

AUDIT AND ACCOUNTS COMMITTEE



Friday, 26 May 2023

Democratic and Members' Services

Emma Duncan
Monitoring Officer

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

1. **Notification of appointment of Chair and Vice Chair**
The Annual Council meeting held on 16th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2023-24.
2. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at <http://tinyurl.com/ccc-conduct-code>
3. **Petitions and Public Questions**
4. **Minutes of the Audit and Accounts Committee meeting held 9th February 2023** **5 - 16**
5. **Action Log** **17 - 20**
6. **Report on the authority's process, application and use of powers within the Regulation of Investigatory Powers Act (RIPA)** **21 - 78**

7.	Draft Annual Governance Statement 2022-23	79 - 100
8.	Internal Audit Annual Report 2022-23	101 - 154
9.	Financial Reporting and Related Matters Update	155 - 180
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12.	Audit and Accounts Committee Draft Training Plan	199 - 204
13.	Audit and Accounts Committee Agenda Plan	205 - 208
14.	Exclusion of Press and Public	
	<i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>	
15.	Cyber security position statement	
	<ul style="list-style-type: none"> Information relating to the financial or business affairs of any particular person (including the authority holding that information); 	

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The Audit and Accounts Committee comprises the following members:

Councillor Graham Wilson (Chair) Councillor Chris Boden Councillor Nick Gay
Councillor Mac McGuire Councillor Geoffrey Seeff Councillor Alan Sharp Councillor
Alison Whelan

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

Audit and Accounts Committee: Minutes

Date: 9th February 2023

Time: 2.00pm – 3.40pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden, N Gay (Vice-Chair), A Sharp, P Slatter and G Wilson (Chair)

Officers: Dawn Cave, Mairead Claydon, Tom Kelly, Stephen Moir and Linda Walker; Alison Balcombe, Stephen Howarth, Dean Leather and Ellie Tod (relevant agenda items only)

Mark Hodgson, Jacob McHugh (EY); Scott Knight (BDO)

105. Apologies for Absence and Declarations of Interest

Apologies were received from Councillors McGuire and Whelan.

The Chair extended a special welcome to Councillor Slatter, attending her first meeting. He also thanked Councillor Taylor for all her work on the Committee since 2021.

There were no declarations of interest.

106. Petitions and Public Questions

There were no petitions or public questions.

107. Minutes of the Committee meeting held 24th November 2022

It was resolved unanimously to approve the minutes of the Committee meeting held 24th November 2022.

108. Committee Action Log

The Action Log was noted.

With regard to item 104, a briefing note had been circulated to several Members of the Committee on 07/02/23, updating Members on the HACT/FACT situation. Given the confidential subject matter, it would not be discussed at today's meeting, but the Chair indicated that he would like to discuss this matter further at a future meeting.

With the Committee's agreement, the Chair changed the agenda order, taking the Financial Reporting and External Audit Update report first, to enable BDO's Head of Audit and Assurance to take part in the meeting.

109. Financial Reporting and External Audit Update

The Committee considered an update on progress with the Council's external audit, particularly the progress of the 2021-22 external audit and those of previous financial years.

Members noted the section of the report dealing with objections from local electors in relation to previous financial years. Local electors could raise objections to the accounts asking for an item to be declared as unlawful, or raising matters which may require a report in the public interest or statutory recommendations. The Council currently had two objections outstanding relating to financial years ending 2017 and 2018, when BDO was the external auditor, and four subsequent objections for the subsequent years, within EY's tenure. A representative of BDO had attended the Committee meeting in May 2022 to discuss the objections and timescales. Most recently, the Service Director for Finance and Procurement and Chief Executive had met with Scott Knight, BDO's Head of Audit and Assurance, in January 2023.

The Chair welcomed Mr Knight to the meeting. He asked him (i) what work was still outstanding? (ii) whether there was anything BDO needed from the County Council and (iii) when this work would be completed?

Scott Knight, BDO's Head of Audit and Assurance, advised that he had been contacted by the County Council's Chief Executive and Service Director for Finance and Procurement regarding their frustration at the pace this matter was proceeding. He had agreed to look into it, and had interviewed the relevant individuals. He acknowledged that the processes had taken far longer than they should have done, and that BDO had not delivered in a timely way. Mr Knight had apologised and said this was not the type of execution BDO should be delivering, and it did not meet BDO's standards. This issue had been impacted by the relevant BDO officer being absent with a serious illness. The officer had returned to work on a phased basis, and concluding this matter was their priority. The current situation was that a response had been drafted, which was currently in the legal review phase, after which it would go to PSAA for review. Whilst it was difficult to specify when this would be concluded, he anticipated that it would be a matter of weeks. He commented that it was embarrassing how long this matter had dragged on, and he confirmed that BDO were not waiting for any information from the Council.

The Chief Executive advised that the Council had corresponded separately with PSAA, who were aware of the Council's frustration, and were cognisant of the need to expedite this matter when it reached them.

A Member thanked BDO's Head of Audit and Assurance for taking responsibility for this particular item, for investigating it, and acknowledging the delays were greater

than they should have been. The Chair commented that he had noted the comment “a matter of weeks” in terms of the timescales going forward, which he hoped would be the case. He thanked BDO’s Head of Audit and Assurance for attending the meeting. *(Mr Knight left the meeting)*

Turning to the External Audit for the 2021-22 financial statements, officers advised that this process was still ongoing, but nearing completion. In addition to the updated draft set of accounts that had been presented to the Committee, further appendices had been published since the agenda had been despatched, including EY’s provisional audit results report. Most queries from EY had been dealt with, and an unqualified audit opinion was anticipated at the end of the process, as reflected in the provisional audit results report. The External Audit report made some helpful recommendations, with some initial management responses provided in the Annex. The outstanding areas were quite technical, some requiring liaison with external bodies such as the Council’s valuers and This Land Ltd.

Several adjustments had been made as the audit had progressed, and those relating to key financial statements were included in the report. If an adjustment was required regarding the valuation of the solar farm asset, this would be done discretely. There were several unadjusted items where management had exercised discretion not to adjust, and the rationale for those instances were included in the report. Members noted the ongoing issues nationally regarding Infrastructure assets, where there had been a Statutory Override in relation to CIPFA Code.

Officers proposed the following additional recommendations (b) and (c):

- b) receive the external auditor’s provisional results report*
- c) delegate authority to the section 151 officer and the Chair in consultation with the Vice Chair and Cllr Boden to sign the final Statement of Accounts, and to make any related declarations and representations taking account of the final audit results report to be received from the external auditor and agreed adjustments, contingent on receiving an unqualified financial statements opinion.*

Councillor Boden indicated that he was happy with the additional recommendations set out above.

The Head of Finance gave his thanks to hardworking colleagues in the Corporate Finance team, especially Ellie Tod and the Closedown staff. The Chair echoed the thanks to Ellie and the team.

The External Auditor advised that good progress had been made with the 2021-22 audit, with a relatively low level of audit differences found, both corrected and uncorrected. There were currently corrected differences of £5M (cumulative), and uncorrected differences of £6M (cumulative). There were several key areas still to be concluded, which included long term debtors and the recoverability of the loan to This

Land Ltd, Property Plant and Equipment valuation work, and conclusion of work in relation to Covid-19 grant accounting. The Statutory Instrument and Code adaptation for infrastructure assets should resolve the issue encountered last year, but this still needed to be finalised. All those procedures needed to be completed before a full and final audit result could be presented.

The Chair asked about the local resident's objections. The External Auditor advised that one objection had been received relating to the 2021/22 Statement of Accounts. This was being assessed alongside those objections in respect of the 2018/19, 2019/20 and 2020/21 financial statements. It had been concluded that the objection raised did not have an impact on EY's ability to issue their opinion on the Statement of Accounts. The Chair asked if this implied that the issues raised in the objection were not valid? The External Auditor advised that this was an incorrect conclusion to draw, as the auditor's opinion was a true and fair assessment based on the financial statements, but assessing those financial statements as true and fair did not preclude the acceptance of the objections as valid. The objection could relate to elements that were presented in the accounts in a true and fair way, but the objection could still be valid. He outlined the measures open to him in relation to an objection which included (i) deeming an item to be unlawful; (ii) issuing a public interest report in relation to governance matters; (iii) issuing statutory recommendations. In this case, the External Auditor judged, at this stage, that there was nothing in the objections that prevented him from issuing a true and fair assessment of the financial statements.

Arising from the report:

- a Member observed that there was no reference in the report to the nature of the objections, and as a new Member, she was unfamiliar with the background. It was noted that this was a longstanding issue, and the Chair would provide the Member with the appropriate information. **Action required.** Another Member observed that the objections provided no hindrance to the External Auditor provisionally providing an unqualified audit report;
- in response to a question on timelines, the external auditor advised that a timeline had been agreed in relation to concluding and determining objections for each of the four financial years for sending a statement of reasons to both the objector and the Council. This process includes an internal and legal review. The external auditors were also required to submit the statement of reasons to PSAA, so that they could address their own legal processes;
- in response to a question on the Value For Money (VFM) work, it was confirmed that there were outstanding VFM issues. Work had commenced on these matters, but a period of time after the objections had been concluded would be necessary to review and issue all VFM conclusions for all four years. The timetable for this would be agreed following consultation with the Chief Executive and the Service Director for Finance and Procurement;

- a Member commented that he was pleased that the external audit process had successfully reached this stage. He felt this reflected that a well-prepared set of financial statements had been produced by officers, that there had been a well-planned, smooth audit process by the external auditors, and that there was good cooperation between the two parties. He commented that credit was due to both the External Auditors and the officer team for the work undertaken to date;
- a Member requested that when the final accounts were reported to the Committee, a list was also provided of unadjusted differences that had emerged from the audit, including an explanation on the decision not to adjust them. It was agreed that these would be provided to the next Committee meeting. Action required;
- a Member was disappointed to note that the narrative report was 27 pages long and quite impenetrable, despite the original objective that the narrative would provide a simplified summary of the accounts so that they were easily understood by laypeople. He asked if consideration could be given to providing a more concise narrative report in future so that it met that objective, and suggested that a target could be set of a maximum of twelve pages for the narrative report. Noting these comments, officers agreed to continue to review the narrative going forward, but pointed out that the guidance on the activities that should be covered in the narrative was quite detailed, and the County Council was a complex organisation. The Member commented that the government's objective was simplification, but it had resulted in more work and time being spent to produce a longer report. He observed that the longer a report was, the less likely members of the public were to read it. Another Member commented that brevity was not always better, and sometimes a certain level of detail was necessary;
- with regard to Statutory Override in relation to infrastructure assets, a Member observed that there appeared to be a delay in the implementation of the legislation, rather than a reversal. He asked if officers were prepared for the introduction of the legislation. Officers advised that if the Override ceased, there would be an information gap, requiring a substantial amount of work;
- a Member queried the recoverability of the loans to This Land Ltd, which totalled approximately £113M. He asked the External Auditor for more detail on the methodology that would be used, and the degree to which the outcomes would be robust, and the level of assurance that would be provided going forward. The External Auditor advised that he was waiting for management's assessment of recoverability, including their assessment as to whether that level would be reasonable. Officers confirmed that the Council and This Land Ltd had made good progress in the last 12-18 months in terms of the transparency of financial information, governance, risk management and financial projections. Strategy and Resources Committee had recently considered the sensitivities that This Land Ltd was exposed to, and an additional risk was registered in this audit in terms of considering the This Land loans from an IRFS credit loss perspective.

However, it appeared the underlying position of This Land Ltd was strengthening compared to its financial outlook 12-18months ago. The company's business plan and cashflow projections extended over 8-10 years and so it was the long-term average inflation rates over the next that period which were critical for the company rather than the short term position. This Land Ltd was also exposed to high construction price inflation, and changes to housing market conditions and house values. Those components were regularly considered by the company and factored into the forward projections and forecasts that were produced by for the County Council and provided to External Auditors;

- with regard to the recommendations by the External Auditor for further work, it was noted the initial responses were included in paragraph 2.2.2 in the subsequent annex. In response to a query on the CIPFA disclosure checklist, officers confirmed that these were covered through other processes, but they would look to see if this work could be reformatted for future years.

It was anticipated that the final audit results report should be available by the end of March.

It was resolved unanimously to:

- a) note and comment on the report;
- b) receive the external auditor's provisional results report;
- c) delegate authority to the section 151 officer and the Chair in consultation with the Vice Chair and Cllr Boden to sign the final Statement of Accounts, and to make any related declarations and representations taking account of the final audit results report to be received from the external auditor and agreed adjustments, contingent on receiving an unqualified financial statements' opinion.

110. Debt Management Update

The Head of Finance Operations presented an update on the current debt position. The report format now included information on the level of debt compared to the revenue raised.

The current debt position was £23.3M which represented a £1.6M reduction compared to the same period in 2021-22, despite increased billing of approximately £8M. The improved recovery rate included a significant reduction in NHS debt, by £3.8M from last year, reflecting the joint work with partner agencies. Adult Social Care (ASC) debt had increased by £3.1M, all of which related to delays in formal processes such as Court of Protection, Power of Attorney and settlement of clients' estates. These processes were outside the Council's control and were experiencing long timelines, although resolution times had shown some improvement recently.

Debt recorded under Place & Sustainability also appeared to have increased dramatically over the last year, but £1.5M of the £1.6M shown had only recently been billed, and the vast majority had subsequently been received.

Collection rates for 2021-22 had been strong, with 96% of all revenue being collected, with 90% collected within 90 days. For the first six months of 2022-23, the collection rate was 94%.

The amount written off over last twelve months remained quite low (0.41% of revenue raised).

