been completed, a timetable with milestones for completion be provided to the Committee.

51. **FORWARD AGENDA PLAN**

The Committee received the Forward Agenda Plan

A Member queried why the External Audit Plan had not been submitted to this meeting, as originally detailed on the Agenda Plan, but had been deferred to the July meeting. The Member commented that this should be submitted to the March meeting in future, to accord with normal practice. The Director Finance reported that the External Audit timetable for 2023/24 was currently being finalised. In that connection, the Member requested that External Audit submit a Progress Report to the July meeting of the Committee, including an update on final position on the Audit of Statement of Accounts 2021/22. Other Members agreed that this would be appropriate.

The Member also referred to CIPFA training for Audit Committees that she had recently attended and thanked the Director Finance for arranging this. This had emphasised that Audit Committees should conduct an annual review using the CIPFA checklist, which had been recently updated. The Member also suggested that the outcome of this review should be reported to full Council. The Chairman stated that this would be a matter for the new Audit Committee following the District Council Elections. It was agreed that a copy of the new CIPFA Checklist for Audit Committees should be circulated to Members of the Committee.

It also had been stated at the CIPFA training that, where the Statement of Accounts Audit was falling behind schedule, the Audit Committee still could timetable consideration of the draft Annual Governance Statement (AGS) in accordance with normal practice.

It was resolved:

1. That the Forward Agenda Plan be noted and the following items be included on the Agenda Plan for the July meeting:

ICT Audit Progress Update (item 11 above refers).

External Audit Progress Report – including an update on final position on the Audit of Statement of Accounts 2021/22.

Consideration be given to inclusion of the draft Annual Governance Statement (AGS) in accordance with normal practice.

2. That the new CIPFA Checklist for Audit Committees be circulated to Members of the Committee.

The meeting closed at 6.21pm.

Chairman:.....

Date:

**AUDIT COMMITTEE  
20<sup>th</sup> MARCH 2023  
QUESTIONS FROM MEMBERS OF COMMITTEE**

**Questions received from Councillor Inskip**

Item 6 – Audit Results Report

What has the external auditor concluded in relation to their work on the valuation of other land and buildings?	EY will provide a verbal response at Committee.
Has the external auditor now been able to complete their work in relation to group accounts and what were their conclusions?	EY will provide a verbal response at Committee.
Does the Council plan to prepare a full CIPFA Disclosure Checklist and if yes when will this be completed?	There is no requirement to complete the CIPFA Disclosure Checklist.  The Council has fit-for-purpose processes and procedures in place that comply with the CIPFA Code. Officers attend CIPFA closedown workshops where any changes are highlighted. These are then reflected in the Council's closedown processes.

Item 8 – Internal Audit Progress Report

Given that Council policy was not being following in relation to ERA payments shouldn't either the policy be adhered to or the policy be updated to reflect the current practice if that is deemed acceptable?	HR have amended the ERA policy to remove the requirement for Chief Executive approval in all cases, and to reflect that secondary authorisation is now required from either a Director or the Chief Executive. The ERA application form has also been updated. This was sent to Audit on 30/01/2023.
Are the Council's existing policies and procedures compliant with HRMC rules on business mileage?	Yes, the Council's procedures are compliant with HRMC rules on business mileage. Our 'Mileage Allowance Payments' (MAPS) go through PAYE and our compliance is also checked by HMRC.

<p>If not, what are the implications for the council and those individuals who have been paid travel expenses which fall outside the definition of business mileage?</p>	<p>Not applicable, see above.</p>
<p>What is the definition of an Essential Car User used in the Council's policies?</p>	<p>The NJC 'Green Book' Terms and Conditions, defines an essential car user as 'those whose duties are of such a nature that it is essential for them to have a motor car at their disposal whenever required. If the employee uses a private car in carrying out those official duties then they shall be entitled to receive the lump sum allowance and mileage rates set out'. It also defines a 'casual' car user as 'those for whom it is desirable that a car should be available when required.'</p>
<p>What is the process to define an employee an Essential Car User? And how is this reviewed given that 16% of staff on the scheme had not submitted any mileage claims in the last nine months?</p>	<p>Currently the Recruiting Manager is responsible for determining the car user status for a post. We do not currently have a process in place for reviewing business mileage. CMT recommended reviewing the mileage for a post as it becomes vacant. However, the new policy could include new arrangements for reviewing the mileage on an annual basis and changing people's car user status annually, if that is the preferred option.</p>
<p>What is the current forecast date for the approval of the ICT Strategy/Service Plan which has a date for implementation of 31 July 2022?</p>	<p>Work on the ICT Strategy is due to commence in April 2023 following the completion of the hardware / infrastructure renewal plan.</p>

Item 11 – ICT Audit Progress Up-date

<p>Have any checks been conducted to provide evidence that the Public Folder action has been completed to an adequate standard?</p>	<p>No Service leads were requested to data cleanse the public folders for their departments and provide up-dates.  All responses received from Service leads have been stored confirming they have undertaken a data cleaning exercise and any requests for public</p>
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	folders to be deleted have been actioned.
Has a trigger been identified for long term staff absence after which the bringing in of temporary support staff be considered to address capacity issues?	No One member of the team returned to work last week and the second is working on a phased return.

### Questions received from Councillor Cane

#### Item 6 – Audit Results Report

<p>Questions to Directors of the Trading Companies –</p> <p>1 - why were the auditors not given the information which they requested in a timely manner?</p>	<p>The Director Finance has established that the Companies Auditors (PB) initially sent group information to the Council's Auditors (EY) on 9 December 2022.</p> <p>The Companies approved their respective accounts during September 2022 and these were noted by the relevant committees in September 2022.</p> <p>On 22 February 2023 EY requested access to PB files from 27 February 2023 and this was provided on 28 February 2023 (a short delay due to leave and PB organising with their IT department).</p> <p>Between 7 March 2023 and 9 March 2023 PB responded to EY queries in a timely and efficient manner.</p> <p>On 10 March 2023 EY requested an extension of time of access to files which was duly granted.</p> <p>On 14 March 2023 PB were informed that the file review was completed.</p> <p>As can be seen from the timeline PB acted swiftly to the requests from EY and information was provided in a timely manner.</p>
<p>2 – What is the timetable for completing the 2022/23 Accounts and for completing the Audit?</p>	<p>The Director Finance and ECTC/ECSS Finance Manager have met and agreed that the draft accounts will be completed and submitted for ECDC to include in the Group Accounts.</p>



	ECTC/ECTC accounts will be completed in August 2023 and the respective boards will approve the accounts in September 2023. The respective Shareholder Committees will receive the accounts for noting in September 2023.
Questions to Finance Director – 3 – Why were the journals not posted to record the £0.5m cash receipt in the general ledger? How have you satisfied yourself that this was a one-off rather than system error?	This was a bank reconciliation item at 31 <sup>st</sup> March. Usually it is immaterial so no adjustment is made. However, this year as it was a material amount it has been agreed to adjust bank and debtors.
4 – Why was £1m of grant income and expenditure recognised in error? How have you satisfied yourself that this was a one-off rather than system error?	This was an audit adjustment in 2020/21. It had to be reversed so that we could prove to BEIS the total income & expenditure on the ARG (Covid) grant.
5 – Why did the Council not complete the CIPFA Disclosure Checklist? Is it planned to complete this checklist for the 2022/23 Accounts?	CIPFA have confirmed that there will not be any changes to the Code in 2022/23. Officers have attended the CIPFA year-end closedown workshop for 2022/23.
6 – Does the Council intend to change its MRP policy and what would be the impact of complying with the DLUHC statutory guidance?	The Council's Treasury Management Strategy for 2023/24, recently approved by Full Council, continues to state that no MRP will be made on the short-term loan to ECTC, with instead the loan repayment being used to reduce the capital spending when it is received from the trading company.

## Item 8 – Internal Audit Progress Report

<p>Questions to Payroll Officer/HR - 7 – Why were ERA payments made without Chief Executive approval?</p>	<p>The old ERA form did not include a section for secondary authorisation. However, the Directors had approved the payments via email.</p> <p>HR have amended the ERA policy to remove the requirement for Chief Executive approval in all cases, and to reflect that secondary authorisation is now required from either a Director or the Chief Executive. The ERA application form has also been updated. This was sent to Audit on 30/01/2023.</p>
<p>8 – Have these 3 ERA payments now been approved by the CE?</p>	<p>As above</p>
<p>9 - Has the template form for ERA payments been updated to include CE approval?</p>	<p>As above</p>
<p>Questions for service leads - 10 – Will you be introducing a development and monitoring template?</p>	<p>A new Service Delivery Plan template has been introduced for 2023/24 picking up the points raised in the Audit report.</p>
<p>11 – Will this improved reporting be in place for 2023/24? If not, when will it be in place?</p>	<p>See above</p>
<p>Questions to Payroll Officer/HR/Finance Director 12 – Have the over payments on expenses been corrected?</p>	<p>Yes</p>
<p>13 – What has been put in place to stop Essential Car Users from being paid the wrong mileage rate?</p>	<p>System updates to be implemented to aid claimants in choosing the correct car user scheme. New checklist to be included in the new Travel and Expenses Policy which will help both employee's submitting a claim and manager's checking a claim.</p>
<p>14 – What has been put in place to ensure that home to work mileage is consistently deducted?</p>	<p>Guidance on home to work mileage to be included in the new Travel and Expenses Policy.</p>

<p>15 - What reviews are carried out to ensure that staff receiving Essential Car User Allowances are still entitled to them?</p>	<p>We do not currently have a process in place for reviewing business mileage. CMT recommended reviewing the mileage for a post as it becomes vacant. However, the new policy could include new arrangements for reviewing the mileage on an annual basis and changing people's car user status annually, if that is the preferred option.</p>
<p>16 – How is it planned to improve these reviews?</p>	<p>As above</p>
<p>17 – How many staff receive these allowances?</p>	<p>There are 47 Essential Car Users</p>
<p>18 – When will approving managers receive a checklist and undertake training to ensure better oversight of expense claims?</p>	<p>The new Travel and Expenses Policy will include a checklist for managers to aid in the accurate review/approval of claims.</p> <p>The HR Officer already provides a demonstration of People Manager to new starters with line management responsibility during their HR Induction. The HR Officer will add to her induction checklist a new action to ensure that all approving managers receive guidance on what to look for when approving time and expense claims.</p> <p>When the new policy is introduced, we will look at holding briefing sessions for existing approving managers on what to look for when approving time and expense claims.</p>

Item 11 – ICT Progress Up-date

<p>Questions to the Finance Director – 19 – As at 30 January 2023 was there a project plan for completing the outstanding audit recommendations, including timetable and allocating responsibility?</p>	<p>No formal plan was drawn up as at 30<sup>th</sup> January 2023. As already discussed, the ICT team have had resourcing issues in recent months, so any attempt to draw up a formal plan would have been subject to significant change depending on the level of resources available.</p>
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<p>20 – Has the Incident Management Plan now been reviewed and published? If not, by when will this be completed, by whom will it be completed and what resources have they been given to complete the action?</p>	<p>This has been prepared and is currently being reviewed by the ICT Manager and will be signed off by the Director, Finance by the end of March.</p>
<p>21 - By when will the ICT Strategy be completed, by whom will it be completed and what resources have they been given to complete the action?</p>	<p>Work on the ICT Strategy is due to commence in April 2023 following the completion of the hardware / infrastructure renewal plan.</p>
<p>22 - Has the Infrastructure Renewal Plan now been completed? If not, by when will this be completed, by whom will it be completed and what resources have they been given to complete the action?</p>	<p>It is in progress and will be drafted by the end of March 2023.</p>
<p>23 - By when will the Software Asset Register be completed, by whom will it be completed and what resources have they been given to complete the action?</p>	<p>The software register will be up-dated with all software by the end of March. This is an on-going action and will be monitored and up-dated regularly by the ICT Support Team.</p>



# East Cambridgeshire District Council

**Agenda item 4b**

## Minutes of a Meeting of the Audit Committee held at The Grange, Nutholt Lane, Ely, CB7 4EE at 7:22pm on Thursday 25th May 2023

### **PRESENT**

Cllr David Brown  
Cllr Charlotte Cane  
Cllr Keith Horgan  
Cllr Kelli Pettitt  
Cllr Christine Whelan

### **OFFICERS**

John Hill – Chief Executive  
Sally Bonnett – Director Community  
Maggie Camp – Director Legal Services  
Isabel Edgar – Director Operations  
Emma Grima – Director Commercial  
Ian Smith – Director Finance  
Tracy Couper – Democratic Services Manager  
Caroline Evans – Senior Democratic Services Officer

### **1. TO ELECT A CHAIRMAN FOR THE ENSUING MUNICIPAL YEAR**

Cllr David Brown was nominated as the Committee Chairman by Cllr Kelli Pettitt and seconded by Cllr Keith Horgan.

Cllr Charlotte Cane raised a Point of Order, regarding a potential conflict of interest in appointing the outgoing Chairman of the Finance & Assets Committee as the new Chairman of the Audit Committee. In particular, she referred to the fact that the signing off of the 2021/22 accounts had been delegated to the Audit Committee Chairman, and the Audit Committee would be reviewing the 2022/23 accounts at a future meeting: Cllr Brown had chaired the Finance & Assets Committee throughout both those years.

*7:24 – 7:30pm The meeting was adjourned while the Monitoring Officer, Deputy Monitoring Officer, and Director Finance left the Council Chamber.*

The Monitoring Officer advised Members that, having reviewed the Constitution, there was no prohibition to Cllr Brown being a member of the Audit Committee now that he was no longer a member of the Finance & Assets Committee. As a member of the Audit Committee he was eligible to stand as the Chairman.

There being no other nominations, it was resolved:

That Cllr David Brown be elected as Chairman of the Audit Committee for the municipal year 2023/24.

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

Cllr Kelli Pettitt was nominated as the Committee Vice-Chairman by Cllr David Brown and seconded by Cllr Keith Horgan.

There being no other nominations, it was resolved:

That Cllr Kelli Pettitt be elected as Vice-Chairman of the Audit Committee for the municipal year 2023/24.

The meeting concluded at 7:32pm.

Chairman.....

Date.....

**East Cambridgeshire  
District Council  
Audit Results Report -  
Final Update**

Year ended 31 March 2022

3 July 2023

Agenda Item 6 [Y31]



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

3 July 2023

Dear Audit Committee Members

### 2021/22 Audit Results Report

We are pleased to attach our updated Audit Results Report - Final Update, summarising the status of our audit for the forthcoming meeting of the Audit Committee.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on East Cambridgeshire District's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on the Council's Value for Money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 17 July 2023.

Yours faithfully

*MARK HODGSON*

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



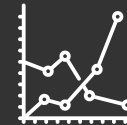
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02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Value for Money

06 Other Reporting Issues

07 Independence

08 Appendices

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

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

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



# 01 Executive Summary

# Executive Summary

## Scope update

In our Outline Audit Plan, dated 27 June 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: In our Initial Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.750 million. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £0.900 million. This results in updated performance materiality, at 75% of overall materiality, of £0.675 million, and an updated threshold for reporting misstatements of £0.045 million. For the Group audit, we have determined materiality to be £1.050 million, with performance materiality of £0.788 million and the threshold for reporting misstatements £0.053 million.

## Status of the audit

We have progressed well with our audit of the East Cambridgeshire District Council financial statements for the year ended 31 March 2022 and the work is complete subject to our final closing procedures.

Those final closing procedures are:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

# Executive Summary

## Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

## Status of the audit - Value for Money

We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We will need to update our assessment on completion of the audit of the financial statements, including additional queries in relation to the Council's response to challenges during the 2021/22 financial year, in order to remain satisfied that we have not identified a risk of significant weakness.

We plan to issue the VFM commentary by the end of August 2023 as part of issuing the Auditor's Annual Report. See Section 5 for more details on Value for Money procedures.

## Audit differences

### Uncorrected differences

There are no uncorrected audit differences as a result of our audit procedures at the time of this report.

# Executive Summary

## Audit differences

### Corrected differences

At the date of this report, we have identified the following audit differences which are to be adjusted for by Management within the revised financial statements.

- 1. Balance Sheet - Net Pension Liability** - The Council received a revised IAS19 Actuarial report as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.150 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared. Updated information became available during the audit following the completion of the Pension Fund Triennial Valuation. The difference is a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by £2.665 million. Note: this corrected difference is in addition to the corrected difference set out above (total reduction in liability £2.815 million).
- 2. Balance Sheet - Cash & Receivables** - The year-end cash reconciliation exercise correctly identified £0.532 million which has been received in the cash book but not recorded in the General Ledger at 31 March 2022. However, the required journal entries to correct this were not posted. This has the overall impact of increasing Cash and reducing Receivables by £0.532 million.
- 3. Comprehensive Income & Expenditure Statement - Grant Income** - The Council incorrectly recognised £0.992 million of income, and associated expenditure, on the Additional Restrictions Grant that had already been correctly recognised within the 2020/21 financial year.
- 4. Balance Sheet - Debtors & Creditors** - The Council incorrectly categorised £0.357 million of Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables). This has the impact of reducing both the Debtors and Creditors balances by £0.357 million.
- 5. Comprehensive Income & Expenditure Statement and Balance Sheet - Community Infrastructure Levy (CIL)** - The Council incorrectly omitted expenditure of £0.550 million from the 2021/22 statement of accounts in relation to a CIL transaction with the County Council due to receipt of an invoice received after the year-end.
- 6. Balance Sheet - Fixed Asset Register Transfer** - The Council had incorrectly brought forward some of the 2020/21 Revaluation Reserve balances within the Fixed Asset Register due to the system change and the 2021/22 depreciation had also been incorrectly calculated. The Revaluation Reserve was overstated by £0.948 million and depreciation was overstated by £0.155 million.

The Council's review of the transfer of data between the old and the new Fixed Asset Register's also identified an adjustment of £0.452 million between accumulated depreciation and Gross Book Value for one asset which had a negative depreciation balance. There was no impact on the Balance Sheet.

- 7. Group - Updated Subsidiary Accounts** - The Council has updated their Group Accounts following receipt of updated audited subsidiary accounts from Price Bailey (East Cambs Trading Company Limited and East Cambs Street Scene Limited). The Council has also updated the Group Cash Flow Statement so that the Net Surplus / (Deficit) on the Provision of Services agrees to the Net Surplus/Deficit on provision of services in the Comprehensive Income & Expenditure Statement.

We also identified a number of audit disclosure differences in the financial statements, which have been adjustment by Management.

The most significant of these was an adjustment to Exit Packages to include the £0.025 million employment provision, as this relates to an employee departing the Council. Given the lower materiality level on this threshold, as communicated in the Initial Audit Plan, the Council intend to adjust this amount and include narrative within the Provisions note. We do not deem any of the remaining disclosure differences to be so significant as to require reporting to you.

# Executive Summary

## Areas of audit focus

In our Initial Audit Plan we identified a number of key areas of focus for our audit of the financial report of East Cambridgeshire District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

### *Management Override: Misstatements due to fraud or error*

- We have completed our work in this area and have identified one control weakness which is reported in Section 6.

### *Management Override: Inappropriate capitalisation of revenue expenditure*

- We have completed our work in this area and have no matters to report.

### *Significant Risk: Accounting for Covid-19 related grant funding*

- We have completed our work in this area and have identified one difference to report:  
The Additional Restrictions Grant includes £0.992 million of income, and associated expenditure, on the Additional Restrictions Grant that had already been recognised correctly in the 20/21 financial year.

### *Significant Risk: Change in Fixed Asset Register*

- We have completed our work in this area and have identified three audit differences to report:  
The Revaluation Reserve was overstated by £0.948 million and depreciation was overstated by £0.155 million.  
The Council's review of the transfer of data between the old and the new Fixed Asset Register's also identified an adjustment of £0.452 million between accumulated depreciation and Gross Book Value for one asset which had a negative depreciation balance. There was no impact on the Balance Sheet.

### *Inherent Risk: Valuation of Land & Buildings*

- We have completed our work in this area and have no matters to report.

### *Inherent Risk: National Non-Domestic Rates Appeals Provision*

- We have completed our work in this area and have no matters to report.

### *Inherent Risk: Pension Liability Valuation & Pension Assets*

- We have completed our work in this area and have identified a difference to report:  
The Council received a revised IAS19 Actuarial report as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.150 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared. Updated information became available during the audit following the completion of the Pension Fund Triennial Valuation. The difference is a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by £2.665 million. Note: this corrected difference is in addition to the corrected difference set out above (total reduction in liability £2.815 million).

# Executive Summary

## Areas of audit focus (Continued)

### *Inherent Risk: Group Accounting*

- *We have completed our work in this area and have identified two audit differences to report:*

The Council has updated their Group Accounts following receipt of updated audited subsidiary accounts from Price Bailey (East Cambs Trading Company Limited and East Cambs Street Scene Limited).

The Council has also updated the Group Cash Flow Statement so that the Net Surplus / (Deficit) on the Provision of Services agrees to the Net Surplus/Deficit on provision of services in the Comprehensive Income & Expenditure Statement.

### *Inherent Risk: Bad debt provision and recoverability of Debtors*

- *We have completed our work in this area and have identified one difference to report:*

The Council incorrectly categorised £0.357 million of Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables).

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no other matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, . The Council falls below the threshold (Threshold - £2 billion) for full procedures, so we will be able to submit an assurance statement verifying this position. We do not expect therefore to have any issues to report.

## Independence

Please refer to Section 7 for our update on Independence.

# Executive Summary

## Control observations

During the audit, we did not identify any significant deficiencies in internal control. We have taken a wholly substantive approach to the audit.

However, we would like to draw your attention to the following issues identified through our audit:

- The Council did not complete the CIPFA Disclosure Checklist at the time of accounts production and we believe that this would be a valuable closedown exercise to ensure that all the requirements are addressed within the draft financial statements.
- The Council's published the Inspection Notice incorrectly, required by the Audit and Account Regulations, quoted an incorrect inspection period. The Inspection period erroneously was stated as commencing on the 27 July 2022, the date of publication of the draft Financial Statements. This was identified by EY, and corrected by Management, on the same day, so the Inspection Period would commence on the 28 July 2022 as per the regulations. This did not therefore have a significant impact on the public's rights to inspect the Council's financial statements.
- The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This represents a level of weakness in the Council's overall control environment and increases the potential risk of Management Override.
- The Department for Levelling Up, Housing and Communities (DLUHC) has issued a consultation on proposed changes to regulations covering the requirement to make a prudent Minimum Revenue Provision (MRP). DLUHC has identified the use of two practices which in the government's view are "not permitted under the Prudential Framework". Consequently, DLUHC is looking to tighten the regulations to remove any scope for authorities to apply these practices. This includes the inappropriate exclusion of a portion of debt (or CFR) from MRP determinations. We are aware that many local authorities do not set aside MRP in relation to certain assets (typically capital loans and equity investments). This has become typical custom and practice but represents a departure from the Statutory Guidance on MRP.

As a result, we have raised recommendations in Section 6 of this report.





02

## Areas of Audit Focus



## Areas of Audit Focus

# Significant risk

### Misstatements due to fraud or error

#### What is the risk?

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

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

#### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Documented our understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Reviewed the accounting estimates for evidence of management bias.
- ▶ Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

#### What are our conclusions?

The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This represents a level of weakness in the Council's overall control environment and increases the potential risk of Management Override.

We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have no matters to bring to your attention.



## Areas of Audit Focus

### Significant risk

#### Incorrect capitalisation of revenue expenditure

##### What is the risk?

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

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

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

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Obtained a listing of REFCUS for the year and confirmed that total REFCUS is not material;
- ▶ Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. There were no Investment Property additions; and
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

##### What are our conclusions?

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 are ongoing through our journal entry testing work. We will update the Committee on our findings once the work is finalised.



## Areas of Audit Focus

### Significant risk

#### Accounting for Covid-19 related grant funding

##### What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. We are aware of new Covid-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) where the Council has received £1.6 million.

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

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature.
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
- ▶ Reviewed the instructions and conditions of a sample of grants to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants

##### What are our conclusions?

We have completed our testing procedures on Covid-19 related grant funding. We have identified one misstatement in respect of the Additional Restrictions Grant including £0.992 million of income, and associated expenditure, that had already been correctly recognised within the 2020/21 financial year.

We have no other matters to report.



## Areas of Audit Focus

### Significant risk

#### Change in Fixed Asset Register

##### What is the risk?

The Council implemented a new Fixed Asset Register (CIPFA Asset Manager in March 2022), replacing the previously held manual asset register. As with any system implementation there is a risk that the relevant financial information has not been appropriately and completely transferred to the new system leading to a material misstatement in the 2021/22 financial statements.