Arising from the Debt Position section of the report, individual Members:

- observed that ASC debt had risen from half to over two-thirds of total debt, and there was nothing to indicate that the position would be enormously easier in the coming year. The Member asked for greater granularity on ASC to be provided, given the size of this debt. The Chief Executive agreed, and said that having that deeper dive information available at Committee would be helpful, especially the age profile of debt, specifically aged debt of 90+ days in this category. Officers confirmed that they would include this information in the next report.
Action required;
- congratulated officers on reducing the NHS debt, given the well documented issues last year;
- queried the percentage of invoices printed and posted. It was confirmed customers were moved over to electronic invoicing where possible. ASC electronic invoicing was gradually increasing, as this was often managed by family members;
- asked about the age profile of the “unapplied” £1.5M. It was confirmed that “unapplied” referred to income that had not been applied to a specific invoice, and that more detail on the age profile could be provided, but Members were assured that most of it was current;
- asked whether “write offs” listed were actually “provision for doubtful debts” rather than write-offs, and whether an age profile could be produced, highlighting longer term debt outstanding, alongside information on the policies for provision for doubtful debts. It was confirmed that these were definitely write-offs rather than provisions. The bad debt provision was calculated by the Finance team applying an appropriate methodology based on collection experience. Officers agreed it would be useful to provide more detail on aging and profiling of debt.
Action required;
- It was confirmed that the Council still accepted cheques.

Turning to the Service Improvement Plan, it was noted that 13 of the 26 actions had been implemented, the most significant being the statement style reminders, which set out the balance on the account. This had led to a 10% increase in the number of customers paying and some very positive customer feedback. Members noted how the process had been rolled out in phases, the ASC element having been implemented first, as it was the priority.

The following points were noted:

- the number of invoices sent out by post continued to be reduced. ASC invoices accounted for the most paper invoices, and work was ongoing with ASC colleagues to further reduce this;
- a debt improvement plan had been implemented with ASC colleagues. An initial workshop had been held to understand the themes and process areas, so that the specific pinchpoints could be identified and the end to end process could be mapped out. The language used between teams often differed, so work was taking place to ensure consistent language was used for customers;
- the Debt Team had commissioned Unit 4 to perform a review of the ERP debt system. The main aim was to ensure that the Council was making the most out of the system to maximise recovery within existing resources, improve automation and enhance reporting, for both customers and staff;
- due to the cost of living crisis, some of the calls being received were increasingly difficult, and professional staff training on how to manage challenging phone calls was being rolled out so this that process was easier for both staff and customers.

A Member noted that in the past, he had expressed concerns about how communications with individuals and carers were managed, and he was pleased to note that progress was being made. He suggested it would be helpful for officers to contact all Councillors and ask them if they had constituents who had reported difficulties in communications with ASC in the last twelve months. Hearing about customers' experiences could be very helpful in addressing issues and making the customer experience better going forward. Action required: Head of Finance Operations.

It was resolved unanimously to note the actions and approach being taken to manage income collection and debt recovery.

111. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 31st January 2023, which included the draft Internal Audit Plan for 2023-2024. Members were reminded that the Audit Plan was flexible and was reviewed quarterly, but in advance of the new financial year, a more comprehensive review of risk assessment process had been carried out. The draft Plan had also been considered by the Corporate Leadership Team (CLT). A further significant review of the Audit Plan was planned in Spring, scheduled to coincide with the considerable organisational changes taking place, enabling the new Executive Directors and Monitoring Officer to input into the Plan.

The report referenced outcomes from the recent CLT Risk and Assurance meeting in January. The most significant change made following that meeting was the inclusion of a new corporate Climate Change risk (Risk 12). CLT had also agreed to reduce the likelihood score for Risk 3 ("The Council does not have enough budget to deliver agreed short and medium term corporate objectives") from 4 to 3, to reflect the fact that a balanced budget had been proposed. It was confirmed that CLT had had the opportunity to look at both the core and flexible aspects of the Plan, and were satisfied with the Plan. The Chief Executive had subsequently adjusted the Plan in terms of broadening the "safe recruitment" risk to "safe employment", to incorporate all employment practices for staff and volunteers.

Arising from the report, individual Members:

- asked about the fixing of potholes, which was a major concern for Members, and was not referred to directly in the Plan. Officers referred to the Highways Improvement Programme which included the fixing of potholes, which was reported regularly to the Highways and Transport Service Committee. Additionally, a key change upcoming this year was the implementation of the Highways Asset Management System. It was noted that there was also some internal audit coverage as part of the core Plan through the audit of the grant certification of the Pothole and Challenge Fund, which included some sample testing, and also audit of the Local Transport Capital Block funding, some of which was spent on potholes;
- observed that whilst a balanced budget had been agreed for 2023-24, the budget risk related to the short and medium term remained, and there was an "enormous black hole" for future years. Officers commented that they would not characterise those shortfalls as a "black hole", but an understood gap in future years' budgets, in line with all local authorities nationally, which would be addressed through income savings or other changes;
- asked if Annex B (outstanding management recommendations) could be listed in priority order, i.e. highest risk first, in future reports. **Action required.**

A Member expressed concerns about the general direction of travel in terms of the risk scorings on the Risk Register. Noting that it was clear that it had been re-examined quite robustly, it was worrying that some key risks were scoring 15 and did not show any indications of improving, especially where these risks had significant consequences e.g. the risk of harm to people as a result of them not receiving services they need. He commented that the granularity of the risks was not set out in the Risk Register, and he felt that it was important for Members to understand the detail, given the terrible experiences of some local authorities in recent years. He gave examples including areas where scores had increased, and commented that this was a warning system to Members and was a matter of considerable concern.

Responding, officers commented that in terms of methodology, the 15 score was in line with the Council's risk appetite, i.e. those risks that were manageable. More broadly, there were detailed Directorate Risk Registers that sat beneath these Risks, with detailed mitigations and controls in place, which were regularly considered by the respective Service Committees. It was suggested that more narrative should be included when the Risk Register was next considered by both the Audit & Accounts and Strategy & Resources Committees. On some of the scoring, it was probably reflective of CLT's view of where the Council currently was, the constraints faced and the increased level of risk. These constraints and risks were probably no different to those experienced by any other local authority, especially those with upper tier safeguarding responsibilities. It also reflected the regular in depth consideration of those risks by CLT.

The Member acknowledged these comments, but stressed the issue of granularity, noting that some of the risks ranked 5 included potential risks such as the death of a child, young person or vulnerable person. More detail was required on the expected likelihood, and the actions and mitigations being taken to reduce those risks. The Chief Executive agreed to discuss these matters further with the Head of Internal Audit and the Head of Diligence and Best Value, especially around global Risk 8, "Failure to Deliver Key Council Services".

It was resolved unanimously to review, comment on and approve the proposed Internal Audit Plan for 2023/24, outlined at Section 6 of the report.

112. Audit and Accounts Committee Terms of Reference Review

Members considered a review of the Committee's Terms of Reference, which had been re-evaluated in light of CIPFA's recent Position Statement on Audit Committees in Local Authorities and Police, which set out the Audit Committee practice and principles that should be adopted. If agreed by the Committee, the Terms of Reference would to be considered at both the Constitution and Ethics Committee, before approval at full Council.

The report also included a proposal for the Committee to undertake a self-assessment of its effectiveness. This would involve a working party to be convened,

involved the Head of Internal Audit, Chief Executive, Monitoring Officer and Chief Financial Officer being involved in that process.

Arising from the report:

- a Member commented that he was reassured by the proposed changes, most of which strengthened the powers and scrutiny the Committee could exercise;
- Members noted the specific requirement to report to Full Council, relevant Policy and Services Committees, and the Constitution and Ethics Committee on issues requiring further action, at 2.8 in the Terms of Reference;
- a Member suggested that the working party to review the self-assessment of effectiveness could be expanded to include individuals such as the External Auditor;
- the Committee discussed the appointment of external members. A Member commented that it was important to consider the added value that external appointees could bring, and if more than one external appointment was made, the need to ensure that the appointees had different skill sets/backgrounds. The capacity for external appointees to provide constructive challenge to the Committee was critical;
- Members noted that whilst the new Director of Legal & Governance and Monitoring Officer did not start in post until 27/03/23, some of the preparatory work could be commenced in advance of that date, and the Interim Monitoring Officer could also contribute to that process.

It was resolved unanimously to:

- (i) review, comment on and endorse the updated Terms of Reference for the Committee, for submission to Constitution & Ethics Committee and full Council;
- (ii) agree the proposals for the review of Committee effectiveness set out in Section 4 of the report.

113. Audit and Accounts Committee Agenda Plan

It was resolved unanimously to note the Agenda Plan.

Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 18th May 2023 and captures the actions arising from the most recent Audit and Accounts Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 29 th September 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
85.	Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22	Fiona Coates/ Ben Barlow	Query around IAS 26 disclosure (actuarial present value of retirement benefits) – update to be provided to November Committee.	Response from Actuary received – see below.	In progress
Minutes of 24 th November 2022					
98.	Financial Reporting and External Audit Update	Stephen Moir	Regarding BDO's continued underperformance, agreed that the Chief Executive would formally engage with BDO's official complaints procedure, and also with the regulator, ICAEW, if no satisfactory response was received	BDO's Head of Audit and Assurance, Scott Knight, attended the Committee meeting on 9 th February 2023. The Chief Executive had also written to PSAA to express the Council's significant concerns and to seek their support in bringing matters to a satisfactory resolution. Recourse to the ICAEW was currently paused, pending the above actions.	In progress

Minutes of 9th February 2023

Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
109.	Financial Reporting and External Audit Update	Chair	Chair to provide new Member Cllr Slatter with background information on objections.	Change in membership – no longer relevant	-
109.	Financial Reporting and External Audit Update	Stephen Howarth/ Ellie Tod	A Member requested that when the final accounts were reported to the Committee, a list was also provided of unadjusted differences that had emerged from the audit, including an explanation on the decision not to adjust them.	The audit of 2021-22's accounts is not yet fully concluded, and so a full update on audit differences will be provided once it is finalised	In progress
110.	Debt Management Update	Alison Balcombe	A Member noted that in the past, he had expressed concerns about how communications with individuals and carers were managed. He suggested it would be helpful for officers to contact all Councillors and ask them if they had constituents who had reported difficulties in communications with ASC in the last 12 months.		
111.	Internal Audit Progress Report	Mairead Claydon	asked if Annex B (outstanding management recommendations) could be listed in priority order with highest risk first in future reports.		

Minute no. 85: Response from Actuary – *We have a long term view for inflation. We set the pension increases assumption in line with our default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices. These assumptions are acceptable under the requirements of the Accounting Standard.*

We are not aware of anyone putting in a post balance sheet note to capture general assumption changes (from general market movements) on an IAS26 report (which only values the obligations in any case). The IAS26 figures have to be based on financial assumptions as at 31 March 2022 and this is what we did (in line with assumptions adopted for the administering authority's IAS19).

Report on the authority's process, application and use of powers within the Regulation of Investigatory Powers Act (RIPA)

To: Audit and Accounts Committee

Meeting Date: 26 May 2023

From: Ben Stevenson, Data Protection Officer

Outcome: The Audit Committee receives an update on the use of powers and a revised council policy

Recommendation: It is recommended that the Committee continues to receive information on the use of RIPA and receives an updated policy annually based on the changes in the Code of Practice, processes or inspections.

Officer contact:

Name: Ben Stevenson
Post: Data Protection Officer
Email: ben.stevenson@peterborough.gov.uk
Tel: 01733 452387

Member contact:

Names: Councillors Graham Wilson and Nick Gay
Post: Chair/Vice-Chair
Email: graham.wilson@cambridgeshire.gov.uk ,
nick.gay@cambridgeshire.gov.uk
Tel: 01223 699831

1. Background

- 1.1. Local authorities exercise criminal investigation powers for a number of reasons from fly tipping, to planning enforcement, to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by RIPA. It also provides a statutory process for authorising such work.
- 1.2. RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity, the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.
- 1.3. The Council is able to undertake directed surveillance meaning that it must be for the purpose of a specific investigation or operation. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.
- 1.4. Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage *after* an incident does not constitute covert surveillance and therefore does not fall under RIPA.
- 1.5. RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require the release of communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history, but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.
- 1.6. The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.
- 1.7. In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Cambridgeshire County Council. The first is that the offence being investigated must meet the *crime threshold*. This means that either the offence carries a maximum punishment

of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals.

- 1.8. The second key factor is the approval process. Any investigations must be properly authorised by one of the Council's Authorising Officers in accordance with our policies and procedures. In addition, the council must also obtain judicial approval from a Justice of Peace i.e. district judge or Magistrate.

2. Main Issues

- 2.1. Cambridgeshire County Council and Peterborough City Council share a policy, authorising officers, easy access guides and training material.
- 2.2. Given recent organisational changes, and to update as appropriate, we have reviewed the policy, attached as Appendix 1. This was reviewed by Linda Walker, as Cambridgeshire County Council's interim Director of Legal & Governance, and presented to the Chief Executive and corporate leadership team. Peter Gell (Assistant Director, Regulatory Services) and Rob Hill (Assistant Director Communities & Safety) as the Councils' shared authorising officers also reviewed the revised policy.
- 2.3. Key changes are highlighted however a summary of the changes are:
- Reflection that the statutory Code of Practice has been separated into three codes in relation to covert surveillance, CHIS and communications data, plus ensuring the reference to any sections of codes is correctly numbered
 - Identification of Senior Responsible Officers and in the ability of the Chief Executive to act in their absence
 - Clear definition of an authorising officer as being (a) head of service or above and (b) named in the policy
 - Additional guidance on when activity falls outside of the scope of RIPA
 - Examples of when the use of CCTV systems is subject to RIPA and when it may not be
 - Example regarding the use of "drones"
 - Reflect that use of a juvenile or vulnerable adult as a CHIS must be reported to IPCO
- 2.4. We are currently investigating a tiered approach to training with an online option suitable for most with some more specific face to face training (delivered by an external provider) for others. As key users of the powers, Regulatory Services officers had two sets of face to face training in 2021.
- 2.5. We do also have a number of simple awareness videos available for staff to consider whether they need to think about actions they are taking:

[General Awareness](#)

Social Media and RIPA

2.6. We previously issued these to all directorates in 2021 and offered to discuss any concerns arising. Given organisational changes, we will be reissuing these prior to April 2023, along with a survey to help identify who may require training, guidance or support.

2.7. The Investigatory Powers Commissioner's Officer (IPCO) provides independent oversight of the use of investigatory powers by intelligence agencies, police forces and other public authorities. As part of this oversight, they undertake inspections to assess compliance, provide guidance and assurance that such powers are being used appropriately and in line with the legislation and codes of practice.

2.8. Local authorities are inspected on a two to three year basis with our last inspection in 2021. The outcome of that inspection was reported to this committee and the recommendations to update the councils' policy was noted, and actioned.

2.9. There has been no use of covert surveillance in the last 12 months.

3. Appendices

3.1 Appendix 1 – revised Regulation of Investigation Powers Act Policy

4. Source documents

4.1 Regulation of Investigatory Powers Act 2000
Protection of Freedoms Act 2012

Peterborough City Council
Cambridgeshire County Council

Regulation of Investigatory
Powers Act Policy



Document Control

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1. Introduction

The Regulation of Investigatory Powers Act 2000 ('RIPA') regulates covert investigations by a number of bodies, including local authorities.

The Revised Codes of Practice (separated into Covert surveillance and property interference, Covert Human Intelligence Sources and Interception of communications) for use of such powers provide guidance to understand when RIPA applies and the procedures to follow. The Protection of Freedoms Act 2012 placed restrictions on when a local authority can use RIPA powers.

Authorisation under RIPA by one of the Councils' approved Authorised Officers gives authority to carry out Covert Surveillance, acquire communications data and use Covert Human Intelligence Source.

Authorisation ensures that the powers conferred by RIPA are used lawfully and in a way that does not interfere with the surveillance subject's Human Rights. It also requires those authorising the use of covert techniques to give proper consideration to whether use is necessary and proportionate.

The purpose of this Corporate Policy and Procedures Document is to explain:

- the scope of RIPA and the circumstances where it applies; and
- the authorisation procedures to be followed following the Protection of Freedoms Act 2012

1.1 Key Role Definitions

Senior Responsible Officer – a Senior Responsible Officer (SRO) provides senior management oversight of the use of RIPA and provides assurance and integrity for the process. This will include oversight of authorisations, errors, reporting, training and inspection.

The SROs for each council are:

- Cambridgeshire County Council: Emma Duncan, Service Director: Legal and Governance
- Peterborough City Council: Rochelle Tapping, Director of Law and Governance

In the absence of a SRO, the responsibility will be with the Chief Executive of each authority.

Central Monitoring Officer (CMO) – the CMO will maintain the central registers for covert surveillance and communications data and is responsible for coordinating of training, updates of policies, procedures and inspections.

The CMO for both Peterborough City Council and Cambridgeshire County Council is Ben Stevenson, Data Protection Officer/Head of Information Governance.

Authorising Officer (RIPA) – the code of practice requires that an authorising officer must be of service manager or above rank however the councils' approach taken is to consider authorising officers at head of service level as a minimum. In order to be an authorising officer, the individual must be named in this policy. For the list of current authorising officers, please see Appendix 2.

An authorising officer will consider the application made under RIPA. They will consider the information provided by the applicant and determine whether there is necessity and proportionality in authorising the surveillance request.

Applying Officers – whether the application falls under RIPA, an applying officer is responsible for completing the application in full and providing sufficient details for the Authorising Officer to consider the application. The applying officer must never be the authorising officer.

1.1 Useful Websites

General Guidance from the Investigatory Powers Commissioner's Office	https://www.ipco.org.uk/
Home Office guidance to local authorities on the judicial approval process for RIPA and the crime threshold for directed surveillance	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/118173/local-authority-england-wales.pdf
RIPA Forms	https://www.gov.uk/guidance/surveillance-and-counter-terrorism
Covert surveillance and property interference Code of Practice	https://www.gov.uk/government/collections/ripa-codes
Interception of Communications Code of Practice	https://www.gov.uk/government/collections/ripa-codes
Covert Human Intelligence Sources Code of Practice	https://www.gov.uk/government/collections/ripa-codes

2. Basic determination of RIPA

It is critical that prior to any activity being undertaken, an officer and an authorising officer undertake an assessment of the activity proposed.

This assessment should follow the procedure as detailed below.

Question	Answer	Notes
1. Is the surveillance activity covert?	Yes – proceed to question 2	This means that a subject is unaware of the activity due to the way it being undertaken
2. Is the surveillance directed?	Yes – proceed to question 3	This means that the activity is for a specific investigation or purpose
3. Is the investigation into a criminal offence?	Yes – proceed to question 4	If it is not an investigation the alleged commission of a criminal offence then RIPA does not apply however you should always be able to show that you have considered whether RIPA does apply.
4. Are you likely to obtain confidential or private information	Yes – proceed to question 5	If you are not likely to obtain such information then RIPA does not apply.
5. Does the offence meet the crime threshold?	If yes then RIPA applies	If it does not then RIPA does not apply however you should always be able to show that you have considered whether RIPA does apply.

Please refer to Surveillance Checklist for more detail.

3. General Observation Activities

The general observation duties of council officers will not require authorisation under RIPA whether covert or overt. Such duties form part of the functions we are required to provide as opposed to pre-planned surveillance of a person or group. Paragraph 3.33 of the Covert Surveillance and Property Interference Code of Practice provides some examples of when an authorisation may not be required.

Example 1: Plain clothes police officers on patrol to monitor a high street crime hot-spot or prevent and detect shoplifting would not require a directed surveillance authorisation. Their objective is merely to observe a location and, through reactive policing, to identify and arrest offenders committing crime. The activity may be part of a specific investigation but is general observational activity, rather than surveillance of individuals, and the obtaining of private information is unlikely. **A directed surveillance authorisation need not be sought.**

Example 2: Local authority officers attend a car boot sale where it is suspected that counterfeit goods are being sold, but they are not carrying out surveillance of particular individuals and their intention is, through reactive policing, to identify and tackle offenders. Again this is part of the general duties of public authorities and the obtaining of private information is unlikely. **A directed surveillance authorisation need not be sought.**

Example 3: Surveillance officers intend to follow and observe Z covertly as part of a pre-planned operation to determine their suspected involvement in shoplifting. It is proposed to conduct covert surveillance of Z and record their activities as part of the investigation. In this case, private life considerations are likely to arise where there is an expectation of privacy and the covert surveillance is pre-planned and not part of general observational duties or reactive policing. **A directed surveillance authorisation should therefore be considered.**

4. Covert Surveillance

4.1 What is Surveillance?

Surveillance includes:

- monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- recording anything monitored, observed or listened to in the course of surveillance;
- and

- surveillance by or with the assistance of a surveillance device.

4.2 When is surveillance covert?

Surveillance is covert when it is carried out in a manner calculated to ensure that the subject or others affected by the surveillance are unaware that it is or may be taking place.

RIPA regulates two types of covert surveillance namely directed and intrusive.

4.3 When is surveillance directed?

Surveillance is 'Directed' (paragraph 2.2 of the Covert Surveillance and Property Interference Revised Code of Practice) if it is covert and undertaken:

- it is covert, but not intrusive surveillance;
- it is conducted for the purposes of a specific investigation or operation;
- it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);
- it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

4.4 When is Surveillance Intrusive?

LOCAL AUTHORITIES ARE NOT AUTHORISED TO CARRY OUT INTRUSIVE SURVEILLANCE

Surveillance is intrusive, (paragraph 3.19 of the Covert Surveillance and Property Interference Code of Practice) if it is covert and:

- is carried out in relation to anything taking place on any "residential premises" or
- in any "private vehicle" (see below); and
- involves the presence of an individual or surveillance device in the premises or in the vehicle, or
- is carried out by a means of a surveillance device

Surveillance which is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the vehicle is not intrusive unless the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

A private vehicle is defined in the Act as any vehicle which is primarily used for the private purposes of the person who owns or has the right to use it. This would include company cars and leased cars used for business and pleasure. This is distinct to vehicles owned or leased by public authorities. Paragraph 7.49 of the Covert Surveillance and Property Interference Code of Practice provides guidance on the latter; if devices are used within a council owned vehicle with the knowledge of the occupants then this is not considered to be surveillance however hidden devices may require authorisation.

5. Authorising Covert Directed Surveillance

For covert directed surveillance, only an agreed individual can act as an Authorising Officer. They will not grant an authorisation unless they believe (and the prescribed forms require that the factors below are shown to have been taken into account):

- (a) that an authorisation is necessary; and
- (b) the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

An authorisation is necessary if:

- (a) The offence is punishable by a maximum term of six months imprisonment on conviction or is related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

An authorisation will be proportionate if the person granting the authorisation has balanced the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

The onus is therefore on the person authorising such surveillance to satisfy themselves it is:

- (a) necessary for the ground stated above; and
- (b) proportionate to its aim and
- (c) fair and balanced

In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. The prescribed forms (held by the Authorising Officer) must be fully completed.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised. The use of stock phrases or cut and paste narrative should be avoided at all times to ensure that proper consideration is given the particular circumstances of each case.

Particular consideration should be given to collateral intrusion or interference with the privacy of persons other than the subject(s) of surveillance and wherever possible steps should be taken to avoid or minimise it. Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example in cases of premises used by lawyers or for any form of medical or professional counselling or therapy, or in a particular community.

Any application for authorisation should include an assessment of risk of any collateral intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the surveillance.

The application should also be presented in a fair and balanced way which should include evidence or information which weakens the case for authorisation.

Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. In some cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

The applying officer should have also undertaken a surveillance assessment which includes a health and safety risk assessment, Appendix 7.

Judicial approval should then be sought. The agreed corporate procedure for this can be found in Appendix 5.

Please also see Other Factors to be taken into account in certain circumstances.

6. The Surveillance Checklist for Applicants

Before a council officer undertakes any surveillance of any individual or individuals they need to assess whether the activity comes within RIPA. In order to do this they need to ask themselves the following key questions.

6.1 Is the Surveillance Necessary?

Any application granted must consider that the activity is necessary on one or more of the statutory grounds. In the case of the council then this will be for the prevention and detection of crime in line with the crime thresholds described below.

6.2 Is the Surveillance Covert?

Covert surveillance is that carried out in a manner calculated to ensure that the subject of it is unaware it is or may be taking place.

If activities are open and not hidden from the subject of an investigation, RIPA does not apply. Conversely if it is hidden, consider whether surveillance is likely to be directed or intrusive.

6.3 Is it Directed?

This means whether or not it is for the purpose of a specific investigation or a specific operative. The use of surveillance for general purposes will not normally be 'directed' and will not therefore require RIPA authorisation. An example of this is the use of CCTV cameras for general area wide observation. *However*, if the surveillance is used as a means of targeting a specific person or persons then RIPA will apply if private information is likely to be obtained. In such circumstances officers should also be mindful of the possibility of collateral intrusion when applying for the appropriate authority.

6.4 Private Information

The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the

totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.

Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Paragraph 3.3 of the Covert Surveillance and Property Interference Code of Practice provides scope for what information which may not be is not private may include publicly available information such as books, newspapers, TV and radio broadcasts, business reports and websites.

If it is unlikely that observations will result in the obtaining of private information about a person then it is outside RIPA.

6.5 Is the crime threshold met?

The Protection of Freedoms Act 2012 introduced a *crime threshold* for local authorities wishing to carry out directed surveillance.

This means that local authorities can only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment,

- by a maximum term of 6 months' or more imprisonment **or**
- are related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

A local authority **may not authorise** the use of directed surveillance under RIPA to investigate disorder that does not involve criminal offences or to investigate low level offences such as littering, dog control and fly posting.

If the offence changes during an investigation and meets the threshold test, then an application may be made.

6.6 Is it proportionate?

In determining whether the activity is proportionate, paragraph 4.7 of the Revised Codes of Practice, the following must be considered:

- *Have we balanced the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;*

- *Have we explained how and why the methods to be adopted will cause the least possible intrusion on the subject and others;*
- *have we considered whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;*
- *have we evidenced, as far as reasonably practicable, what other methods had been considered and why they were not implemented.*

7. When surveillance falls outside of RIPA?

There will occasions when a council officer undertakes activity which does not meet the criteria of RIPA.

It is critical that any activity, whether it falls into the scope of RIPA or not, should be undertaken with clear consideration as to whether the activity is necessary and proportional to the objectives. Every officer must consider this prior to engaging in any kind of surveillance.

Given the potential for challenge by a subject during legal proceedings, it is the councils' policy that such actions will still be governed by the RIPA framework to the extent that an officer must show that they have considered whether RIPA applies. This should be done by the using the Basic RIPA Determination at the start of this policy or Appendix 9 Checklist as an aide to the officers – this is an ongoing process for any investigation.

Where an activity fall outside of RIPA, then the officers should record actions taken showing that the activity is necessary and proportionate as they would with a RIPA application. This recording may be formalised during file reviews by managers, supervision meetings, prior to interviews or prior to the consideration of any legal proceedings. A manager or head of service should ensure that activities have followed the correct procedure.

Surveillance which can termed overt does not require authorisation – a visit to a property with the intention to speak to the occupier would not constitute surveillance. If there is no intention to speak to the occupier such as “drive pasts” to obtain information then this may become surveillance and therefore this policy applies. One visit to the property to obtain the details of a vehicle will not be considered surveillance however repeated visits to establish a pattern of behaviour will be considered and the appropriate form will be required.

8. CCTV

Paragraphs 3.36 to 3.39 of the Covert Surveillance and Property Interference Code of Practice provides guidance on the use of overt CCTV cameras.

8.1 Peterborough City Council

Peterborough City Council operates a CCTV system which can be used in surveillance where appropriate and where authorised. The CCTV system is overt and is governed by the Surveillance Camera Code of Practice and the ICO guidance on the matter. This does not mean that the use of overt cameras for surveillance does not require authorisation under the Act. It may be considered covert, pre-planned and directed towards a person or group which would require authorisation.

The corporate code of practice is available and covers the use by Police and non-Police agencies. Peterborough City Council has an agreed protocol with Cambridgeshire Police which is held by the CMO and CCTV Manager.