As the CIPFA Asset Manager system will produce journals for revaluations, additions, disposals and depreciation, we consider this to be a significant audit risk.

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

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

##### What are our conclusions?

The Council had incorrectly brought forward some of the 2020/21 Revaluation Reserve balances within the Fixed Asset Register due to the system change and the 2021/22 depreciation had also been incorrectly calculated.

The Revaluation Reserve was overstated by £0.948 million and depreciation was overstated by £0.155 million.

The Revaluation Reserve overstatement of £0.948 million was split into the following two adjustments:

- ▶ £0.341 million relating to incorrect processing of prior year audit adjustments within the Fixed Asset Register; and
- ▶ £0.607 million relating to the incorrect transfer of Revaluation Reserve balances from 2020/21 to 2021/22 within the Fixed Asset Register.

The Council's review of the transfer of data between the old and the new Fixed Asset Register's also identified an adjustment of £0.452 million between accumulated depreciation and Gross Book Value for one asset which had a negative depreciation balance. There was no impact on the Balance Sheet.



## Areas of Audit Focus

### Inherent risk

#### Valuation of Other Land & Buildings

##### What is the risk?

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

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

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base was not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

##### What are our conclusions?

Our work did not identify any issues with the valuation of Other Land and Buildings.



## Areas of Audit Focus

### Inherent risk

#### National Non-Domestic Rates Appeals Provision- Inherent Risk

##### What is the risk?

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

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

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

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

##### What are our conclusions?

Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.

The Council did not make any local adjustments to the appeals provision from the outcome provided by the Council's specialist.

We have no other matters to report.



# Areas of Audit Focus

## Inherent risk

### Pension valuations and disclosures – Inherent Risk

#### What is the risk?

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

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

#### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

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

#### What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.

We have agreed the Council's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.

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 to determine the impact on the Council's Pension Liability. The impact was to reduce the Council's Net Pension Liability by £0.150 million. The adjustment was made by Management due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

A national issue emerged in relation to the potential impact of the latest Pension Fund Triennial Valuation on the Pension Liability at the 31 March 2022. Management obtained a further updated IAS19 Report, which took into account the assumptions used within the Triennial Valuation process. We reviewed the underlying assumptions used within the Triennial Valuation report for reasonableness, and were able to gain assurance that assumptions used remained within our range expectations. The assumptions used within the Triennial valuation approach had the impact of reducing the Council's net Pension Liability by £2.665 million. Management have made this adjustment within the revised financial statements.





## Areas of Audit Focus

# Inherent risk

### Group Accounting

#### What is the risk?

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

#### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the Council's assessment of its Group boundary;
- ▶ Scoped the audit requirements for each of the companies based on their significance to the group accounts.
- ▶ Liaised with the external auditors and issued Group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ Evaluated any risks at component level on the Group accounts; and
- ▶ Audited the consolidation process and Group accounts.

#### What are our conclusions?

The Council has updated their Group Accounts following receipt of updated audited subsidiary accounts from Price Bailey (East Cambs Trading Company Limited and East Cambs Street Scene Limited).

The Council has also updated the Group Cash Flow Statement so that the Net Surplus / (Deficit) on the Provision of Services agrees to the Net Surplus/Deficit on provision of services in the Comprehensive Income & Expenditure Statement.

We have no other matters to report.



## Areas of Audit Focus

### Inherent risk

#### Bad debt provision and recoverability of debtors

##### What is the risk?

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

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

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

##### What are our conclusions?

Our audit procedures identified that the Council incorrectly categorised £0.357 million of Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables).

There were no other matters to report.



# 03 Audit Report

**DRAFT**



## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

#### Opinion

We have audited the financial statements of East Cambridgeshire District Council ('the Authority' and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- ▶ Authority and Group Movement in Reserves Statement,
- ▶ Authority and Group Comprehensive Income and Expenditure Statement,
- ▶ Authority and Group Balance Sheet,
- ▶ Authority and Group Cash Flow Statement
- ▶ the related notes 1 to 32 to the Authority financial statements and the notes to the Group financial statements.
- ▶ Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of East Cambridgeshire District Council and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority/Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's/Group's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the 'Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information contained within the 'Statement of Accounts 2021/22'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)



## Audit Report - continued

### Our proposed opinion on the financial statements

- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

### Responsibility of the Section 151 Officer

As explained more fully in the 'Statement of Responsibilities' set out on page 19, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.



## Audit Report - continued

### Our proposed opinion on the financial statements

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- ▶ Local Government Act 2003,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how East Cambridgeshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Group and Authority's committee minutes, Council policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## Audit Report - continued

### Our proposed opinion on the financial statements

#### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether East Cambridgeshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Cambridgeshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, East Cambridgeshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the members of East Cambridgeshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group/Authority and the Group/Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.





# 04 Audit Differences





## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of unadjusted differences

There are no uncorrected misstatements identified as part of our audit at the date of this report.

### Summary of adjusted differences

We highlight misstatements greater than £45,000 which have been corrected by management that were identified during the course of our audit.

- 1. Balance Sheet - Net Pension Liability** - The Council received a revised IAS19 Actuarial report as a result of changes to the value of the pension plan assets. This had the result of reducing the Council's Net Pension Liability by £0.150 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared. Updated information became available during the audit following the completion of the Pension Fund Triennial Valuation. The difference is a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by £2.665 million. Note: this corrected difference is in addition to the corrected difference set out above (total reduction in liability £2.815 million).
- 2. Balance Sheet - Cash & Receivables** - The year-end cash reconciliation exercise correctly identified £0.532 million which has been received in the cash book but not recorded in the General Ledger at 31 March 2022. However, the required journal entries to correct this were not posted. This has the overall impact of increasing Cash and reducing Receivables by £0.532 million.
- 3. Comprehensive Income & Expenditure Statement - Grant Income** - The Council incorrectly recognised £0.992 million of income, and associated expenditure, on the Additional Restrictions Grant that had already been correctly recognised within the 2020/21 financial year.
- 4. Balance Sheet - Debtors & Creditors** - The Council incorrectly categorised £0.357 million of Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables). This has the impact of reducing both the Debtors and Creditors balances by £0.357 million.
- 5. Comprehensive Income & Expenditure Statement and Balance Sheet - Community Infrastructure Levy (CIL)** - The Council incorrectly omitted expenditure of £0.550 million from the 2021/22 statement of accounts in relation to a CIL transaction with the County Council due to receipt of an invoice received after the year-end.

Continued overpage.



# Audit Differences

## Summary of adjusted differences

We highlight misstatements greater than £45,000 which have been corrected by management that were identified during the course of our audit.

**6. Balance Sheet - Fixed Asset Register Transfer** - The Council had incorrectly brought forward some of the 2020/21 Revaluation Reserve balances within the Fixed Asset Register due to the system change and the 2021/22 depreciation had also been incorrectly calculated. The Revaluation Reserve was overstated by £0.948 million and depreciation was overstated by £0.155 million.

The Revaluation Reserve overstatement of £0.948 million was split into the following two adjustments:

- £0.341 million relating to incorrect processing of prior year audit adjustments within the Fixed Asset Register; and
- £0.607 million relating to the incorrect transfer of Revaluation Reserve balances from 2020/21 to 2021/22 within the Fixed Asset Register.

The Council's review of the transfer of data between the old and the new Fixed Asset Register's also identified an adjustment of £0.452 million between accumulated depreciation and Gross Book Value for one asset which had a negative depreciation balance. There was no impact on the Balance Sheet.

**7. Group Financial Statements - Updated Subsidiary Accounts** - The Council has updated their Group Accounts following receipt of updated audited subsidiary accounts from Price Bailey (East Cambs Trading Company Limited and East Cambs Street Scene Limited).

The Council has also updated the Group Cash Flow Statement so that the Net Surplus / (Deficit) on the Provision of Services agrees to the Net Surplus/Deficit on provision of services in the Comprehensive Income & Expenditure Statement.

## Summary of adjusted differences

### Disclosure Differences

We also identified a number of audit disclosure differences in the financial statements, which have been adjustment by Management.

The most significant of these was an adjustment to Exit Packages to include the £0.025 million employment provision, as this relates to an employee departing the Council. Given the lower materiality level on this threshold, as communicated in the Initial Audit Plan, the Council intend to adjust this amount and include narrative within the Provisions note. We do not deem any of the remaining disclosure differences to be so significant as to require reporting to you.



05

## Value for Money



# Value for money

## The Council's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

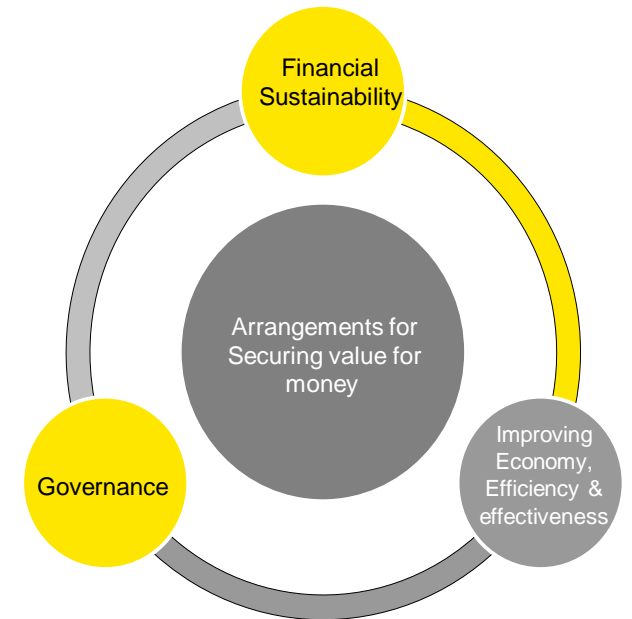
## Risk assessment

We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

## Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of August 2023.





## 06 Other reporting issues

## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final audit procedures.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the required Assurance Statement to the NAO confirming this. We therefore have no matters to report to you.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have not received any formal questions or objections to the Council's financial statements, following the required Inspection Period.

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

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

## Other reporting issues

# Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits.

### Control Weakness Observations

We would like to draw your attention to the following issues identified through our audit:

- ▶ The Council did not complete the CIPFA Disclosure Checklist at the time of accounts production and we believe that this would be a valuable closedown exercise to ensure that all the requirements are addressed within the draft financial statements.

**Recommendation 1.** We recommend that the Council prepares a full CIPFA Disclosure Checklist, as part of its closedown procedures, in advance of publishing future draft Statement of Accounts, to demonstrate that the Statement of Accounts are compliant with the CIPFA Code of Practice.

- ▶ The Council's published the Inspection Notice incorrectly, required by the Audit and Account Regulations, quoted an incorrect inspection period. The Inspection period erroneously was stated as commencing on the 27 July 2022, the date of publication of the draft Financial Statements. This was identified by EY, and corrected by Management, on the same day, so the Inspection Period would commence on the 28 July 2022 as per the regulations. This did not therefore have a significant impact on the public's rights to inspect the Council's financial statements.

**Recommendation 2.** We recommend that the Council review and comply with the requirements of the Audit and Accounts Regulations to publish the correct inspection period within the Inspection Notice.



## Other reporting issues

# Other reporting issues

### Other matters

- ▶ The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This represents a level of weakness in the Council's overall control environment and increases the potential risk of Management Override.

**Recommendation 3.** We recommend that the Council initiates a control to authorise journals before they are posted to the General Ledger.

We also deem it necessary to bring the following to your attention:

- ▶ The Department for Levelling Up, Housing and Communities (DLUHC) has issued a consultation on proposed changes to regulations covering the requirement to make a prudent Minimum Revenue Provision (MRP). DLUHC has identified the use of two practices which in the government's view are "not permitted under the Prudential Framework". Consequently, DLUHC is looking to tighten the regulations to remove any scope for authorities to apply these practices. This includes the inappropriate exclusion of a portion of debt (or CFR) from MRP determinations. We are aware that many local authorities do not set aside MRP in relation to certain assets (typically capital loans and equity investments). This has become typical custom and practice but represents a departure from the Statutory Guidance on MRP.

Our testing has identified that the Council do not currently apply MRP on loans made to the subsidiary company.

As a result we have raised the following :

**Recommendation 4.** We recommend that the Council reviews its MRP policy to comply with the updated Statutory Guidance that will be issued by DLUHC and likely to become extant for 2023/24.