8.2 Cambridgeshire County Council CCTV

Cambridgeshire County Council have and have access to a number of cameras which are primarily for bus lane enforcement, highways and libraries. These are governed by the codes as described above. These cameras are primarily used for reactive footage but were they to be considered for any directed surveillance then the process used for Peterborough City Council would be followed.

8.3 Use of CCTV system by Cambridgeshire Police

Where the CCTV systems is being operated by Police officers under a RIPA authorisation, we will maintain a register of the details of the date and time of the authority was granted, the nature of the offence under investigation and the operation name and/or authority reference number.

If council officers operate the CCTV under direction of the police, the council will be provided with a redacted authorisation which shows the details of the date and time of the authority being granted, the activity authorised and its boundaries and limitations, the nature of the offence under investigation, the operation name and/or authority reference number.

Example 1: The council's CCTV systems is used to gather information as part of a reactive operation. This is to identify individuals who have committed criminal damage after the event. This use does not amount to covert surveillance as the equipment was overt and not

subject to any covert targeting. Use in these circumstances would not require a directed surveillance authorisation.

Example 2: Trading Standards team receive information that an individual suspected of rogue trading and fraud is known to be operating in the city centre area. A decision is taken to use the council's CCTV system to conduct surveillance against that individual, such that they remains unaware that there may be any specific interest in them. This targeted, covert use of the overt CCTV system to monitor and/or record that individual's movements should be considered for authorisation as directed surveillance.

8.3 Aerial covert surveillance

Whilst the councils do not currently utilise aerial surveillance devices such as drones or helicopters, any use in the future or by contracted providers should be considered for authorisations.

Paragraph 3.18 of the Covert Surveillance and Property Interference Code of Practice provides guidance on when the use of airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), is planned.

The same considerations should be applied as with any application to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. The approach should be the same as if it were the use of overt CCTV cameras.

Example 3: An unmanned aircraft deployed by the council to combat fly tipping in a rural area is likely to capture private information and those observed, engaged in fly tipping or not, will be unaware that it is taking place. It does not matter whether the drone is marked as belonging to the council or not. Unless sufficient steps have been taken to ensure that individuals in the area have been made aware of the use of drones for this reason, then this activity should be regarded as covert and authorisation for directed surveillance is likely to be required.

9. Covert Use of Human Intelligence Source (“CHIS”)

Before use of a CHIS is authorised, advice must be sought from the Senior Responsible Officer or their appointed deputy. The application can be authorised by the Chief Executive (or an appointed deputy) and the applicant must ensure that the Authorising Officer have sufficient information to make an informed decision and the prescribed forms must be fully completed.

9.1 What is a CHIS?

Paragraph 2.1 of Covert Human Intelligence Source revised code of practice state that a person is a Covert Human Intelligence Source if:

- (a) they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within Section 26 (8) (b) or (c) as stated below paragraph b) or c) ;
- (b) they covertly use such a relationship to obtain information or to provide access to any information to another person; or
- (c) they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

9.2 When a CHIS and when not a CHIS?

The following give examples of when a CHIS would and would not be needed.

Would not need a CHIS authorisation	Would need a CHIS authorisation
Intelligence suggests that a local shopkeeper is openly selling alcohol to underage customers, without any questions being asked. A juvenile is engaged and trained by a public authority and then deployed in order to make a purchase of alcohol. In these circumstances any relationship, if established at all, is likely to be so limited in regards to the requirements of the 2000 Act that a public authority may conclude that a CHIS authorisation is unnecessary. However, if the test purchaser is wearing recording equipment but is not authorised as a CHIS,	In similar circumstances, intelligence suggests that a shopkeeper will sell alcohol to juveniles from a room at the back of the shop, providing they have first got to know and trust them. As a consequence the public authority decides to deploy its operative on a number of occasions, to befriend the shopkeeper and gain their trust, in order to purchase alcohol. In these circumstances a relationship has been established and maintained for a covert purpose and therefore a CHIS authorisation should be obtained.

consideration should be given to granting a directed surveillance authorisation.	
Would not need a CHIS authorisation	Would need a CHIS authorisation
A member of the public volunteers a piece of information to a member of a public authority regarding something they have witnessed in their neighbourhood. The member of the public would not be regarded as a CHIS. They are not passing information as a result of a relationship which has been established or maintained for a covert purpose.	A caller to a confidential hotline (such as Crimestoppers, the HMRC Fraud Hotline, the Anti-Terrorist Hotline, or the Security Service public telephone number) reveals that they know of criminal or terrorist activity. Even if the caller is involved in the activities on which they are reporting, the caller would not be considered a CHIS as the information is not being disclosed on the basis of a relationship which was established or maintained for that covert purpose. However, should the caller be asked to maintain their relationship with those involved and to continue to supply information (or it is otherwise envisaged that they will do so), an authorisation for the use or conduct of a CHIS may be appropriate.
Would not need a CHIS authorisation	Would need a CHIS authorisation
A member of the public is asked by a member of a public authority to maintain a record of all vehicles arriving and leaving a specific location or to record the details of visitors to a neighbouring house. A relationship has not been established or maintained in order to gather the information and a CHIS authorisation is therefore not available. Other authorisations under the Act, for example, directed surveillance, may need to be considered where there is a possible interference with the Article 8 rights of an individual	Mr Y volunteers information to a member of a public authority about a work colleague out of civic duty. Mr Y is not a CHIS at this stage as he has not 14 established or maintained (or been asked to establish or maintain) a relationship with his colleague for the covert purpose of obtaining and disclosing information. However, Mr Y is subsequently contacted by the public authority and is asked if he would ascertain certain specific information about his colleague. At this point, it is likely that Mr Y's relationship with his colleague is being maintained and used for the covert purpose of providing that information. A CHIS authorisation would therefore be appropriate to authorise interference with the Article 8 right to respect for private or family life of Mr Y's work colleague

9.3 Conditions for authorisation of Covert Human Intelligence Sources

Authorisation is not required where members of the public volunteer information to the Council as part of their normal civic duties or to contact numbers set up to receive information (e.g. a benefit fraud hotline).

The Council can only use a CHIS if authorisation has been authorised and received judicial approval. Authorisation will only be given if the use of the CHIS is for the purpose of preventing or detecting crime or of preventing disorder.

9.3.1 Necessity and Proportionality

The necessity and proportionality principles apply but the crime threshold does not apply in this area.

If the authorising officer considers it to be necessary, then they should consider proportionality as below:

- balance the size and scope of the proposed activity against the gravity and extent of the perceived crime or harm;
- explain how and why the methods to be adopted will cause the least possible intrusion on the subject and others
- whether the conduct to be authorised will have any implications for the privacy of others, and an explanation of why (if relevant) it is nevertheless proportionate to proceed with the operation; •
- evidence, as far as reasonably practicable, what other methods had been considered and why they were not implemented, or have been implemented unsuccessfully;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the information sought.

9.3.2 The Authorised Conduct

The Conduct so authorised is any conduct that:

- a) is comprised in any such activities involving the use of a covert human intelligence source, as are specified or described in the authorisation;
- b) relates to the person who is specified or described as the person to whose actions as a covert human intelligence source the authorisation relates; and
- c) is carried out for the purposes of, or in connection with, the investigation or operation so specified or described.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised.

The maximum time limit for authorisation is 12 months for an adult CHIS.

The applicant, and the Authorising Officer if required, will attend to obtain judicial approval.

The corporate procedure can be found at Appendix 6.

9.3.3 Operational Considerations

The Authorising Officer must consider the safety and welfare of the source person acting as a Covert Human Intelligence Source and the foreseeable consequences to others of the tasks they are asked to carry out. A risk assessment should be carried out before authorisation is given. Consideration from the start, for the safety and welfare of the source person, even after cancellation of the authorisation, needs to be considered.

The Applicant will have day-to-day responsibility for dealing with the source person and for the source person's security and welfare. They will be termed the **handler**. They will have responsibility for

- Dealing with the CHIS on behalf of the authority
- Directing the day to day activities of the CHIS
- Recording accurate and proper information supplied by the CHIS
- Monitoring the CHIS's security and welfare

A senior manager, not the Authorising Officer, will at all times have general oversight of the use made of the source person and maintaining a record of such use. They will be termed the **controller** in accordance with the codes of practice. They will be responsible for the management and supervision of the handler and general oversight of the use of the CHIS.

The senior manager will need to comply with the Regulation of Investigatory Powers (Source Records) Regulations which requires that certain records be kept relating to each source. Each Authorising Officer has a copy of the aforesaid Regulations.

9.4 Operation involving multiple CHIS

A single authorisation may be used to authorise more than one CHIS. However, this is only likely to be appropriate for operations involving the conduct of several individuals operatives acting as CHISs in situations where the activities to be authorised, the subjects of the operation, the interference with private or family life, the likely collateral intrusion and the environmental or operational risk assessments are the same for each officer. If an authorisation includes more than one relevant source, each relevant source must be clearly identifiable within the documentation. In these circumstances, adequate records must be kept of the length of deployment of a relevant source to ensure the enhanced authorisation process set out in the 2013 Relevant Sources Order and Annex B of the Code of Practice can be adhered to.

9.5 Use of a Juvenile as a CHIS or in Directed Surveillance

In line with, Paragraph 4.1 of the Covert Human Intelligence Source revised code of practice, the Investigatory Powers Commissioner must be informed within seven working days of a CHIS authorisation of a vulnerable adult or a juvenile source. The Investigatory Powers Commissioner intends to keep such authorisations under close review and will report any relevant findings in his Annual Report.

Paragraph 4.3 of the CHIS Code of Practice refers to the use of juveniles in either scenario and how special safeguards also apply to the use or conduct of juveniles. The use of such a person could occur during test purchasing operations. The Code of Practice gives clear guidance:

- On no occasion should the use or conduct of a CHIS under 16 years of age be authorised to give information against their parents or any person who has parental responsibility for them.
- In other cases, authorisations should not be granted unless the special provisions, contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 (as amended), are satisfied.
- Authorisations for use of a juvenile as a CHIS should be granted by the Head of Paid Service i.e. the Chief Executive.
- The duration of such an authorisation is four months from the time of grant or renewal (instead of twelve months), and the authorisation should be subject to at least monthly review.
- For the purpose of these rules, the age test is applied at the time of the grant or renewal of the authorisation.

We must ensure that an appropriate adult is present at any meetings with a CHIS under 16 years of age. The appropriate adult should normally be the parent or guardian of the CHIS, unless they are unavailable or there are specific reasons for excluding them, such as their involvement in the matters being reported upon, or where the CHIS provides a clear reason for their unsuitability. In these circumstances another suitably qualified person should act as appropriate adult, e.g. someone who has personal links to the CHIS or who has professional qualifications that enable them to carry out the role (such as a social worker). Any deployment of a juvenile CHIS should be subject to the enhanced risk assessment process set out in the statutory instrument, and the rationale recorded in writing.

The below give examples of when the juvenile may be a CHIS and when a directed surveillance application may be more appropriate.

CHIS authorisation not needed	CHIS authorisation needed
Intelligence suggests that a local shopkeeper is openly selling alcohol to underage customers, without any questions being asked. A juvenile is engaged and trained by a public authority and then deployed in order to make a purchase of alcohol. In these circumstances any relationship, if established at all, is likely to be so limited in regards to the requirements of the 2000 Act that a public authority may conclude that a CHIS authorisation is unnecessary. However, if the test purchaser is wearing recording equipment but is not authorised as a CHIS, consideration should be given to granting a directed surveillance authorisation.	In similar circumstances, intelligence suggests that a shopkeeper will sell alcohol to juveniles from a room at the back of the shop, providing they have first got to know and trust them. As a consequence the public authority decides to deploy its operative on a number of occasions, to befriend the shopkeeper and gain their trust, in order to purchase alcohol. In these circumstances a relationship has been established and maintained for a covert purpose and therefore a CHIS authorisation should be obtained.

9.6 Security and welfare

When considering deploying a CHIS, we should take into account the safety and welfare of that CHIS when carrying out actions in relation to an authorisation or tasking, and the foreseeable consequences to others of that tasking.

Before authorising the use or conduct of a CHIS, the authorising officer should ensure that a risk assessment is carried out to determine the risk to the CHIS of any tasking and the likely consequences should the role of the CHIS become known. This should consider the risks relating to the specific tasking and circumstances of each authorisation separately, and should be updated to reflect developments during the course of the deployment, as well as after the deployment if contact is maintained.

The ongoing security and welfare of the CHIS, after the cancellation of the authorisation, should also be considered at the outset and reviewed throughout the period of authorised activity by that CHIS.

Consideration should also be given to the management of any requirement to disclose information which could risk revealing the existence or identity of a CHIS. For example this could be by means of disclosure to a court or tribunal, or any other circumstances where disclosure of information may be required, and strategies for minimising the risks to the CHIS or others should be put in place. Additional guidance about protecting the identity of the CHIS is provided at paragraphs 9.26 to 9.29 of the of the Covert Human Intelligence Source revised code of practice.

The CHIS handler is responsible for bringing to the attention of the CHIS controller any concerns about the personal circumstances of the CHIS, insofar as they might affect:

- the validity of the risk assessment;
- the conduct of the CHIS; and
- the safety and welfare of the CHIS.

Where appropriate, concerns about such matters must be considered by the authorising officer, and a decision taken on whether or not to allow the authorisation to continue.

9.7 Considering a Covert Human Intelligence Source (CHIS) authorisation in social media/internet investigations

Any council officer or person acting on their behalf, who conducts activity on the internet in such a way that they may interact with others, whether by publicly open websites such as an online news and social networking service, or more private exchanges such as e-messaging sites, in circumstances where the other parties could not reasonably be expected to know their true identity, should consider whether the activity requires a CHIS authorisation.

A directed surveillance authorisation should also be considered, unless the acquisition of that information is or will be covered by the terms of an applicable CHIS authorisation.

9.7.1 Tasking someone to use a profile for covert reasons

Where someone, such as an employee or member of the public, is tasked by the council to use an internet profile to establish or maintain a relationship with a subject of interest for a covert purpose, or otherwise undertakes such activity on behalf of the public authority, in order to obtain or provide access to information, a CHIS authorisation is likely to be required.