07

Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1<sup>st</sup> April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

In addition to our audit of the accounts, we will also be performing the Reporting Accounting role for the certification of East Cambridgeshire District's 2021/22 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO. We confirm that we have not undertaken any additional non-audit work.

## Other communications

### EY Transparency Report 2022

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[ey-uk-transparency-report-2022.pdf](#)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	37,855	37,855	31,955
Changes in work required to address professional and regulatory requirements and scope associated with risk & Additional Procedures required and as reported within the Annual Audit Letter (Note 1)	TBC		52,123
<b>Revised Proposed Scale Fee</b>	<b>TBC</b>	<b>37,855</b>	<b>84,078</b>
<b>Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	33,280		
Additional Procedures required in response to the additional risks identified in in 2021/22 and set out in this Audit Results Report, in respect of: <ul style="list-style-type: none"> <li>Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Investment Property Valuations, Change in Fixed Asset Register, Group Accounting, Updates for Triennial Pension Valuations and Audit Adjustments</li> </ul>	Note 3	-	-
<b>Total fees</b>	<b>TBC</b>	<b>37,855</b>	<b>84,078</b>

All fees exclude VAT

**Note 1** - PSAA Ltd determined the Fee Variation for 2020/21 on 30 June 2022.

**Note 2** - For 2020/21 we proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in previous Audit Results Reports. For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors and is subject to determination by PSAA Ltd.

**Note 3** - As set out in this report, we have had to perform additional audit procedures to respond to the associated audit risks and audit adjustments identified. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report.







## 08 Appendices




## Appendix A

# Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Initial Audit Plan - 27 June 2022 - Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Initial Audit Plan - 27 June 2022 - Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Initial Audit Plan - 27 June 2022 - Audit Committee

## Appendix A





		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to the Audit Committee responsibility.</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Initial Audit Plan - 27 June 2022 - Audit Committee</p> <p>Audit Results Report - 20 March 2023 &amp; 17 July 2023 - Audit Committee</p>



# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence (continued)	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Audit Results Report - 20 March 2023 &amp; 17 July 2023 - Audit Committee</p> <p>At the date of issuing this report we are awaiting one bank confirmation from Goldman Sachs.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>Audit Results Report - 20 March 2023 &amp; 17 July 2023 - Audit Committee</p>




# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	<p>Initial Audit Plan - 27 June 2022 - Audit Committee</p> <p>Audit Results Report - 20 March 2023 &amp; 17 July 2023 - Audit Committee</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 20 March 2023 & 17 July 2023 - Audit Committee

## Appendix B

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:


Item 	Actions to resolve 	Responsibility 
Final Manager and Partner review	EY to conclude the final review procedures in relation to the latest information received from Management	EY
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2021/22 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.




# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



Ernst & Young LLP  
One Cambridge Business Park  
Cambridge  
CB4 0WZ  
Tel: +44 1223 304400  
Fax: +44 1223 304401  
ey.com



INVESTOR IN PEOPLE

Ian Smith  
Finance Manager & Section 151 Officer  
East Cambridgeshire District Council  
The Grange  
Nutholt Lane  
Ely  
CB7 4EE.

3 July 2023

Ref:  
Your ref:  
Direct line: 01223 304547  
Email: MHodgson@uk.ey.com

Dear Ian,

**East Cambridgeshire District Group and Council – 2021/22 financial year  
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Group and Council.

I would expect the letter of representation to include the following matters.


General statement

That the letter of representations is provided in connection with our audit of the financial statements of East Cambridgeshire District Group and Council ("the Group and Council") for the year ended 31 March 2022.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the

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extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as adapted.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. You have approved the Group and Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in our Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

Or

That there are no unadjusted audit differences.

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.



# Appendix C – Request for a Management Representation Letter

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### B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the Group and Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.



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3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 17 July 2023.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Council financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Group and Council financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Group and Council financial statements (please specify the Notes) all guarantees that you have given to third parties.

### E. Subsequent Events

1. That other than the disclosure described in Note 7 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2021-22.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

### I. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note 32 to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

### K. Reserves

1. You have properly recorded or disclosed in the Group and Council financial statements the useable and unusable reserves.



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus .
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus .

#### N. Business Rates Appeals Provision Estimate

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the Business Rates Appeals Provision are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. You agree with the findings of the specialists that you engaged to evaluate the Business Rates Appeals Provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

4. You confirm that the significant assumptions used in making the valuation of the Business Rates Appeals Provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Business Rates Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus .

#### O. Bad Debt Provision Estimate

7. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the Bad Debt Provision Estimate are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

8. You agree with the findings of the specialists that you engaged to evaluate the Bad Debt Provision Estimate and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



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9. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

10. You confirm that the significant assumptions used in making the valuation of the Bad Debt Provision Estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

11. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Bad Debt Provision Estimate and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

12. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus .

#### P. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

#### Q. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Governance & Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely


Mark Hodgson  
Partner  
Ernst & Young LLP  
United Kingdom

## Appendix D

### Implementation of IFRS 16 Leases

In previous reports to the Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2024. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliant with the 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	<p>Management should:</p> <ul style="list-style-type: none"> <li>▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	<p>The council needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> <li>▶ Whether to adopt a portfolio approach</li> <li>▶ What low value threshold to set and agree with auditors</li> <li>▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>▶ What is managements policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	<p>Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).</p>
Transitional accounting arrangements	<p>Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.</p>
Ongoing accounting arrangements	<p>Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.</p>
Remeasurements and modifications	<p>Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.</p>



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ED None

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**TITLE: 2021/22 STATEMENT OF ACCOUNTS**

Committee: Audit Committee

Date: 17<sup>th</sup> July 2023

Author: Director, Finance

Report No: Y32

Contact Officer:

Ian Smith, Director Finance

[ian.smith@eastcamb.gov.uk](mailto:ian.smith@eastcamb.gov.uk) 01353 616470

**1.0 ISSUE**

1.1. To approve the 2021/22 Statement of Accounts.

**2.0 RECOMMENDATION(S)**

2.1. To approve the 2021/22 Statement of Accounts as set out in Appendix 1, subject to the Director Finance, in conjunction with Ernst & Young (EY) and the Chairman of Committee, being authorised to make changes in relation to issues discussed during the previous item on the agenda, the Audit Results Report, identified since the agenda was dispatched, and then, if required, any other changes that, in the opinion of the Section 151 Officer, do not impact on the overall substance of the Accounts, this prior to final sign-off by EY on or around the 18<sup>th</sup> July 2023.

**3.0 BACKGROUND/OPTIONS**

3.1 The format of the Statement of Accounts is prescribed by a range of regulations and reporting requirements together with a code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Since 2010/11, as part of the wider public sector move towards international accounting standards, all local authorities in the UK are required to produce their annual financial statements using International Financial Reporting Standards (IFRS).

3.2 The Audit and Accounts Regulations 2015 (as amended) which apply to the preparation, approval and audit of the Statement of Accounts for the year ending 31<sup>st</sup> March 2022 required the following:

- The draft Accounts must be certified by the Council's Responsible Financial Officer (Section 151 Officer) by 31<sup>st</sup> July following the end of the financial year. It is confirmed that the accounts were signed off by this statutory deadline, being signed and loaded onto the Council's website on the 27<sup>th</sup> July 2022.
- The draft accounts and any associated financial documentation are made available for public inspection for a period of 30 working days. The accounts were available for public inspection from the 28<sup>th</sup> July to the 12<sup>th</sup> September 2022, but during this period neither the Council nor EY received any communications from the public.

- By the 30<sup>th</sup> September:
  - The Accounts must be re-certified by the Responsible Financial Officer
  - The Accounts must be approved by Members
  - The Accounts must be published together with any certificate, opinion or report issued by the appointed auditor.

3.3 In order to manage the workload of auditing a large number of local authorities across the East of England, EY informed the Director, Finance on the 11<sup>th</sup> March 2022, that they would not be starting the audit of the East Cambs Accounts until January 2023, with a proposed sign-off by the end of March 2023. However, subsequently there was a delay in signing off all Accounts nationally while an issue on pension valuations associated with the triennial valuation was resolved.

3.4 When the Statement of Accounts first came to Committee for approval on the 20<sup>th</sup> March 2023, the approval was granted on the basis that no changes of substance would be required. The pensions valuation adjustment as detailed above was for more than £2.5 million and as such, the Accounts are now brought back to Committee for further approval.

3.5 Under the Council's Constitution, it is the Audit Committee's function to approve the Statement of Accounts.

#### **4.0 ARGUMENTS/CONCLUSION(S)**

4.1 Members will note that EY identified a number of issues during the course of their audit. Issues identified prior to the agenda dispatch are detailed in the Audit Differences section of their Audit Results Report, as discussed previously on the agenda.

4.2 The version of the Statement of Accounts attached as appendix 1, includes all the adjustments identified in the Audit Results Report, and as such was up-to-date at this point.

4.3 However, as Members will have also noted from the Audit Results Report, EY had a small number of outstanding matters at the point of drafting, and as such, appendix 1 potentially remains subject to further Audit review and change if further issues are identified. As detailed in the recommendation, where these have been discussed previously at this meeting, adjustments will be made, and anything found after today's meeting will be discussed by EY, the Director, Finance and Chair of Committee and only brought back to Committee for further discussion if felt to impact on the overall substance of the Accounts.

#### **5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

5.1. This report details the Council's financial position for the year ended 31<sup>st</sup> March 2022 in the prescribed format.

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

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

## **6.0**    **APPENDICES**

Appendix 1 – Statement of Accounts 2021/22 (printed separately)

### **Background Documents:**

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code)

Final Accounts working papers



**TITLE: Annual Internal Audit Report and Opinion 2022/23**

Committee: Audit Committee

Date: 17<sup>th</sup> July 2023

Author: Chief Internal Auditor

Report No: Y33

Contact Officer:

Rachel Ashley-Caunt, Chief Internal Auditor

[Rachel.ashley-caunt@northnorthants.gov.uk](mailto:Rachel.ashley-caunt@northnorthants.gov.uk)

## **1.0 ISSUE**

- 1.1. The report at Appendix 1 provides the Chief Internal Auditor's annual assurance opinion on the Council's governance, risk and control framework for 2022/23 and the basis for this opinion.

## **2.0 RECOMMENDATION(S)**

- 2.1. That the Committee notes the Annual Internal Audit Report and Opinion for 2022/23.

## **3.0 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.
- 3.2. The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through the delivery of an annual risk-based plan of work, which should provide a reasonable level of assurance.
- 3.3. The Chief Internal Auditor's opinion is that 'Satisfactory Assurance' can be given over the Council's governance, risk and control framework for 2022/23. This assurance cannot be absolute, but should form a key source of assurance for the Council's Annual Governance Statement.
- 3.4. The report also reflects on the performance of the Internal Audit service in ensuring delivery of the agreed audit plan and working to expected standards.

## **4.0 ARGUMENTS/CONCLUSION(S)**

- 4.1. The attached report (Appendix 1) provides the Committee with the Annual Internal Audit Report and Opinion for 2022/23 and the basis for this opinion.

**5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

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

**6.0 APPENDICES**

Appendix A – Annual Internal Audit Report and Opinion 2022/23

Background Documents:

None





EAST CAMBRIDGESHIRE  
DISTRICT COUNCIL

# **Annual Internal Audit Report and Opinion**

## **2022/23**

## 1. Introduction and context

- 1.1 This report outlines the audit work carried out by the Internal Audit Service for the year ended 31<sup>st</sup> March 2023.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, compliance and governance processes.
- 1.3 Internal audit is a statutory requirement for local authorities, in accordance with:
- Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
  - The Accounts and Audit Regulations 2018 (England) – which state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.4 The Council's internal audit service has been delegated to North Northamptonshire Council and is led by the Chief Internal Auditor, employed by North Northamptonshire Council. Internal audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Corporate Leadership Team (which includes the Section 151 Officer), and the Chair of the Audit Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1 and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
- the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
  - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
  - a statement on the extent of conformance with the Standards.

## 2. Chief Internal Auditor's Opinion 2022/23

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

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2022/23. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2022/23 – see definition of assurance opinions in section 4.1 of this report. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

### **Financial control**

Controls relating to the Council's key financial systems which were reviewed during the year were all concluded to be operating at a level of Satisfactory Assurance or above, with 92% of opinions given being of Good or Substantial Assurance.