Example of when CHIS authorisation is needed
An investigator using the internet to engage with a subject of interest at the start of an operation, in order to ascertain information or facilitate a meeting in person. • Directing a member of the public (such as a CHIS) to use their own or another internet profile to establish or maintain a relationship with a subject of interest for a covert purpose. • Joining chat rooms with a view to interacting with a criminal group in order to obtain information about their criminal activities.

9.7.2 Registering to access a site

A CHIS authorisation will not always be appropriate or necessary for online investigation or research. Some websites require a user to register providing personal identifiers (such as name and phone number) before access to the site will be permitted. Where an officer sets up a false identity for this purpose, this does not in itself amount to establishing a relationship, and a CHIS authorisation would not immediately be required, though

consideration should be given to the need for a directed surveillance authorisation if the conduct is likely to result in the acquisition of private information, and the other relevant criteria are met.

Example of when CHIS authorisation is not needed	Example of when CHIS authorisation is needed
A Trading Standards officer intends to make a one-off online test purchase of an item on an auction site, to investigate intelligence that counterfeit goods are being sold. The officer concludes the purchase and does not correspond privately with the seller or leave feedback on the site. No covert relationship is formed and a CHIS authorisation need not be sought.	A Trading Standards officer tasks a member of the public to purchase goods from a number of websites to obtain information about the identity of the seller, country of origin of the goods and banking arrangements. The individual is required to engage with the seller as necessary to complete the purchases. The deployment should be covered by a CHIS authorisation because of the intention to establish a relationship for covert purposes.

9.7.3 Use of Likes and Follows

Where a website or social media account requires a minimal level of interaction, such as sending or receiving a friend request before access is permitted, this may not in itself amount to establishing a relationship. Equally, the use of electronic gestures such as “like” or “follow” to react to information posted by others online would not in itself constitute forming a relationship. However, it should be borne in mind that entering a website or responding on these terms may lead to further interaction with other users and a CHIS authorisation should be obtained if it is intended for a council officer or a CHIS to engage in such interaction to obtain, provide access to or disclose information.

Example of when CHIS authorisation is not needed	Example of when CHIS authorisation is needed
An officer maintains a false persona, unconnected to law enforcement activities, on social media sites in order to facilitate future operational research or investigation. As part of the legend building activity they “follow” a variety of people and entities and “likes” occasional posts without engaging further. No relationship is formed and no CHIS authorisation is needed.	The officer sends a request to join a closed group known to be administered by a subject of interest, connected to a specific investigation. A directed surveillance authorisation would be needed to cover the proposed covert monitoring of the site. Once accepted into the group it becomes apparent that further interaction is necessary. This should be authorised by means of a CHIS authorisation.

9.7.4 The identity being used

When engaging in conduct as a CHIS, a council officer should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without considering the need for authorisation. Full consideration should be given to the potential risks posed by that activity.

9.7.5 Risk Assessment

Where use of the internet is part of the tasking of a CHIS, the risk assessment carried out in accordance with section 7.16 of the Covert Human Intelligence Source revised code of practice should include consideration of the risks arising from that online activity including factors such as the length of time spent online and the material to which the CHIS may be exposed. This should also take account of any disparity between the technical skills of the CHIS and those of the handler or authorising officer, and the extent to which this may impact on the effectiveness of oversight.

Where it is intended that more than one officer will share the same online persona, each officer should be clearly identifiable within the overarching authorisation for that operation, providing clear information about the conduct required of each officer and including risk assessments in relation to each officer involved.

10. Use of social media/internet in investigations

The use of the internet and its content such as social media such as Facebook, Instagram and Twitter in an investigation is permitted and may be a means of gathering intelligence. In accessing such sites, officers must consider the issues of privacy and collateral intrusion. The Covert Human Intelligence Source revised code of practice sections 4.29 to 4.35 provides good guidance on the subject.

Even though a person may have placed information about themselves or others in the public arena, they have done so with an expectation of a degree of privacy. Viewing information on the internet may constitute covert surveillance, particularly if there is monitoring of subjects involved for example to establish patterns of behaviour. Appendix 10 may assist officers in assessing whether their actions can be considered to be surveillance.

Where information about an individual is placed on a publicly accessible database such as Companies House, then they are unlikely to have expectations of privacy.

If an investigating officer enters into a 'conversation' with a profile, and the officer informs them that he is contacting them in his role as an employee of the council, then this contact will be overt and no authorisation will be required.

Where the activity does not include monitoring of material in the public domain, RIPA will not apply. If repeated visits to a site are made then this will constitute monitoring and consideration needs to be given to the use of social media or the internet as part of that investigation.

The following from the Code of Practice is a guide of factors to consider

- Whether the investigation or research is directed towards an individual or organisation
- Whether it is likely to result in obtaining private information about a person or group of people
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile
- Whether the information obtained will be recorded and retained
- Whether the information is likely to provide an observer with a pattern of lifestyle
- Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life
- Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s)
- Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties

Any similar activity carried out on the councils' behalf by a third party then this may still require a directed surveillance authorisation.

10.1 "Public setting"

If an investigating officer views for example a Facebook profile with whom they are not 'friends' which is not protected by any privacy settings the information can be treated as being in the public domain. Any initial viewing/visiting of this profile will be overt and authorisation under RIPA will not be required.

If the officer frequently or regularly views the same individual's profile this is considered targeted surveillance and a RIPA authorisation is required should it meet the stated RIPA test in this policy. If it does not then the officer should be able to show that they have considered whether RIPA applied.

10.2 Using a covert accounts and identities

Where officers are building and maintaining a relationship with an individual without that individuals knowing the true nature for the purposes of an investigation, this may require an application for the use of a CHIS. Guidance is provided in section

If officers create a false or covert identity, this must only be created with the approval of an Authorising Officer and the CMO must be informed. All use of the identity must be logged and reported to the CMO.

Any use of the internet in an investigation must be fully documented, Appendix 10 may be used as a template.

10.3 Council policy on reviewing use of social media during investigation

Misuse of council devices or misuse of social media may be considered in line with the relevant disciplinary policy. Any usage should be considered in line with the councils' social media policy and this policy.

Both councils have the capability to "audit" the use of social media sites by individual user's profile in line with the appropriate IT policies. The council will undertake such an audit in the event of a complaint or concern that social media has been misused or accessed during an investigation where RIPA may apply and has not been appropriately applied for. The concern will be raised with the Central Monitoring Officer and Data Protection Officer who will advise on the appropriate procedure.

The council may also undertake spot check audits and investigators or staff will be required to detail the reason for access.

11. Surveillance Application and Authorisation Process

Should the criteria be met, an officer will need to submit a directed surveillance application form to an authorising officer. The application form must be the latest version available on the Home Office website to ensure we are using the most up to date.

All sections relevant to the application must be completed and in a manner in which any authorising officer can understand i.e. it is not necessary for the authorising officer to be a specialist in the applicant's area.

The application must contain the following information

- A description of the investigation to date include details of the alleged offence which meets the crime threshold , details of subjects involved and an intelligence evaluation
- The conduct to be authorised must be described in detail
- Assessments of the local area, health and safety and risk have been completed
- Confirm the purpose of the operation and what it hopes to achieve
- What the operation will entail e.g. static, mobile, use of cameras.
- Where it will take place, when and how long will it last, remembering to be proportionate
- A description of what information will be obtained and how this will assist the investigation
- Explain why the directed surveillance is necessary i.e. it meets the crime threshold
- Explain the potential for collateral intrusion, why it is unavoidable and how it will be minimised.
- Explain how this is proportionate to what it seeks to achieve.
- Explain whether there is the likelihood of obtaining confidential information as defined by the codes of practice. This must be answered yes or no – stating that it is unlikely will not be accepted as this suggests it remains a possibility

This application should be submitted to the Authorising Officer to consider.

An authorising officer must review each case on its merits and explain why they authorise the conduct, considering necessity and proportionality along with any collateral intrusion.

Prior to seeking judicial approval, the application must be submitted to the CMO who will allocate a unique reference number. The corporate procedure for obtaining judicial approval should be adhered to. The CMO must be notified of the outcome and provided with a copy of the approval/refusal supplied.

11.1 Combined or Joint Services

As the Council works with its partner agencies such as Cambridgeshire Police or Cambridgeshire Fire and Rescue then consideration must be given to who makes the application and authorise. In a joint operation, one agency must be assigned as the lead and will obtain authorisation. If it is not the Council, we will still record this activity and ensure that our central record reflects this.

In instances where it is a joint or shared service, the appropriate lead authority must make the application with due regard for the governance arrangements at partner authorities.

Paragraph 4.31 of the Codes of Practice advises that where possible, public authorities should seek to avoid duplication of authorisations as part of a single investigation or operation. For example, where two agencies are conducting directed or intrusive surveillance as part of a joint operation, only one authorisation is required. Duplication of authorisations does not affect the lawfulness of the activities to be conducted, but may create an unnecessary administrative burden on authorities.

If the Council is tasked to undertake the surveillance on behalf of another agency then that agency should obtain authorisation. Council officers should ensure that they clearly understand the precise nature of what has been authorised to ensure that they comply. Council officers must only undertake surveillance activity in line with this policy and the limitations of activities placed on local authorities by the Protection of Freedoms Act 2012.

It may be necessary for the councils to work with a third party who are not considered a public authority by the Act. In those cases, the third party are acting as an agent for the council and therefore an authorisation should be considered by the councils.

11.2 Combined Authorisations

In paragraph 4.17 of the Covert Surveillance and Property Interference Code of Practice, it is confirmed that a single authorisation may combine two or more different authorisations under RIPA however the provisions applicable for each of the authorisations must be considered separately by the appropriate authorising officer. It does not preclude the obtaining of separate authorisations.

11.3 Lapse of Authorisations

Authorisation should not be allowed to lapse. They should be reviewed and cancelled or renewed. However the legal position with regard to lapse is as follows:-

Covert Human Intelligence Source - 12 months from the date of the approval of a magistrate (or last renewal) for adult or 4 months for a juvenile.

Directed Surveillance – 3 months from the date of approval of a magistrate or last renewal.

11.4 Renewal of Authorisations

A Magistrate will be responsible for renewing an existing authorisation in the same terms at any time before it ceases to have effect. Prior to this, the Authorising Officer should ensure a review has been carried out using the same criteria as if it were a new application.

For the conduct of a Covert Human Intelligence Source, this should not be renewed unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them and information obtained. The renewal must be receive judicial approval.

Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after directed surveillance activity is no longer necessary.

11.5 Retention Period for Authorisations

Directed surveillance authorisations (together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period of 3 years.

Authorisations for a CHIS ((together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period must be retained for a period of 5 years. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review. It is each department's responsibility to securely retain all authorisations within their departments.

11.6 Reviews of Authorisations

Regular review of authorisations should be undertaken to assess the need for the surveillance/CHIS to continue. The results of the review need to be sent for recording on the Central Register.

11.7 Cancellation of Authorisations

The Authorising Officer who granted or last renewed the authorisation must cancel it if they are satisfied the authorisation no longer meets the criteria upon which it was authorised. No authorisation should be left to simply expire.

The applicant must also undertake a review throughout the matter and inform the Authorising Officer if the authorisation is no longer required.

The process for cancellation is for the investigating officer to submit the cancellation form to the Authorising Officer. This cancellation should detail the reason for cancellation, the benefits or issues arising of the operation and any outcome. It should also include the time spent on the operation. A copy of this form must be forwarded to the CMO to retain on the central record.

11.8 Immediate response to situations

The ability for a local authority to grant urgent oral authorisation for use of RIPA is not permitted. It is recognised that council officers find themselves in a situation where they need to carry out some form of surveillance without the time to complete a form and obtain authorisations. In these instances, the officer should obtain authorisation from their line manager and also record their reasons, actions, what was observed and be prepared to explain their decisions. These should be reported to the appropriate Senior Responsible Officer.

12. Data Protection & Data Assurance

All material obtained by the councils during authorised activities such as photographs, videos, and notes should be protected against loss and alteration. The councils have both data protection and ICT security policies to ensure that the councils are compliant with the handling of such information.

Authorising officers must ensure compliance with the appropriate data protection requirement such as a data protection impact assessment if necessary as well as the relevant codes of practice in the handling and storage of material.

Information, materials and evidence collected during an investigation

Generally, all material (in whatever media) obtained or produced during the course of investigations subject to RIPA authorisations should be processed, stored and destroyed in accordance with the requirements of the UK General Data Protection Regulation, Data Protection Act 2018, the Freedom of Information Act 2000, any other legal requirements, including those of confidentiality, and the councils' policies and procedures currently in force relating to document retention. These are available on both councils' intranets in the Information Governance sections.

The following paragraphs give guidance on some specific situations, but advice should be sought from the RIPA Monitoring Officer or the Senior Responsible Officer where appropriate.

- Where material is obtained during the course of an investigation which might be relevant to that investigation, or another investigation, or to pending or future civil or criminal proceedings, then it should not be destroyed, but retained in accordance with legal disclosure requirements. All such material should be clearly labelled and stored in such a way to enable compliance with data retention and disposal.
- Where material is obtained, which is not related to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe that it will be relevant to any future civil or criminal proceedings, it should be destroyed immediately. Consideration of whether or not unrelated material should be destroyed is the responsibility of the Authorising Officer.
- RIPA does not prevent material obtained through the proper use of the authorisation procedures from being used in other investigations. However, the use outside the councils of any material obtained by means of covert surveillance, unless directed by court order, and other than in pursuance of the grounds on which it was obtained requires authorisation by the Senior Responsible Officer.

12.1 Sharing information

Material obtained should only be shared with individuals within the authority and external partners where this is permitted by legislation, an information sharing agreement or a requirement to disclose. For example, a joint investigation with the Police would require information to be shared as part of that investigation and permitted by data protection legislation.

12.2 Publishing CCTV footage to enable suspect identification

Any consideration of publishing images or film of those believed to committed an offence or involved in an offence must consider the rights and privacy of anyone in those images or film. Failure to do so may result in a breach of data protection legislation and lead to regulatory action. The Senior Responsible Officer and Data Protection Officer must be consulted ahead of any decision.

12.3 Storage

Any material obtained must be stored securely, either electronically or physically, and access only provided to those who have the appropriate clearance for access. Physical information must be protected by an adequate level of security such as locked rooms or a safe with a log of access kept.

12.4 Destruction

Information will be destroyed securely in line with retention requirements and its retention will be reviewed accordingly.

13. Other Factors

13.1 Spiritual Counselling

No operations should be taken in circumstances where investigators believe that surveillance will lead to them intruding on spiritual counselling between a Minister and a Member of his/her faith. In this respect, spiritual counselling is defined as conversations with Minister of Religion acting in his-her official capacity where the person being counselled is seeking or the Minister is imparting forgiveness, or absolution of conscience.

13.2 Confidential or Privileged Material

Consideration should be given in cases where the subject of the investigation or operation might reasonably assume a high degree of confidentiality. This includes:

- where material contains confidential personal information or communications between a Member of Parliament and another person on constituency business. (9.29 to 9.35 of the Covert Surveillance and Property Interference Code of Practice)
- confidential journalistic material or where material identifies a journalist's source, (9.36 to 9.46 of the Covert Surveillance and Property Interference Code of Practice)
- where the material contains information that is legally privileged, (9.47 to 9.75 of the Covert Surveillance and Property Interference Code of Practice))

Guidance on each of these can be found in the Revised Codes of Practice as noted above. In the event that these types of information may be acquired, officers should consult the Revised Codes of Practice and the SRO.

Directed surveillance likely or intended to result in the acquisition of knowledge of confidential or privileged material may be authorised only by the Chief Executive (or a deputy in their absence). In cases where the likely consequence of the conduct of a Covert Human Intelligence Source would be for any person to acquire knowledge of confidential material, the deployment of the Covert Human Intelligence Source should be subject to consultation with the Chief Executive and Senior Responsible Officer.

In general, any application for an authorisation which is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken where the target of the investigation

is likely to be involved in handling confidential material. Such applications should only be considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything that may fall within the definition of confidential material. If there is doubt as to whether the material is confidential, advice should be sought from the Director of Law and Governance before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for a specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Director of Law and Governance) is satisfied that it is necessary for a specific purpose;

The retention of dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information.

Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose. This should only be with the approval of the Chief Executive and Senior Responsible Officer.

13.3 Vulnerable Individuals

The use of a vulnerable individual as a Covert Human Intelligence Source requires authorisation by the Chief Executive or their delegated deputy. The use must always be referred to the Senior Responsible Officer or their deputy for advice prior to authorisation. Such an individual should only be used as a Covert Human Intelligence Source in exceptional circumstances. A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself or unable to protect himself or herself against harm or exploitation.

13.4 Community Sensitivities

Officers should always consider whether there are any particular sensitivities within our communities and take these into account if planning surveillance activities in those areas.

13.5 Errors

Any error such as activity undertaken which was not authorised or is conducted beyond the directions of the authorising officer. It will also include failure to declare thorough reviews, renewals, cancellation and poor administration. Any such errors must be reported to the SRO and Central Monitoring Officer.

14. Central Register of Authorisations

It is a requirement of the revised Code of Practice for Surveillance, paragraph 8.1, that a central register of all authorisations, reviews, renewals, cancellations etc. is maintained and regularly updated. The CMO maintains this Register.

It is the Authorising Officer's responsibility to ensure that any application under RIPA is forwarded to the CMO for central registration **within one week of the relevant authorisation, review, renewal, cancellation or rejection**. Each application will be allocated a Unique Reference Number (URN) at this stage and will be monitored by the CMO to ensure compliance with timescales.

Whenever an authorisation is granted, renewed or cancelled (and this includes authorisations issued by the Police or other third parties using Council CCTV or other facilities) the Authorising Officer must arrange for copies to be forwarded to the CMO. Receipt will be acknowledged.

15. Codes of Practice

There are Home Office Codes of Practice that expand on this guidance and copies are held by each Authorising Officer. They can be accessed [here](#) and officers should ensure that they are consulting the latest version.

The Codes do not have the force of statute, but are admissible in evidence in any criminal and civil proceedings. As stated in the Codes, "if any provision of the Code appears relevant to a question before any Court or tribunal considering any such proceedings, or to the tribunal established under RIPA, or to one of the commissioners responsible for overseeing the powers conferred by RIPA, it must be taken into account".

16. Benefits of Obtaining Authorisation under RIPA

RIPA states that if authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then it shall be "lawful for all purposes".

17. Acquisition of Communications Data

Communications data means any traffic or any information that is or has been sent via a telecommunications system or postal system, together with information about the use of the system made by any person.

There are two powers granted by S22 RIPA in respect of the acquisition of Communications Data from telecommunications and postal companies (“Communications Companies”).

S22 (3) provides that an authorised person can authorise another person within the same relevant public authority to collect the data. This allows the local authority to collect the communications data themselves, i.e. if a Communications Service Provider is technically unable to collect the data, an authorisation under the section would permit the local authority to collect the communications data themselves.

In order to compel a Communications Service Provider to obtain and disclose, or just disclose Communications Data in their possession, a notice under S22 (4) RIPA must be issued. This must be followed by the judicial approval process as outlined in Appendix 5.

The sole ground to permit the issuing of a S22 notice by a Permitted Local Authority is for the purposes of “preventing or detecting crime or of preventing disorder”. The issuing of such a notice will be the more common of the two powers utilised, in that the Communications Service Provider will most probably have means of collating and providing the communications data requested.

There is no threshold for subscriber data which can still be acquired for any crime where it is necessary and proportionate to do so. However as of 1 November 2018, there is a crime threshold for the acquisition of service or traffic data which is restricted to “serious crime”. This is defined as:

- An offence capable of attracting a prison sentence of 12 months or more. This can be checked by accessing the Home Office counting rules notifiable offence list.
- An offence by a person who is not an individual i.e. a corporate body
- A Section 81 of RIPA – an offence defined as serious crime such as use of violence, substantial financial gain or large number of people in pursuit of a common purpose
- An offence which integrally involves the sending of a communication
- Breach of privacy offence

Examples of what are non-serious crimes are:

- Certain immigration offences under the Immigration Act 1971; and

- Certain gambling offences under the Gambling Act 2005 including provision of facilities for gambling, use of premises for gambling and offences relating to gambling machines.
- Some sections of the Public Order Act which do not amount to violence (including using offensive words or causing a fear of violence);
- Driving offences, such as: joy riding, driving when disqualified, failure to stop or report an accident and driving when unfit to do so through drink or drugs;
- Some sections of the Consumer Protection Act 1987 i.e. furnishing false information in response to notice, or to enforcement officer.

Once a notice has been issued, it must be sent to the Communications Service Provider. In issuing a notice, the Authorising Officer can authorise another person to liaise with the Communications Service Provider covered by the notice.

17.1 Application procedure

Should you wish to make an enquiry, contact should be made with the Assistant Director of Regulatory Services to consider the request to be made via Trading Standards who have two named authorised officers. The request will be made through NAFN and their process adhered to.

The applicant and authorising officer will need to explain:

- the purpose of the application in terms of the prevention or detection of crime (section 22(2) (b) of the Act)
- specific information required with reference to paragraph 3.30 of the codes of practice to streamline the process when dealing with number porting and also to take a more proactive approach to data capture such as top up details when identifying the user of a prepaid mobile.
- A description of the offence and how this meets the serious crime threshold if it is for traffic or service data
- why it is relevant
- why it is necessary
- why it is proportionate
- how they will minimise collateral intrusion

A unique reference number should be obtained from the CMO before submission to NAFN. The CMO will record the details.

Once authorised by NAFN, the applicant should follow the procedure for obtaining judicial approval.

18. Training

There will be a bi-annual programme of training for officers, which may include face to face or e-learning training. Refresher training will be provided on a biannual basis. Officers may be required to confirm they have read documentation and have understood the intervening times.

Only formally trained Authorised Officers will be permitted to authorised applications.

19. Oversight

19.1 Members

The use of RIPA powers will be a standing item on the agenda for the Audit Committee at both Peterborough City Council and Cambridgeshire County Council. An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

19.2 Senior Management

An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

20. The Investigatory Powers Commissioner's Office

The Investigatory Powers Commissioner will keep under review, the exercise and performance by the persons on who are conferred or imposed, the powers and duties under RIPA. This includes those Authorising Officers authorising Covert Directed Surveillance and the use of Covert Human Intelligence Sources and the maintenance of the Central Register.

A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Complaints can be made by persons aggrieved by conduct e.g. direct surveillance. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that.

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to

any person. The Councils are however, under a duty to disclose or provide to the tribunal all documents they require if:

- A council officer has granted any authorisation under RIPA.
- council employees have engaged in any conduct as a result of such authorisation.

A disclosure notice requirement is given.

21. Relevant case law

There is relevant caselaw which includes but is not limited to:

R v Johnson

In this case the Court of Appeal provided criteria that must be adopted if premises used for observation purposes by the Police are not to be disclosed in open court.

Should PCC wish not to disclose the premises used for the observation, then following the rational in this case it would appear that the Authorising Officer must be able to testify that immediately prior to trial:

- he/she visited premises to be used for observation
- he/she obtained and recorded the views of the owner and/or occupier in respect of the use made of the premises and the possible consequences of disclosure which could lead to identification of the premises and occupiers.

Such views must be recorded and the record marked as sensitive. If this issue arises please contact the Director of Governance for appropriate advice.

R v Sutherland 2002

The recording and handling of confidential material (legal privilege) obtained as a result of recording equipment deployed in the exercise area of two police stations. In this matter, the activity exceeded that which had been authorised and the case against Sutherland collapsed. This emphasises the requirement to ensure that all activity is authorised prior to the operation and any errors are reported.

Peck v United Kingdom [2003]

The applicant was filmed by a CCTV camera operated by Brentwood Borough Council in a public street shortly after he had attempted to commit suicide. The council subsequently released two still photographs taken from the CCTV footage to show the benefits of CCTV. Peck's face was not specifically masked. These pictures subsequently appeared on regional

television but his face was masked. Peck sought to challenge the authority's decision but was rejected by the Court of Appeal. He took the matter to the European Court of Human Rights where he was successful. The case establishes the right to privacy in a public area, even if it is a reduced level.

Martin v. United Kingdom [2004] European Court App

Alleged disorderly behaviour by M towards neighbour. Local Authority mounted covert surveillance of M on the basis that the surveillance by video was justified as the surveillance was targeted at behaviour which was visible to a neighbour or passer by. Claim of Article 8 infringement settled by agreement with damages awarded to Martin.

R v. Button and Tannahill 2005

Audio and video recording of defendants while in police custody. Audio recording had been RIPA authorised; video recording was not authorised. Video record admitted in evidence although common ground that it had been unauthorised and so obtained unlawfully (in breach of s.6 Human Rights Act 1998). *It was argued on appeal that the trial Court was itself in breach of s.6 by admitting the evidence. Held that the breach of article 8 related to the intrusion upon private life involved in the covert surveillance. So far as a trial Court is concerned: any such breach of article 8 is subsumed by the article 6 (and P.A.C.E.) duty to ensure a fair trial. The trial judge had not acted unlawfully by admitting the evidence.*

C v The Police and the Secretary of State for the Home Department (2006, No: IPT/03/32/H)

A former police sergeant (C), having retired in 2001, made a claim for a back injury he sustained after tripping on a carpet in a police station. He was awarded damages and an enhanced pension due to the injuries. In 2002, the police instructed a firm of private detectives to observe C to see if he was doing anything that was inconsistent with his claimed injuries. Video footage showed him mowing the lawn. C sued the police claiming that they had carried out Directed Surveillance under RIPA without an authorisation. The Tribunal ruled that this was not the type of surveillance that RIPA was enacted to regulate. It made the distinction between the ordinary functions and the core functions of a public authority:

“The specific core functions and the regulatory powers which go with them are identifiable as distinct from the ordinary functions of public authorities shared by all authorities, such as the employment of staff and the making of contracts. There is no real reason why the performance of the ordinary functions of a public authority should fall within the RIPA regime,

which is concerned with the regulation of certain investigatory powers, not with the regulation of employees or of suppliers and service providers.