Assurance over the outsourced revenues and benefits service has been provided in the form of internal audit reports issued for the Anglia Revenues Partnership shared service. These have all resulted in assurance opinions of 'Adequate / Reasonable' or higher, which is comparable to the Council's internal audit service's assurance opinion of 'Satisfactory' or above.

### **Risk management**

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2022/23.

Rolling risk register reviews were introduced by Internal Audit in 2022/23 and have received positive feedback from the Audit Committee on the value of this work, in giving assurance over the effectiveness of risk management arrangements.

### **Internal control**

For the audits completed by the Internal Audit service in 2022/23, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.

The audit plan coverage had targeted areas of known risk and was informed through consultation with senior management and the Audit Committee.

The audit of Cyber Security was not performed in 2022/23 pending ongoing work by officers on addressing findings from the IT health check. Assurance has, however, been provided in

the form of Public Sector Network Code of Connection compliance certification obtained in May 2023 indicating satisfactory resolution of vulnerabilities identified by penetration testing.

Of the agreed management actions due for implementation during 2022/23, 85% had been completed during the year.

There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness and management have sought to accept the risk, rather than agree an appropriate action.

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

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments undertaken throughout the year from the risk-based Internal Audit plan. Assurances from other sources have also been taken into consideration, where appropriate.
- 2.3 The assessment has taken account of the relative materiality of areas highlighted for improvement and management's progress in addressing any control weaknesses.

### 3. Summary of findings

- 3.1 All final reports have agreed action plans, dates and responsible officers, where required. The audit opinions arising from the work of Internal Audit are summarised in Table 1, split by assurance area.

Table 1 – Summary of audit opinions 2022/23:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	8	3	1	-	-
Key corporate controls and policies	-	-	6	-	-
Risk based audits	1	2	5	-	-
Revenues and benefits (Anglia Revenues Partnership)	-	2	2	-	-
<b>Total</b>	<b>9</b>	<b>7</b>	<b>14</b>	<b>-</b>	<b>-</b>
<b>Summary</b>	<b>30%</b>	<b>23%</b>	<b>47%</b>	<b>-</b>	<b>-</b>
<b>Summary (2021/22) for comparison</b>	<b>46%</b>	<b>37%</b>	<b>17%</b>	<b>-</b>	<b>-</b>

- 3.2 The Internal Audit team's work has been targeted upon areas of identified risk and has sought to support service areas in identifying and prioritising areas for improvement.

## 4. Review of audit coverage

### Audit opinion on individual audits

- 4.1 The Committee is reminded that the following assurance opinions were assigned during 2022/23, in accordance with the Internal Audit Charter:

Table 2 – Assurance categories:


































Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated as expected and either no, or only 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 and significant errors have been detected.
No	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. The control environment has fundamentally broken down and is open to significant error or abuse.











- 4.2 All individual reports represented in this Annual Report are final reports, unless otherwise stated. As such, the findings have been agreed with management, together with the accompanying action plans.

#### Summary of audit work

- 4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2022/23 and the date of the Committee meeting at which the outcome of the audit was presented.
- 4.4 All completed assignments have been delivered in accordance with the agreed audit planning records and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of finalised audit opinions 2022/23:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
<b>Financial systems</b> – providing assurance that the Council has made arrangements for the proper administration of its financial affairs				
Bank reconciliation	Substantial 	Substantial 	Minor 	January 2023
Creditors	Satisfactory 	Good 	Minor 	January 2023
Debtors	Substantial 	Substantial 	Minor 	January 2023
Payroll	Substantial 	Good 	Minor 	March 2023
Treasury management	Substantial 	Substantial 	Minor 	March 2023
Budgetary control	Substantial 	Good 	Minor 	January 2023
<b>Key corporate controls and policies</b>				
Safeguarding	Satisfactory 	Satisfactory 	Moderate 	November 2022
Staff claims	Satisfactory 	Satisfactory 	Minor 	March 2023
Enforcement policy compliance	Satisfactory 	Satisfactory 	Moderate 	January 2023
<b>Risk based audits</b>				
Asset related audits – follow up	Satisfactory 	Good 	Minor 	July 2023
Performance management	Satisfactory 	Satisfactory 	Minor 	March 2023

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Assets of community value	<b>Good</b> 	<b>Substantial</b> 	<b>Minor</b> 	July 2022
IT asset management	<b>Satisfactory</b> 	<b>Satisfactory</b> 	<b>Minor</b> 	January 2023
<b>Revenues and Benefits – delivered by Anglia Revenues Partnership</b>				
Business rates	<b>Adequate / Reasonable</b> 			July 2023
Enforcement	<b>Good / Substantial</b> 			July 2023
Recovery of Council Tax and Housing Benefit Overpayments	<b>Adequate / Reasonable</b> 			July 2023
Council Tax Billing, Housing Benefit and Local Council Tax Reduction Scheme	<b>Good / Substantial</b> 			July 2023

4.5 Audit outcomes have been reported to the Audit Committee during the 2022/23 financial year.

### **Implementation of agreed management actions**

4.6 Internal Audit follow up on progress made against all agreed actions arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a regular basis and report updates at every Audit Committee meeting.

4.7 A total of 39 agreed actions have been implemented by officers during 2022/23, which represents 85% of the actions which were due for implementation.

4.8 Details of the implementation rate for the agreed management actions during 2022/23 are provided in Table 4, as at 31<sup>st</sup> March 2023.



Table 4 - Implementation of agreed management actions due in 2022/23:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and <b>implemented</b>	10	18	11	39 (85%)
Agreed and <b>due within last 3 months</b> , but not implemented	0	1	1	2 (4%)
Agreed and <b>due over 3 months ago</b> , but not implemented	1	3	1	5 (11%)
<b>Total</b>	<b>11</b>	<b>22</b>	<b>13</b>	<b>46</b> <b>(100%)</b>
Agreed and not yet due for implementation	-	7	3	10

4.9 A full overview of overdue actions is provided in Table 5.

Table 5 - Summary of overdue recommendations at 31<sup>st</sup> March 2023

Audit	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
ICT outages	21/22	1	-	1	-	-	-
Cyber security	21/22	-	-	1	-	1	-
IT asset management	22/23	-	-	1	-	-	-
Safeguarding	22/23	-	-	-	-	-	1
Enforcement policy compliance	22/23	-	-	-	1	-	-
<b>Totals</b>		<b>1</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>

## Other sources of assurance

- 4.10 In May 2023, the Council achieved certification for the Public Sector Network (PSN) Code of Connection (CoCo) compliance. CoCo compliance requires local authorities to document how their information technology meets the requirements, which were adapted from the global ISO27001 standard. Submission for the certification requires evidence of recent penetration testing of the Council's network and satisfactory resolution of vulnerabilities exposed. The certification remains valid for twelve months. Assurance is taken from this certification and further work in 2023/24 by internal audit will seek wider assurances over cyber security measures.

## Performance

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers constructive support and advice to assist the Council in new areas of work.
- 5.2 Since 1<sup>st</sup> April 2022, the Council's internal audit service has been delegated to North Northamptonshire Council. During this year, a number of successful recruitment campaigns have resulted in the appointment of auditors from a variety of backgrounds which will serve to strengthen the depth and breadth of the team. The team have built effective working relationships with service areas and seek to continue to build upon the positive feedback and reputation built to date.
- 5.3 In April 2023, the Internal Audit service had issued reports on 100% of the in-house assignments from the 2022/23 Audit Plan – with the exception of Cyber Security which was pending the Council's work on the Public Sector Network compliance submission.
- 5.4 In order to seek feedback on the quality of the internal audit work, customer satisfaction surveys are issued following the conclusion of audit assignments. The feedback received on audits delivered during the 2022/23 year is summarised in table. Of the feedback received 100% rated the elements of the service as either 'good' or 'outstanding'. The communication during audit assignments was noted as receiving particularly high feedback in 2022/23, with 100% of respondents rating the communication as 'outstanding'.

Table 5 – Customer satisfaction survey results

Aspects of audit assignments	Outstanding	Good	Satisfactory	Poor
Design of assignment	75%	25%	-	-
Communication during assignments	100%	-	-	-
Quality of reporting	75%	25%	-	-
Quality of recommendations	67%	33%	-	-

## Internal Audit contribution in wider areas

- 5.5 Key additional areas of Internal Audit contribution to the Council in 2022/23 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Introducing rolling risk register reviews.	Providing the Audit Committee with assurances over the content of risk register entries and risk management arrangements. This also gives Internal Audit an insight into the risks identified and areas where assurance is needed.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.
Sharing advice and fraud alerts.	Pro-active counter fraud support and learning from other authorities.
Maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero-tolerance culture.
Support for the development on new processes and systems - providing “critical friend” advice to ensure that effective controls are built in at the outset.	Supporting the Council to strengthen its control environment at the earliest opportunity.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.

### **Professional Standards**

5.6 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.7 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.8 Since 1<sup>st</sup> April 2022, the Internal Audit service has been delegated to North Northamptonshire Council and the Quality Assurance and Improvement Plan is overseen

by the Council's Chief Internal Auditor to support ongoing development, in line with the Standards. Assessment against the Standards is embedded in the delivery of the service and ongoing development work. An external assessment must be completed at least every five years and the timing of the first external assessment will be agreed with the s151 Officer and Chair of the Audit Committee. The Institute of Internal Auditors are currently conducting a review of Standards with a view to introducing new Global Internal Audit Standards, which may introduce some changes to the requirements. The approach to external assessments should be informed by the outcome of this review.

- 5.9 A self-assessment by the Chief Internal Auditor confirms that the service is operating in general conformance with the Standards. The Quality Assurance and Improvement Plan for the Internal Audit team for the year ahead includes developing work on a Data Analytics Strategy for the audit service; and raising the profile of the internal audit service.
- 5.10 The Chief Internal Auditor can confirm that there has been no evidence of impairment of the independence of the Internal Audit team during 2022/23 and no auditors have reviewed systems/controls which they have been responsible for delivering. Every member of the Internal Audit team completes an annual declaration of any interests which could present a conflict of interest and confirmation of acceptance of the code of ethics.

## Appendix 1: Limitations

### Limitations inherent to the Internal Audit's work:

Internal Audit work has been performed subject to the limitations outlined below:

#### Opinion

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

#### Internal control

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

#### Future periods

Our assessment of controls relating to the areas audited is for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

#### Responsibilities of management and internal auditors

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

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

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



**TITLE:** Internal Audit Progress Report

Committee: Audit Committee

Date: 17<sup>th</sup> July 2023

Author: Chief Internal Auditor

Report No: Y34

Contact Officer:

Rachel Ashley-Caunt, Chief Internal Auditor

[Rachel.ashley-caunt@northnorthants.gov.uk](mailto:Rachel.ashley-caunt@northnorthants.gov.uk)

## **1.0 ISSUE**

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

## **2.0 RECOMMENDATION(S)**

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

## **3.0 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, fieldwork on 37% of assignments within the plan is either complete or in progress. To date, one audit report from the 2023/24 plan has been finalised and the key findings are summarised in Appendix 1.
- 3.3. Since the last Audit Committee update, 21 actions arising from audit reports have been implemented by officers. There are 2 actions which remain overdue and are subject to ongoing follow up by Internal Audit.

## **4.0 ARGUMENTS/CONCLUSION(S)**

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

## **5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

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

## **6.0 APPENDICES**

Appendix 1 – Internal Audit Update Report – July 2023

Background Documents:

None







**Internal Audit Progress and Performance Update**

**July 2023**

## Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2023/24 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 2023/24 Audit Plan

At the time of reporting, fieldwork is either complete or underway in relation to approximately 37% 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 2023/24 audit plan – this is summarised in Table 3.

### 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 Audit Committee meeting, the Internal Audit team has finalised two audit reports. The key findings were as follows:

#### **Asset related audits – follow up (2022/23 audit)**

Over the past two years, asset related internal audits had identified some areas for improvement in relation to both asset management (compliance regimes and management of leased assets) and the fixed asset records. This audit was scheduled as a follow up to the actions agreed in the 2020/21 Asset Management audit and the 2021/22 Fixed Assets audit.

Since the last audit, the Council has invested in dedicated software for maintaining the fixed asset register. This provided a timely opportunity to review the content and implement the audit recommendations in relation to review of useful lives and production of procedural notes. The software, produced by CIPFA, should enable timely and accurate record keeping going forward. Physical verification checks had recently been completed by the Finance team and would also form part of year end processes. All recommendations from the Fixed Assets audit had been evidenced as completed.