AB v Hampshire Constabulary (Investigatory Powers Tribunal ruling 5 February 2019)

This case relates to whether the use of body worn cameras can amount to surveillance as defined by legislation. In this matter, the Tribunal concluded that in this case video recording was capable of amounting to surveillance under Part II of RIPA (2000). The decision can be viewed here. <https://www.ipt-uk.com/docs/IPT%20Judgment%20-%20AB%20v%20Hants%20Constabulary.pdf>

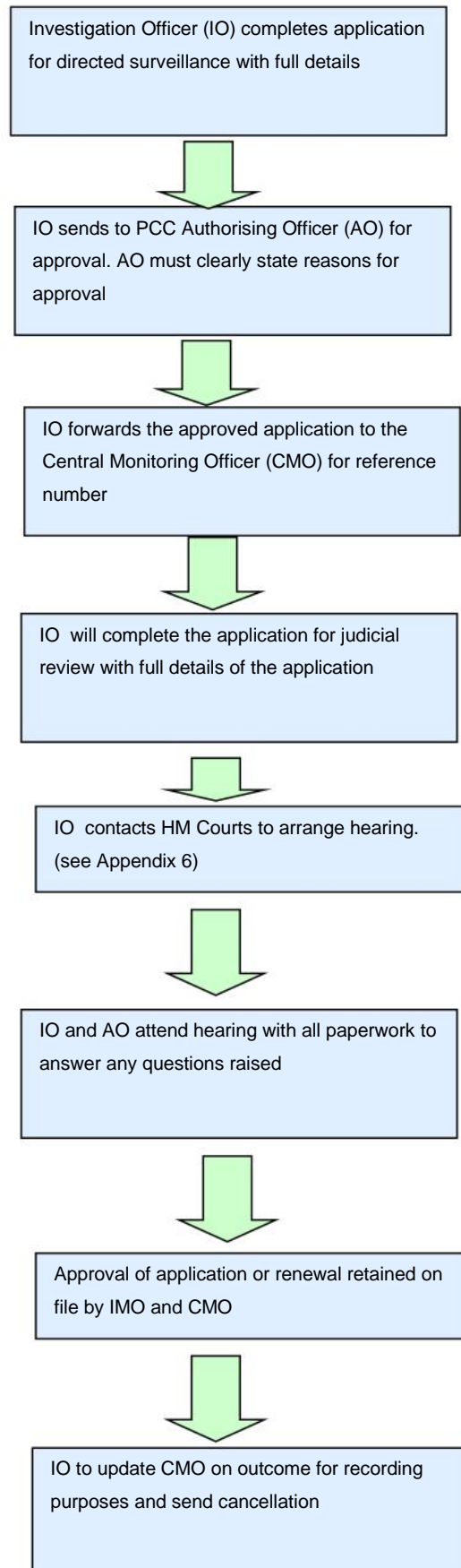
Gary Davies v British Transport Police (Investigatory Powers Tribunal 5 February 2019)

British Transport Police undertook unauthorised surveillance which led to a public arrest and a press release publicising the alleged offences. Mr Davies was subsequently acquitted by a jury. British Transport Police officers had no proper understanding of the legal requirements for such surveillance and should have obtained authorisation. The surveillance was ruled unlawful. The Tribunal rejected the British Transport Police claim that the breach was technical as authorisation could and would have been obtained. This was rejected because the case against Mr Davies required further inquiries to have been made for authorisation to be possible. The Tribunal awarded Mr Davies costs of the criminal trial and also £25,000 in compensation for damages to his reputation suffered and harm caused.

APPENDIX 1 Officers (RIPA)

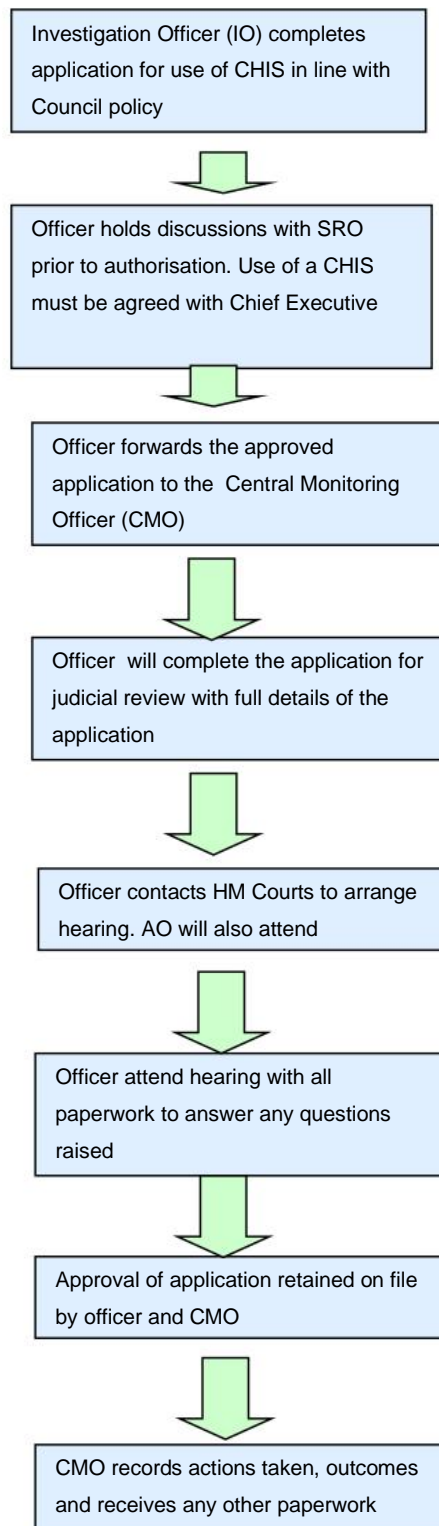
Senior Responsible Officer			
Rochelle Tapping	Director of Law & Governance, PCC & CCC	01733 452361	Rochelle.tapping@peterborough.gov.uk
Emma Duncan	Service Director: Legal & Governance	TBC	Emma.duncan@cambridgeshire .gov.uk
Authorising Officers			
Peter Gell	Assistant Director, Regulatory Services PCC & CCC	01733 453419	peter.gell@peterborough.gov.uk
Rob Hill	Assistant Director, Communities & Safety PCC & CCC	01733 864715	rob.hill@peterborough.gov.uk
Central Monitoring Officer for PCC and CCC			
Ben Stevenson	PCC	01733 452387	Ben.stevenson@peterborough.gov.uk

APPENDIX 2 Procedure for directed surveillance application

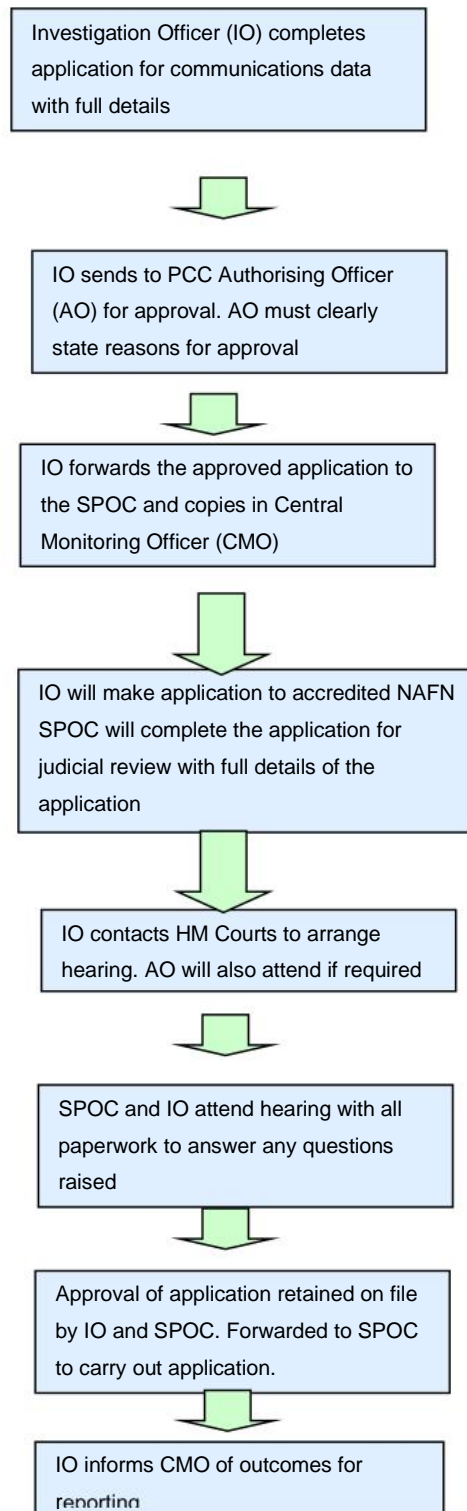


APPENDIX 3 Procedure use of Covert Human Intelligence

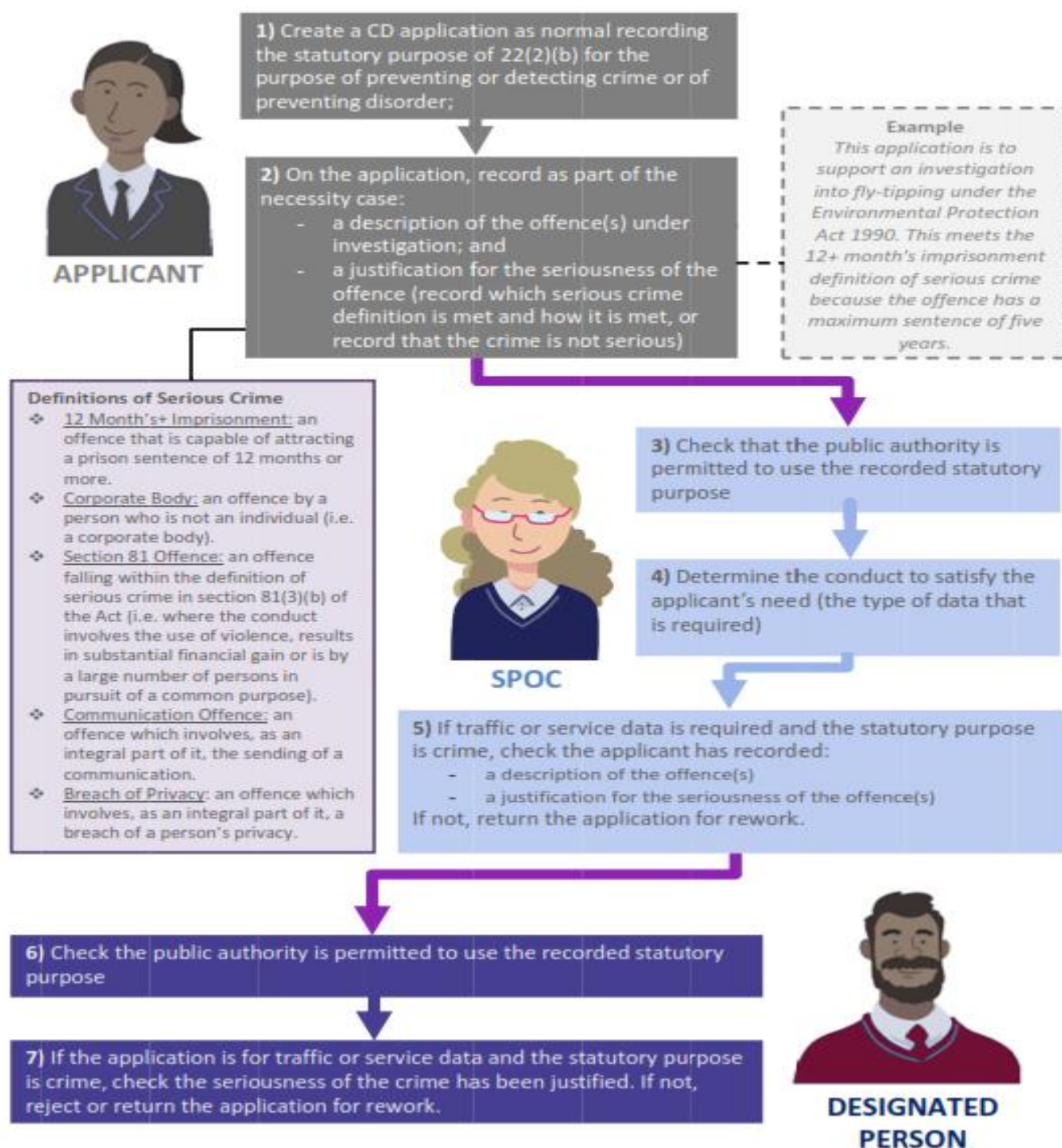
Source



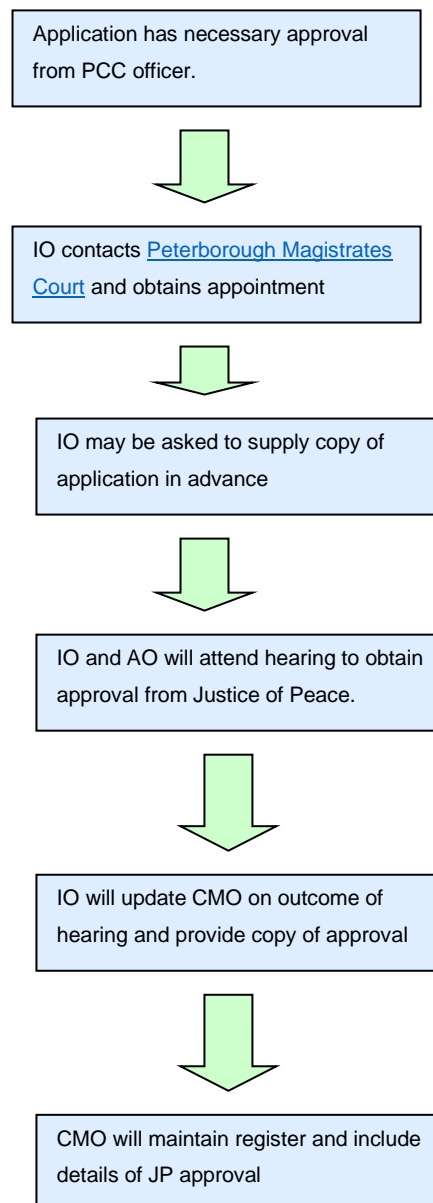
APPENDIX 4 Procedure for obtaining communications data



APPENDIX 5 Flow Chart of Changes to Communications Data



APPENDIX 6 Procedure for obtaining judicial approval



APPENDIX 7 Surveillance Assessment

	Notes
<p>Specific location</p> <ul style="list-style-type: none"> • Type of property • Residents • Number and locations of entrances/exits • Vehicular access • Any obstructions • Any risks 	
<p>General Area</p> <ul style="list-style-type: none"> • Type of area e.g. residential or commercial • Shops in locality • Schools • Any potential hazards 	
<p>Subject</p> <ul style="list-style-type: none"> • Identity • Potentially violent • Vehicles used • Any known other sites 	
<p>Collateral intrusion</p> <ul style="list-style-type: none"> • Detail any other individuals of whom private information may be captured • Associates • Family Children • How will it be limited e.g. times, techniques 	
<p>Observation Point</p> <ul style="list-style-type: none"> • Is location approved? • Does it require use of another building? • Routes to and from • In event of discovery of operation, agreed movement 	
<p>Equipment</p>	

<ul style="list-style-type: none">• What is being used?• Do they work?• Any issues regarding signal reception on phones		
Health and Safety Assessment		
Hazard (including who may be harmed)	Level of Risk	Mitigating controls

APPENDIX 8 – Non RIPA Applications

RIPA Determination Checklist

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
<p>I have considered the following and confirm that no activity requiring authorisation under RIPA is required.</p> <p>If the answer is yes to each question then RIPA <u>did or does</u> apply.</p>			
Is or was activity considered to be covert surveillance?	Yes	No	
Is or was the surveillance directed?	Yes	No	
Is or was the investigation into a criminal offence?	Yes	No	
Is or was confidential or private information likely to be obtained?	Yes	No	
Did or does the offence meet the crime threshold?	Yes	No	
Signed			
<p>Line Manager/File Review:</p> <p>I have reviewed and considered that there has been no activity which required authorisation under RIPA.</p>			
Name:			
Signed:			

Date:

APPENDIX 9 - Social Media/Internet Access Log

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
Case including reference			

Visits number	Date	Site Accessed	Reason	Information obtained	Public or Private?