In relation to operational assets, the Council has developed its tracker records for compliance works and incorporated tracking of remedial actions. Sample testing on




compliance regimes confirmed consistent compliance on gas safety and electrical wiring checks and evidence of all selected servicing regimes. The only exceptions related to records of portable appliance testing, water temperature checks and fire door assessments at the depot, which have been highlighted for resolution.

The Council has recently invested in training on asbestos and legionella for two officers, to enable resilience on the completion of regular in-house checks in these areas.

The 2020/21 audit of Asset Management had highlighted a lack of energy performance certificate (EPC) ratings for some new/renewed leases. Evidence has been provided that EPCs are now held for assets upon agreement of leases and that these are tracked on the compliance records. It must be noted, however, that there remain some leased assets for which an EPC is not held and from April 2023 it is a legal requirement to hold these for all leased assets, throughout the duration of the lease – not just for new leases.

Sample testing on invoicing confirmed that rents were being recovered in line with the latest agreed rents. Sample testing has also, however, highlighted a lack of clear and consistent process for rent reviews. There is currently no system for tracking and flagging when these become due and no audit trail within the sample of assets selected in testing to demonstrate that all rents were reviewed in accordance with the lease. An example of a discounted rent applied on one asset highlighted a lack of documented audit trail regarding associated approval processes.

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

<b>Assurance Opinion</b>		
<b>Control Environment</b>	<b>Satisfactory</b>	
<b>Compliance</b>	<b>Good</b>	
<b>Organisational Impact</b>	<b>Minor</b>	

### **Fees and charges**

Fees and charges are a significant source of income for the Council. The Council has over 500 individual charges ranging from 50p for daily off-peak parking to £64,000 for licensing of large-scale public events. As well as generating significant income, effective charging policies can also support broader policy objectives such as targeting of subsidies and managing demand for services. This audit provides assurance over the setting of fees and charges for Council services and the consistent application of these in invoicing, covering both statutory and discretionary fees and charges.

Internal audit testing concluded that 2023/24 fees and charges were reviewed and approved in line with Council requirements, as part of the annual budget setting process and roles and responsibilities are outlined in the Constitution. However, the Council could benefit from developing a clear corporate charging policy to help clarify and reinforce the Council's objectives relating to fees and charges and provide budget holders with a clear and consistent framework for establishing and reviewing fees.

Testing of statutory charges confirmed that all have been established in accordance with the relevant statutory or regulatory requirements. For 2023/24, a 7% inflationary increase was applied to most discretionary fees and charges - with the exception of building control and licensing where a formal review informed pricing decisions. Sample testing of discretionary fees in five service areas identified that four areas had not been subject to a formal review in, at least, the last five years. This increases the risk of over or under-recovery of costs, potential legal challenge and financial losses.

Furthermore, a review of E-space rental charges (£ per square metre) confirmed that all current rents are charged at a lower rate than the published 2023/24 discretionary rates approved at Full Council.

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

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

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

At the time of reporting, there are 2 actions which remain overdue for implementation. Of these, there are no actions categorised as 'High' or 'Medium' priority which are more than three months overdue.

#### 2.5 Real time risk assurances

Risk management and compliance with the Risk Management Strategy is the responsibility of the Council's management but Internal Audit is seeking to provide assurance over the effectiveness of the risk management process via these rolling risk assurance reviews.

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

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

discussion/amendment. Internal Audit do not input into risk scoring or content, maintaining independence from this.

The latest of the rolling risk assurance reviews has been completed and the risk selected was **A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance.**

At the time of reporting, the current risk scoring for this entry is 15 (3 for likelihood and 5 for impact) and the residual risk is 10 (2 for likelihood and 5 for impact). As such, the listed controls are claimed to reduce the likelihood of the risk occurring. Assurance has been sought over the existence of those controls.

The findings for each control are detailed in Table 4. The risk scoring was not amended as a result of this review.

A RAG (red, amber, green) rating – as defined below Table 4 – has been assigned to each control. The review resulted in recommended amendments to the wording of two controls, in order to clarify how these operate in practice, based on evidence reviewed of these controls in action. It was also agreed, following the review, that the risk owner should be amended from the Director Commercial to the s151 Officer, to avoid any potential/perceived conflict of interest.

**Table 1 - Progress against 2023/24 Internal Audit Plan**

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
<b>Key financial systems</b>							
Bank reconciliation	Q4	Not started					
Creditors	Q4	Not started					
Debtors	Q4	Not started					
Payroll	Q4	Not started					
Treasury management	Q4	Not started					
Budgetary control	Q4	Not started					
<b>Key policy compliance</b>							
Fees and charges	Q1	<b>Final report issued</b>	To provide assurance over the setting of fees and charges for Council services and the consistent application of these in invoicing. To cover both statutory and discretionary fees and charges.	<b>Moderate</b>	<b>Moderate</b>	<b>Medium</b>	See section 2.3
Payment Card Industry Data Security Standard (PCI DSS)	Q1	Draft report					
<b>Risk based audits</b>							
Use of agency staff and consultants	Q1	Fieldwork underway					

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Information governance	Q2	Planning					
Governance of trading companies	Q2	Not started					
Private sector housing enforcement and empty homes strategy	Q3	Not started					
Grant claims	As required	Fieldwork underway					Disabled facilities grant audit underway
<b>IT audits</b>							
Cyber security	Q2	Planning					
<b>Governance and Counter Fraud</b>							
Counter Fraud support / promotion / policies	Q2	As required	Not applicable – consultancy work.	Daily monitoring of Report Fraud mailbox			
National Fraud Initiative	Q3	Ongoing	Not applicable – consultancy work.				Matches under review.
Risk management support and real time assurances	Q1 – Q4	Ongoing	Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management.	Assurances provided on risk entries throughout the year.			See Table 4
Annual Governance Statement support	Q1	Complete					
Procurement compliance	Q4	Not started					

**Table 2 - Implementation of agreed management actions**

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and <b>implemented</b> since last Committee meeting	5	100%	9	90%	7	88%	21	92%
Actions <b>overdue by less than three months</b>	-	-	1	10%	-	-	1	4%
Actions <b>overdue by more than three months</b>	-	-	-	-	1	12%	1	4%
<b>Totals</b>	<b>5</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>8</b>	<b>100%</b>	<b>23</b>	<b>100%</b>






**Table 3: 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.


<b>Responses</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of assignment	-	1	-	-	-
Communication during assignment	-	1	-	-	-
Quality of reporting	-	1	-	-	-
Quality of recommendations	-	1	-	-	-
<b>Total</b>	-	<b>4</b>	-	-	-

**Table 4: Risk register entries – rolling review of controls**

Risk entry			
A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance			
Assurance and Findings			
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
A2.01	Business Plans, Articles of Association and Shareholder Agreements.	 Green	<p><b>Findings</b> Business Plans for 2021/22, 2022/23 and 2023/24 have been presented to the Council's Finance and Assets Committee and are available on the Council's website.</p> <p>Articles of Association (rules by which the company will be run and governed) were agreed in November 2019.</p> <p>Shareholder Agreement – latest version of the Shareholder Agreement dated January 2020.</p> <p><b>Recommendation</b> None</p>
A2.02	Established shareholder arrangements.	 Green	<p><b>Findings</b> Shareholder Agreement – as the only shareholder, this agreement sets out how the Council will participate in the Company. Latest version of the Shareholder Agreement dated January 2020.</p> <p><b>Recommendation</b> None</p>
A2.03	Regular reporting to Finance and Assets Committee (in remit as Shareholder	 Amber	<p><b>Findings</b> In accordance with the Shareholder Agreement (section 5, point 3), reporting to the Shareholders Committee (Finance and Assets Committee) takes place at least twice a year.</p> <p>Schedule of reporting to Finance and Assets Committee for the last three years seen.</p>

Risk entry			
A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance			
Assurance and Findings			
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
	Committee) and Full Council.		<p>The terms of reference for the Finance and Assets Committee include its responsibilities in its capacity as the Shareholder Committee. This forms part of the Council's Constitution and is published on the Council's website.</p> <p>The terms of reference refer to an Annual All Members Seminar, the Company Secretary confirmed that these seminars consist of a presentation updating members of the last 12 months performance and what is coming up in the next 12 months. It was confirmed that the next seminar will be held over the summer 2023. Dates of the previous seminars confirmed as:</p> <ul style="list-style-type: none"> <li>• 2021 – 9<sup>th</sup> June</li> <li>• 2022 – 8<sup>th</sup> September</li> </ul> <p>It was confirmed that there is no requirement for reporting to Full Council under the Shareholder Agreement as the Finance and Assets Committee acts as the Shareholder Committee and there is no regular reporting to Full Council. As such, the reference to reporting to Full Council should be removed from this Key Control.</p> <p>Historic reporting to Full Council confirmed as follows:</p> <ul style="list-style-type: none"> <li>• Establishment of the ECTC was presented to and approved by Full Council in January 2016.</li> <li>• Proposed governance changes to the ECTC were approved at full Council in October 2019.</li> </ul> <p><b><u>Recommendation</u></b></p>

Risk entry			
A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance			
Assurance and Findings			
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
			It was confirmed that there is no requirement for reporting to Full Council, as the Finance and Assets Committee acts as the Shareholder Committee - therefore, agreed that this wording should be removed from this Key Control.
A2.04	Company Business Plans include Risk Register.	● Green	<p><b><u>Findings</u></b> In accordance with the Shareholder Agreement (section 5, point 5), Business Plans (including mid-year reporting) are presented to the Finance and Assets Committee in their capacity as the Shareholder Committee and all have risk registers included.</p> <p>Business Plans checked for 2021,22,23.</p> <p><b><u>Recommendation</u></b> None</p>
A2.05	Independent Chairperson.	● Green	<p><b><u>Findings</u></b> In January 2016 the appointment of the Chairman was approved at Full Council.</p> <p>Governance/recruitment arrangements for the appointment of an Independent Chairman of the Board were agreed at the ECTC Establishment Committee in November 2015.</p> <p><b><u>Recommendation</u></b> None</p>
A2.06	Independent external audit review of accounts, and opportunity to	● Green	<p><b><u>Findings</u></b> External Auditors - Price Bailey have conducted the annual financial audit of the ECTC accounts for the past three years.</p>

Risk entry			
A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance			
Assurance and Findings			
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
	commission ad-hoc advice if required.		<p>The External Auditor report formed part of the published annual Directors' Report and Financial Statement presented to the Finance and Asset Committee (in their capacity as the Shareholder Committee) each year. This was 'noted' by the Committee for all three years.</p> <p>The Company Secretary confirmed that there has been no requirement to contact the external auditors for ad-hoc advice to date. However, should this be required they would be contacted appropriately for advice.</p> <p><b><u>Recommendation</u></b> None</p>
A2.07	s151 Officer and Monitoring Officer present as non-voting members at Board meetings.	 Amber	<p><b><u>Findings</u></b> A review of the Monitoring Officer and Section 151 Officer's attendance on Board Meetings for the past three years found that since January 2020 there have been 14 Board Meetings;</p> <ul style="list-style-type: none"> <li>• The Section 151 Officer has attended all 14 meetings;</li> <li>• The Monitoring Officer has attended 6 of the 14. In one instance 4 meetings were missed consecutively (between June 2020 and Feb 2021).</li> </ul> <p>The Company Secretary confirmed that the Council's Section 151 Officer and Monitoring Officers are invited to attend the Board Meetings as Council representatives/observers. Their attendance is not a requirement as they are not 'members' of the Board.</p> <p><b><u>Recommendation</u></b> An amendment to the key control is suggested to provide clarity to the role and required/expected attendance of the Section 151 Officer and Monitoring Officer to Board Meetings.</p>

Risk entry			
A2: East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance			
Assurance and Findings			
Key Control Reference	Key Control	RAG Rating (Red, Amber, Green)	Auditor Comment & Opinion
A2.8	Council has a Debenture Agreement in place providing security over all loan funding it provides to the Company.	● Green	<p><b><u>Findings</u></b> The Council has a Debenture Agreement dated July 2022.</p> <p>The Section 151 Officer confirmed there is one loan facility up to a value of £7.5m. The loan amount is defined in the Loan Agreement (including repayment) which is referenced within the Debenture Agreement. Both documents were signed on the same day. The Loan Agreement references the Debenture.</p> <p>The Council instructed Trowers &amp; Hamblins to draft the Debenture. A copy of the draft Loan Agreement was provided to them to facilitate the drafting of the Debenture.</p> <p><b><u>Recommendation</u></b> None</p>

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

## Glossary

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

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
<b>Good</b> ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
<b>Moderate</b> ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
<b>Limited</b> ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
<b>No</b> ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact		
Level	Definition	
<b>High</b> ●	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.	
<b>Medium</b> ●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.	
<b>Low</b> ●	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.	

## **Limitations and Responsibilities**

### ***Limitations inherent to the internal auditor's work***

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

#### ***Opinion***

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

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

#### ***Internal control***

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

#### ***Future periods***

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

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

#### ***Responsibilities of management and internal auditors***

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

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



**TITLE: Corporate Risk Management Update**

Committee: Audit Committee

Date: 17<sup>th</sup> July 2023

Author: Director Finance

Report No: Y35

Contact Officer:  
Ian Smith

**1.0 ISSUE**

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

**2.0 RECOMMENDATION**

- 2.1. The Committee be assured that the Council is appropriately monitoring its corporate risks and these are detailed in the Corporate Risk Register, as set out in Appendix 2.

**3.0 BACKGROUND/OPTIONS**

- 3.1. The Audit Committee is responsible for overseeing the Council's Corporate Risk Register and recommending revisions to the Council's Risk Management policy.
- 3.2. Updates on the Corporate Risk Register are provided on a six monthly basis. The Audit Committee last received an update in January 2023.
- 3.3. The Corporate Risk Register (Appendix 2) has been updated to reflect the latest risks for the Council and to ensure that scoring reflects the current impact and likelihood of those risks materialising.

**4.0 ARGUMENTS/CONCLUSION(S)**

- 4.1. Appendix 1 of this report provides Members with some background information on Corporate Risk Management.
- 4.2. The Risk Management Group agreed the latest scorings and risk entries in June 2023. Appendix 1 sets out the key updates, including any amendments to risk scores.
- 4.3. Appendix 2 provides the updated Corporate Risk Register.

**5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

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

## **6.0 APPENDICES**

Appendix 1 – Corporate Risk Management Report – July 2023

Appendix 2 – Corporate Risk Register

Appendix 3 – Corporate Risk Register Heat Map

### **Background Documents:**

None

# Appendix 1 – Corporate Risk Management Report – July 2023

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

## Corporate risk register updates

3. The Corporate Risk Register has been updated, and is attached at **Appendix 2**.
4. 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.
5. Also included in the register, since January 2023, is a column capturing sources of assurance.
6. The risk scoring and rating is illustrated in the scoring matrix, which is also used to highlight the significance of the residual risks in a “heat map”, which accompanies the Corporate Risk Register.
7. The 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
<p>A2</p> <p>East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance.</p>	<p>This risk entry has been subject to a rolling risk review by Internal Audit. This review highlighted the need for the following clarifications on the controls:</p> <ul style="list-style-type: none"> <li>• There is no requirement for reporting to Full Council, as the Finance and Assets Committee acts as the Shareholder Committee and, therefore, the reference to reporting to Full Council has been removed; and</li> <li>• To amend the wording to clarify that the Council’s S151 Officer and Monitoring Officer are invited to attend the Board Meetings as Council representatives. Their attendance is not a requirement as they are not members of the Board.</li> </ul> <p>The owner of the risk has also been amended from the Director Commercial to the Director Finance, so as to avoid any conflict of interest.</p>
<p>C2</p> <p>Loss of data or access to ICT</p>	<p>Increase in inherent risk from 12 (likelihood 3 and impact 4) to 20 (likelihood 4 and impact 5). This reflects increased risks posed by cyber-attacks internationally at this time. The residual risk score remains at 9 (likelihood 3 and impact 3) based on the controls in</p>

Risk	Description
systems due to a breach of information security and / or weaknesses in the IT infrastructure.	place and assurances gained by the recent Public Sector Network Code of Connection compliance certification.
A6  East Cambridgeshire Street Scene (ECSS) Ltd fails to deliver upon its business plan and expected levels of performance.	Risk owner amended from Director Operations to Director Finance.

### Corporate residual risk heat map

- An updated risk heat map is included at **Appendix 3** 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. any risks with a residual score greater than 15 would require formal monitoring.

### Conclusion

- Risk management processes follow good practice, and are considered proportionate. These are documented in a Risk Management Policy, with a supporting framework.
- The Risk Management Group continue to review the Risk Register on a quarterly basis to ensure all risks are recognised and up to date.
- The Council's Corporate Risk Register shows each risk and details 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.
- The Risk Management Policy requires managers to keep all risks under review, and the Corporate Risk Register has been updated accordingly.

**Appendix 2 - Corporate Risk Register**

Inherent Risk								Residual Risk				Assurances	Actions				
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG	
<b>CUSTOMER PERSPECTIVE</b>																	
A2	East Cambridgeshire Trading Company (ECTC) fails to deliver upon its business plan and expected levels of performance.	Poor performance by the Company 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-F	3	5	15 (A)	Business Plans, Articles of Association and Shareholder Agreements. Established shareholder arrangements. Regular reporting to Finance and Assets Committee (in remit as Shareholder committee). Company Business Plans include risk register. Independent Chairperson. Independent external audit review of accounts, and opportunity to commission ad-hoc advice if required. S151 Officer and Monitoring Officer invited to attend Board meetings as representatives of the Council. Council has a Debenture Agreement in place providing security over all loan funding it provides to the Company	2	5	10 (A)	2023/24 Business Plan approved by Board and Finance and Assets Committee.  An Internal Audit rolling risk review took place of this area in May / June 2023					

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
A3	Failure to deliver the housing strategy, and provide affordable housing to residents within the district.	Challenges to future supply due to housing market and Government policy.	Failure to deliver the Council's commitment to 'genuine affordable' housing.	D-C	3	4	12 (A)	<p>Council Support Programme to Community Land Trusts.</p> <p>Community Led Development SPD.</p> <p>Published Strategic Housing Market Assessment (SHMA)</p> <p>Loan provided to ECCLT to deliver 15 Shared Ownership Units in Ely.</p> <p>Approved £100k homes allocation policy.</p> <p>Establish relationship with Homes England and local allocation policy.</p> <p>First Homes Interim Policy Statement approved by Finance &amp; Assets Committee in June 2022.</p> <p>Land supply monitoring report published.</p>	2	3	6 (A)	In 2021/22 the Council recorded 154 Affordable housing completions in the District. This is the highest amount delivered over 10 years, and is more than three times the annual average delivered in the past 10 years.	<p>Discuss pipeline with Homes England for grant funding</p> <p>Annual monitoring report, AMR for 2022/23 being prepared</p>	D-C	On-going	G
													D-C	Dec 2023	G	

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
A4	Homelessness in the District.	<p>Increase in homelessness driven by external factors such as the cost of living crisis (fuel and energy), Universal Credit and the Homelessness Reduction Act.</p> <p>Breakdown of relationships following Ukrainian's being taken into homes via the Homes for Ukrainian Scheme.</p> <p>Government's Asylum dispersal programme</p>	Impact on the Council finance and resources.	D-O	4	5	20 (R)	<p>Frontline resources focussed on preventing homelessness.</p> <p>Council retained hostels.</p> <p>Housing now has community advice within the department meaning that residents now have a one stop shop for early intervention and homelessness prevention.</p> <p>Community bus visits various locations throughout the month to give advice on housing and community advice.</p> <p>Team continues to prevent homelessness. Bed and breakfast accommodation is only utilised in exceptional circumstances relating to specific individual needs.</p> <p>Resettlement Officer and additional admin. support recruited to assist with the Ukrainian schemes.</p> <p>Community Hub set-up.</p> <p>Working with multiple organisations, including SERCO who will be responsible for sourcing housing for Asylum dispersal programme.</p>	3	3	9 (A)	2020/21 Internal Audit of Homelessness – Satisfactory Assurance	Ensure Foundry Platform kept up to date.	D-O	On-going	G

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
A5	Cost of living crisis impacting on the residents of East Cambridgeshire	Increase in cost of utilities and food Increase in interest rates leading to increase in mortgage payments and other debts	Health and wellbeing compromised. Residents having to choose between fuel and food Financial hardship could lead to homelessness. Increase in mental health issues	D-O	4	5	20 (R)	<p>Cost of living pages on ECDC website</p> <p>Energy efficiency officers providing advice on available funding for fuel and energy efficiency measures</p> <p>PECT – providing additional support on energy efficiency and funding for fuel</p> <p>Community hubs open throughout the district – Cambridgeshire Acre</p> <p>Sign post to food banks</p> <p>Joining up with community groups/voluntary organisations/CCC/PCN to ensure effective sign posting to most appropriate organisation.</p> <p>Aware of funding available to those impacted by hardship and ensuring they access it, including the exceptional hardship fund (£10,000) set up by Council.</p> <p>Action on Energy website available to sign-post residents towards support options.</p>	3	3	9 (A)	PECT and Cambridgeshire Acre funded until December 2024.	<p>Continue to collaborate with key delivery partners</p> <p>Keep up to date with available funding streams</p> <p>Health and Wellbeing Strategy and action plan being developed</p>	D-O D-O D-O	On-going On-going Mar 2024	G G G



Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
A6	East Cambridgeshire Street Scene (ECSS) Ltd fails to deliver upon its business plan and expected levels of performance.	<p>Poor performance by the company with a lack of challenge and oversight.</p> <p>Failure to embed effective governance arrangements and segregation of duty.</p> <p>Inability to recruit and retain staff.</p> <p>Poor service delivery, including a failure to achieve performance targets.</p> <p>Availability of fleet.</p>	<p>Failing to achieve corporate priorities.</p> <p>Disruption to service.</p> <p>Significant reputational risk.</p>	D-F	3	5	15 (A)	<p>Business Plans, Articles of Association and Shareholder Agreements.</p> <p>Established shareholder arrangements.</p> <p>Regular reporting to Operational Services Committee (in remit as Shareholder committee).</p> <p>Company Business Plan includes a risk register.</p> <p>Independent Chairperson.</p> <p>Independent external audit review of accounts, and opportunity to commission ad-hoc advice if required.</p> <p>S151 Officer and Monitoring Officer invited to attend Board meetings as representatives of the Council.</p>	2	5	10 (A)	<p>ECSS Business Plan approved by Board and Operational Services Committee in March 2023.</p> <p>Quarterly performance reports presented to Operational Services Committee.</p> <p>Operational Services Committee monitors progress with Street Smart Project.</p>	Purchase of fleet vehicles to ensure future service provision – order raised, but awaiting delivery	D-O		G
<b>FINANCE AND RESOURCES</b>																
B1	Inability to balance the Council's budget.	<p>Reductions in public sector funding.</p> <p>Uncertainty and changes in Government funding such as the fair funding review and 75% retention of business rates, now not expected until 1<sup>st</sup> April 2025, but no formal announcement to confirm this.</p> <p>Lack of opportunity to make further savings.</p> <p>Failure to maximise the opportunity from the Combined Authority deal and other income sources.</p> <p>"Cost of living crisis" resulting in lost Council Tax receipts and increased direct costs to the Council as inflation increases.</p>	<p>Failure to spend in line with the budget in 2023/24.</p> <p>Failure to set a legal budget for 2024/25 in February 2024.</p>	D-F	3	5	15 (A)	<p>Agree Medium Term Financial Strategy (MTFS) each February as part of budget setting process.</p> <p>The 2023/24 Budget (and MTFS) was approved by Full Council in February 2023.</p> <p>Quarterly budget monitoring reports to Management Team and relevant Committees.</p> <p>Partnership working and on-going consideration of potential opportunities linked to the key ambitions.</p> <p>Strong leadership from members and officers.</p> <p>Use of Surplus Savings Reserve to balance future years.</p>	2	4	8 (A)	2022/23 Internal Audit of Budgetary Control – Substantial / Good Assurance.	MTFS up-date to be presented to Finance & Assets Committee in September 2023	D-F	Sept 2023	G

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
B2	Failure to achieve expected levels of development and planning gain	The viability and delivery of residential and commercial development.  Changes in legislation such as the Levelling Up and Regeneration Bill.	Council failing to deliver its growth trajectory and not generating projected s106 and CIL income.	D-C	3	4	12 (A)	CIL and Section 106 collection and monitoring  CLT support programme  Working with developers	3	4	12 (A)	In 2021/22 the Council recorded 619 dwelling completions (Gross completions: 626 dwellings minus Demolitions: 7 dwellings). This is the highest recorded number of completions for 14 years, and is around 3 times the amount regularly delivered in the period 2012-2018.	Respond to the outcomes of the Levelling Up and Regeneration Bill.  Infrastructure Funding Statement to Finance and Assets Committee.  On Audit Plan for 2023/24.	D-C	On-going	G
<b>PROCESSES AND SYSTEMS</b>																
C1	Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources.	Major civil emergency potentially due to: <ul style="list-style-type: none"> <li>• Loss of access to premises</li> <li>• Severe weather events (including from the impacts of climate change)</li> <li>• Fuel shortages</li> <li>• Communications failure</li> <li>• Pandemics</li> <li>• Loss of utilities</li> <li>• Terrorist events</li> <li>• Supply chain failure (including as a result of Brexit and the war in Ukraine)</li> </ul>	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)	Council Emergency and Business Continuity plans in place with ongoing review programme.  Staff training and exercises, both internally and externally facilitated.  Member of the Cambridgeshire and Peterborough Local Resilience Forum (CPLRF).  CPLRF multi-agency emergency plans.  ICT functionality allowing staff to work remotely where required.	2	2	4 (G)	CPLRF monitoring of potential power outage scenarios over the winter. Mighty Oak exercise (work on power outages) completed in March 2023.  2019/20 Internal Audit of Business Continuity – Satisfactory Assurance				

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
C2	Loss of data or access to ICT systems due to a breach of information security and / or weaknesses in the IT infrastructure.	<p>ICT systems abuse, intrusion or failure.</p> <p>Cyber attack.</p> <p>Under investment in IT infrastructure and lack of resource to implement change.</p> <p>Employees not having the right tools for the job to work efficiently.</p> <p>Hacking of third party system providers.</p>	<p>Business interruption resulting in reduced ability to deliver services.</p> <p>Not prepared for disaster recovery.</p> <p>Non-compliance with legislation, resulting in financial penalties and reputational risk.</p> <p>Inefficient working.</p> <p>Loss of data.</p> <p>Business disruption</p> <p>Penalties and costs associated with data breach.</p> <p>Reputational damage.</p>	ITM	4	5	20 (R) ↑	<p>ICT Disaster Recovery Plan.</p> <p>System and Penetration testing regime.</p> <p>ICT Information Security Policy.</p> <p>Government Connect and Public Sector Network (PSN) compliance.</p> <p>Implementation of Office 365</p>	3	3	9 (A)	<p>Disaster Recovery exercise took place in September 2022</p> <p>ICT Monitoring Strategy now in place</p> <p>PSN Compliance certificate awarded May 2023</p> <p>Incident Management log being created through the new Helpdesk software.</p>	<p>Reflect on lessons learnt from national incidents – MoveIT</p> <p>Further Disaster Recovery exercise planned</p>	ITM	July 2023	G
														ITM	Sept 2023	G

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
C3	Non-compliance with legislative and regulatory requirements.	Changes in legislation from Central Government or Professional bodies can impact many areas, for example: <ul style="list-style-type: none"> <li>• health and safety,</li> <li>• equalities,</li> <li>• safeguarding,</li> <li>• environmental legislation,</li> <li>• employment law.</li> </ul>	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 rules are changed as required and training delivered at least annually. Safeguarding Policy 2022. Safeguarding leads nominated and all staff training in 2023. 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 presented to Finance and Assets Committee RIPA policy (Regulation of Investigatory Powers Act) and Covert Investigation Act Policy Whistleblowing Policy Monitoring of mandatory training completion by SMT leads	1	3	3 (G)	Annual senior management assurance statements. 2022/23 Internal Audit review of Assets of Community Value – Good / Substantial Assurance. 2022/23 Internal Audit review of Safeguarding – Satisfactory Assurance 2022/23 Internal Audit review of Enforcement Policy Compliance – Satisfactory Assurance	Member safeguarding training  Updates to Whistleblowing policy  Corporate Health and Safety Policy to be approved by Finance and Assets Committee	H  D-LS  D-CS	July 2023  Oct 2023  July 2023	G  G  G

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
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. Human error.	ICO monetary penalties, enforcement notices, prosecution.  Compensation claims and reputational damage.	D-LS	3	5	15 (A)	All Council staff required to 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.  Member training provided as part of induction programme.	2	4	8 (A)	2020/21 Internal Audit review of Data Protection– Substantial Assurance for control design; Satisfactory Assurance for compliance.  All staff completed the 2022 Data Protection Training.				

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	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)	<p>Counter fraud training for officers as part of induction process.</p> <p>Gifts and hospitality registers.</p> <p>Counter fraud and ethical governance policies and procedures.</p> <p>Anti-money laundering policy is part of the Constitution.</p> <p>Internal control framework including segregation of duties and authorisations.</p> <p>Reviewed annually for Annual Governance Statement.</p> <p>Participation in National Fraud Initiative.</p> <p>Fraud awareness promotion on annual basis, with targeted reminders in year.</p> <p>Fraud reporting tool available internally and externally.</p> <p>Fraud risk assessments completed in relation to Covid-19 business grants and post payment assurances.</p> <p>Cambridgeshire Fraud Hub launched to reduce Council Tax fraud in March 2023</p>	2	3	6 (A)	Annual senior management assurance statements.				

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
<b>LEARNING AND GROWTH</b>																
D2	Failure to deliver upon strategic development plans and requirements.	The Council not being able to demonstrate a five-year land supply for housing or an up-to-date Local Plan. However, on 21 <sup>st</sup> April 2020 the Council did regain its five-year land supply, though developers are challenging this.  Lack of up to date Local Plan.  Lack of delivery of permitted schemes by developers.	Planning applications can only be refused if the adverse impacts significantly and demonstrably outweigh the benefits of the proposal, in accordance with the presumption in favour of the sustainable development.  More speculative development  Not delivering quantity of housing/employment to meet needs of the district	D-C	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).  Our latest Five Year Land Supply calculations demonstrate that the Council continues to have a very healthy supply of homes coming forward, of approximately 7 years' worth. This continues to put the Council in a very strong position should any developer attempt to challenge that it cannot demonstrate enough supply.	3	4	12 (A)	The East Cambridgeshire District Council Five Year Land Supply Report published August 2022 - <a href="#">ECDC 5YLS Report Aug 2022 - full and published.pdf (eastcambs.gov.uk)</a>	Awaiting formal feedback on public examination of the Single Issue Review of Local Plan.  Submit modification proposals to inspector.	D-C	Oct 2023	G

Inherent Risk								Residual Risk				Assurances	Actions			
Risk No.	Risk Description	Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Sources of assurance over key controls	Actions	Owner	Target Date	Action RAG
D8	Difficulties with staff recruitment, absence (including sick leave) and retention – leading to lack of resources.	Lack of staff resources in terms of numbers due to high turnover or failed recruitment exercises. Lack of staff resources in terms of knowledge, skills and behaviours due to poor staff retention.	A shortage of staff in roles across the Council and a loss of knowledge and skills, could lead to service failure, which in-turn 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	4	3	12 (A)	Investment in training and up-skilling existing staff. Absence Management policy. Management Development training has been delivered to all Service Leads and team leaders. Remote working policy. Service Delivery Plans presented to Policy Committees in March 2023. Use of market supplements and recruitment agencies where necessary. Starters and leavers report presented to Finance and Assets Committee. Monthly review by Corporate Management Team of impact on service delivery. Exit interviews. Apprenticeship opportunities.	3	2	6 (A)	Six-month review of Service Delivery Plans.	Six-month review of Service Delivery Plans	CM T	Nov 2023	G



**Corporate Priorities:**

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

**Key to risk owners (above):**

- CEX Chief Executive
- D-CS Director, Commercial Services
- D-F Director, Finance
- D-LS Director, Legal Services
- D-C Director, Community
- D-O Director, Operations
- 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		A2, A6			
	High	4		B1, C4	B2, D2		
	Medium	3	C3	A3, C6	A4, A5, C2		
	Low	2		C1	D8		
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
<b>Likelihood</b>							

**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 fails to deliver upon its business plan 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	Cost of Living crisis
A6	East Cambridgeshire Street Scene Ltd fails to deliver upon its business plan and expected levels of performance
B1	Inability to balance budget
B2	Failure to achieve expected levels of development and planning income
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 11**

**LEAD OFFICER: Ian Smith, Director Finance & S151 Officer**

**DEMOCRATIC SERVICES OFFICER: Tracy Couper**

<b>Mon 17 July 2023</b>		<b>4:30pm</b>		<b>Mon 16 October 2023</b>		<b>4:30pm</b>		<b>Mon 29 January 2024</b>		<b>4:30pm</b>	
<b>Report deadline</b>	<b>4pm Mon 3 July</b>	<b>Report deadline</b>	<b>4pm Mon 2 Oct</b>	<b>Report deadline</b>	<b>4pm Mon 2 Oct</b>	<b>Report deadline</b>	<b>4pm Mon 2 Oct</b>	<b>Report deadline</b>	<b>4pm Mon 15 Jan</b>	<b>Report deadline</b>	<b>4pm Mon 15 Jan</b>
<b>Agenda despatch</b>	<b>Wed 5 July</b>	<b>Agenda despatch</b>	<b>Wed 4 Oct</b>	<b>Agenda despatch</b>	<b>Wed 4 Oct</b>	<b>Agenda despatch</b>	<b>Wed 4 Oct</b>	<b>Agenda despatch</b>	<b>Wed 17 Jan</b>	<b>Agenda despatch</b>	<b>Wed 17 Jan</b>
Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman	Chairman's Announcements	Chairman
External Audit –Audit Results Report Final Update	External Audit	External Audit – Initial Audit Plan	External Audit	External Audit – Initial Audit Plan	External Audit	External Audit – Initial Audit Plan	External Audit	Annual Governance Statement – Final Draft	Chief Executive	Annual Governance Statement – Final Draft	Chief Executive
Statement of Accounts 2021/22	Director Finance & S151 Officer	Draft Annual Governance Statement	Chief Executive	Draft Annual Governance Statement	Chief Executive	Draft Annual Governance Statement	Chief Executive	Internal Audit Progress Report	Internal Audit	Internal Audit Progress Report	Internal Audit
Internal Audit Annual Report & Opinion 2022/23	Internal Audit	Risk Management Policy and Framework Review	Director Finance & S151 Officer	Risk Management Policy and Framework Review	Director Finance & S151 Officer	Risk Management Policy and Framework Review	Director Finance & S151 Officer	Corporate Risk Management Monitoring Report	Director Finance & S151 Officer	Corporate Risk Management Monitoring Report	Director Finance & S151 Officer
Corporate Risk Management Monitoring Report	Director Finance & S151 Officer	Internal Audit Progress Report	Internal Audit	Internal Audit Progress Report	Internal Audit	Internal Audit Progress Report	Internal Audit	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO
Internal Audit Progress Report	Internal Audit	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO	<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO	Forward Agenda Plan	DSO	Forward Agenda Plan	DSO
<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO	Forward Agenda Plan	DSO	Forward Agenda Plan	DSO	Forward Agenda Plan	DSO				
Forward Agenda Plan	DSO										

**Notes:**  
**1. Agenda items in italics are provisional items / possible items for future meetings.**

**AUDIT COMMITTEE**  
**ANNUAL AGENDA PLAN**

**AGENDA ITEM NO 11**

**LEAD OFFICER: Ian Smith, Director Finance & S151 Officer**

**DEMOCRATIC SERVICES OFFICER: Tracy Couper**

<b>Mon 18 March 2024</b>	<b>4:30pm</b>
<b>Report deadline</b>	<b>4pm Mon 4 March</b>
<b>Agenda despatch</b>	<b>Weds 6 Mar</b>
Chairman's Announcements	Chairman
<i>External Audit – Audit Results Report</i>	<i>External Audit</i>
<i>Statement of Accounts</i>	<i>Director Finance &amp; S151 Officer</i>
Internal Audit Charter & Work Plan	Internal Audit
Internal Audit Progress Report	Internal Audit
<i>Actions taken by the Director Finance on the grounds of urgency (if any)</i>	DSO
Forward Agenda Plan	DSO

**Notes:**  
**1. Agenda items in italics are provisional items / possible items for future meetings.**