Please note repeated visits will be considered monitoring and you should seek advice on making an appropriate application

You should not use a false identity or build/maintain a relationship to obtain private information about someone.

If you have obtained private information then you should consider an appropriate application

Draft Annual Governance Statement 2022-23

To: Audit & Accounts Committee

Meeting Date: 26th May 2023

From: Mairead Claydon, Head of Internal Audit & Risk Management

Outcome: This report presents the draft Annual Governance Statement (AGS) and Action Plan for 2022 - 23 for consideration by Audit & Accounts Committee.

The final version will subsequently be signed off by the Chief Executive and the Leader of the Council and incorporated into the Council's accounts.

Recommendation: Audit & Accounts Committee is requested to consider if the draft AGS at Appendix A is consistent with its own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 2.3.

Any suggested amendments can then be actioned in advance of the AGS's presentation inclusion in the Council's Draft Accounts.

Officer contact:

Name: Mairead Claydon
Post: Head of Internal Audit & Risk Management
Email: Mairead.claydon@cambridgeshire.gov.uk
Tel: (01223) 715542

Member contacts:

Names: Councillors Graham Wilson and Nick Gay
Post: Chair/Vice-Chair
Email: graham.wilson@cambridgeshire.gov.uk
nick.gay@cambridgeshire.gov.uk
Tel: 01223 699831

1. Background

- 1.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 1.2 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 1.3 The draft AGS is presented to the Audit and Accounts Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and control.

2. Main Issues

- 2.1 The draft AGS (at Appendix A) has been compiled by officers in Internal Audit and Risk Management based upon the following:
 - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace Delivering Good Governance in Local Government Framework.
 - Self-assurance statements prepared by directors and input from the Cambridgeshire Corporate Leadership Team;
 - The Head of Internal Audit's opinion on the Council's internal control environment, which will also be reported to the Audit & Accounts Committee on 26th May 2023.
- 2.2 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:
 - The Council's responsibilities for ensuring a sound system of governance;
 - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
 - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
 - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - Reference to how issues raised in the previous year's Statement have been resolved;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.
- 2.3 'Significant Governance Issues' are those that:
 - Seriously prejudice or prevent achievement of a principal objective of the authority;

- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

3. Significant Implications

3.1 Resource Implications

There are no significant implications within this category.

3.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

3.3 Statutory, Legal and Risk Implications

The delivery of an Annual Governance Statement is an important statutory requirement which enhances public reporting of governance matters.

3.4 Equality and Diversity Implications

There are no significant implications within this category.

3.5 Engagement and Communications Implications

There are no significant implications within this category.

3.6 Localism and Local Member Involvement

There are no significant implications within this category.

3.7 Public Health Implications

There are no significant implications within this category.

3.8 Climate Change and Environment Implications on Priority Areas (See further guidance in Appendix 2):

3.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral status

3.8.2 Implication 2: Low carbon transport.

Neutral status

3.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Neutral status

3.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Neutral status

- 3.8.5 Implication 5: Water use, availability and management:
Neutral status
- 3.8.6 Implication 6: Air Pollution.
Neutral status
- 3.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Neutral status

Have the resource implications been cleared by Finance? N/A

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Have the equality and diversity implications been cleared by your EqIA Super User?
N/A

Have any engagement and communication implications been cleared by Communications?
N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Have any Public Health implications been cleared by Public Health?
N/A

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer?
N/A

4. Source documents

4.1 Source documents

Director Assurance Statement Returns
Cambridgeshire County Council Code of Corporate Governance
Internal Audit Annual Report

4.2 Location

Internal Audit team, New Shire Hall, Alconbury Weald

DRAFT ANNUAL GOVERNANCE STATEMENT

Contents of the Annual Governance Statement 2022/23

1. Background and Scope

- 1.1 Scope of Responsibility
- 1.2 The Purpose of the Governance Framework
- 1.3 Key Elements of the Council's Governance Framework

2. Review of Effectiveness

- 2.1 Approach and Scope for the Review of Effectiveness
- 2.2 Review of Effectiveness
 - i. Council Planning
 - ii. Performance Management
 - iii. Executive Decision-Making and Scrutiny
 - iv. The Audit & Accounts Committee
 - v. Statutory Officers
 - vi. Management
 - vii. Internal Audit
 - viii. Review of Internal Audit
 - ix. External Audit
 - x. Risk Management

3. Conclusions and Approval

- 3.1 Key Governance Developments in 2022/23
- 3.2 Significant Governance Issues
- 3.3 Future Governance Considerations
- 3.4 Conclusions
- 3.5 Leader of the Council and Chief Executive Statement

ANNEX A: Annual Governance Statement Action Plan

DRAFT ANNUAL GOVERNANCE STATEMENT

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture, and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the Annual Report and Statement of Accounts.

1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

DRAFT ANNUAL GOVERNANCE STATEMENT

The key elements of the systems and processes that comprise the Council's governance arrangements are:

Leadership and Decision-Making:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities, as set out in the Strategic Framework 2023 - 2028. The Framework communicates the Council's vision of its purpose and the ambitions which shape its key strategies and its day-to-day service delivery.
- An established annual business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution sets out: Schemes of Delegation to members and officers; Financial and Contract Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. There are arrangements in place to ensure these are reviewed regularly;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- An Engagement and Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

Monitoring the Achievement of Objectives:

- The mechanisms of the Council's performance management system, and financial and performance reporting, provide oversight of the Council's performance in achieving objectives;
- The Council's risk management system provides local and corporate oversight of how risk is identified and controlled to support the achievement of objectives;

Oversight and Scrutiny:

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

DRAFT ANNUAL GOVERNANCE STATEMENT

- There are embedded arrangements for whistleblowing under the Public Interest Disclosure Act, as well as routes for raising other types of concerns including safeguarding, information security and employment concerns. There are policies in place for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.
- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Head of Internal Audit and Risk Management's annual report.
- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Cambridgeshire Corporate Leadership Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.
- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.

DRAFT ANNUAL GOVERNANCE STATEMENT

- The annual report and opinion on the internal control environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2022/23 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.
- The completion of Self-Assurance Statements by directors.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. This report reflects the structures in place during the 2022/23 financial year and highlights any changes during the course of the year.

i. Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan, which incorporates the Council's Strategic Framework 2023 – 28, the Medium-Term Financial Strategy and associated strategies.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning, and which has the full involvement of senior administration councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's vision and strategic ambitions in the short and medium terms.

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Strategic Framework and Budget was approved by Full Council on 7th February 2023.

ii. Performance Management

The Council refreshed and updated its approach to performance management in 2021/22, with a new Performance Management Framework approved by Strategy and Resources Committee on 27th January 2022 and by Full Council on 8th February 2022 as part of the business planning process. The 2022/23 financial year was therefore the first full year of operation for the new Framework.

Under the new Framework, Strategy and Resources Committee is due to have central oversight of the framework and will monitor a cross-cutting set of Strategic Key Performance Indicators (KPIs) consisting of 15-25 indicators, while Policy and Service Committees will monitor their own KPIs relating to their areas of oversight.

Due to the development of the new Performance Management framework and the development of a new strategic framework, reporting on the former suite of KPIs had been paused during the

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2021/22 year. Performance Reporting on the KPIs under the new Framework has recommenced in 2022/23 for all Committees other than the Children and Young People's Committee. The Strategy & Resources Committee received regular updates on KPIs relating to Corporate Services; however the Committee has yet to receive reporting on the set of Council-wide cross-cutting Strategic Key Performance Indicators, which were drafted as part of the new Strategic Framework. Responsibility for reporting on KPIs, and ownership of the Performance Management Framework, will be transitioning to the new Performance & Governance team within the Strategy & Partnerships directorate early in the 2023/24 financial year.

The Council produces an Integrated Finance Monitoring Report (IFMR) for the Corporate Leadership Team on a monthly basis. IMFRs are also presented regularly to meetings of the Strategy and Resources Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees.

iii. Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's five cross-party Policy and Service committees and the Strategy and Resources Committee, which has an overarching and co-ordinating role and has authority for oversight, operation and review of Corporate Services.

Executive decisions may be reviewed following request by at least 9 full members of the Strategy & Resources Committee, which must be made within 3 days of a decision being published.

iv. The Audit and Accounts Committee

In line with its Terms of Reference, the Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit and Accounts Committee.

The Audit and Accounts Committee met regularly during 2022/23, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, Section 151 Officer, Director of Public Health, Director of Children's Services and Director of Adult Social Services were effectively fulfilled during 2022-23 and up to the date of this report.

There have been a number of changes in statutory officers at Cambridgeshire County Council during the course of 2022/23.

At the start of 2022–23, the Council shared its Executive Director of People Services with Peterborough City Council, along with a joint service structure which included shared posts for the

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Service Director: Adults (statutory Director of Adult Social Services (DASS)) and Service Director: Children's Social Care (statutory Director of Children's Services (DCS)). These roles were filled on an interim basis, pending the review of the shared services arrangements by Cambridgeshire and Peterborough.

Both Councils' Staffing & Appeals Committees agreed to proposals to separate the shared People service on 1st December 2022. At the end of March 2023, the Council confirmed the appointment of a new Executive Director for Children, Education & Families (statutory DCS) and an Executive Director for Adults, Health & Commissioning (statutory DASS). It is anticipated that the new post holders will start in role in summer 2023; until that point, the interim arrangements will continue to provide cover for these statutory roles.

The new Executive Director: Finance & Resources started in post on 13th March 2023 and took up the role of Section 151 Officer from the Service Director: Finance & Procurement at this point.

Following the departure of the Council's former Monitoring Officer at the end of November 2022, an interim was appointed until the new Monitoring Officer and Service Director: Legal & Governance could take up post on 27th March 2023.

vi. Management

The Council's Corporate Leadership Team and Service Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

Where directors identified key issues or particular areas of governance as part of their self-assurance statements, this feedback has been incorporated into the conclusions at Section 3 of this report.

vii. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least

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annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided her annual report to the Audit Committee on 26th May 2023. The report outlined the key findings of the audit work undertaken during 2022/23, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2022/23, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Head of Internal Audit that:

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2022/23 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2023.

This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2022/23 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of the Internal Audit Annual report.

I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Assurance opinions from Internal Audit reviews in 2022/23 showing a predominance of 'moderate' audit opinions. No instances were identified in-year where audit findings were deemed to have a 'major' organisational impact, and one action was recommended which was risk assessed as being 'essential' to avoid exposure to a significant organisational risk.*

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- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems. A prior-year issue around payroll control accounts is being addressed and will be reviewed in detail in a future audit undertaken by West Northamptonshire colleagues.*
- *Procurement and contract management remains a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and work completed throughout the year.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance. There are some areas within the corporate policy framework which require further development, particularly with regards to project management and partnerships governance. There have been significant planned and actual changes in organisational structure at the Council in 2022/23 coupled with changes in senior management, and work to manage and embed these changes will continue into the new financial year. Organisational change of this nature may increase governance risk in the short term.*
- *62% of agreed audit actions due for implementation in 2022/23 have been completed by the organisation. This is broadly similar to the implementation rate of 64% for 2021/22.*

During 2022/23, the Council's Internal Audit service:

- *Had unrestricted access to all areas and systems in the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment.*

As a result, there are no qualifications to the 2022/23 Head of Internal Audit position statement. It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- Mairead Claydon, Head of Internal Audit & Risk Management

The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee on 26th May 2023.

viii. Review of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013. The Internal Audit service has operated in compliance with PSIAS throughout the year.

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Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the previous external review of the Cambridgeshire team took place in the 2017/18 financial year, an external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was completed in 2022. The full report on this review was presented to Audit & Accounts Committee in November 2022, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

ix. External Audit

On 14 December 2017, the PSAA board approved the appointment of EY to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

Objections have been made by a single local elector to EY as the external auditor during the audits for the years ending 2019, 2020, 2021 and 2022 in accordance with the provisions of section 27 of the Local Audit & Accountability Act 2014. On 3 March 2023, the external auditor determined the outcome of all of these objections and issued a detailed statement of reasons. The auditor decided to take no action at this time in response to the objections, declining to issue a public interest report or apply for a declaration of an unlawful item of account. The period for the appeal to the courts of this decision, in respect of a declaration of an unlawful item, has now also expired with no further action taken by the objector. EY asked that the Council pay ongoing close attention to its procurement practices to ensure that historical weaknesses (highlighted in our most recent value for money conclusion issued in November 2021) continue to be remedied. The Council takes comfort from the review and determination by the external auditor of the various matters raised in the objections and that this statutory process has now completed without adverse action towards the Council.

As at the date of drafting there remain objections from a different local elector, relating to the years ending 2017 and 2018, assigned to the predecessor auditor. A senior representative of the responsible audit firm, BDO LLP, attended the Audit & Accounts Committee most recently in February 2023 and committed to progressing these matters urgently.

Largely as a consequence of the focus on the objections, and the nationwide issues impacting auditor capacity, the value for money conclusions of the auditor for the periods since 2018 are currently outstanding. Cambridgeshire is working with the external auditor to confirm an appropriate window for this work to take place, and would anticipate, as with the objections, receiving value for money opinions relating to multiple years concurrently.

There are growing problems nationally with completion and timeliness of external audits of financial statements, and Cambridgeshire, in common with the majority of Councils nationally does not yet have a financial statements audit opinion for the year ending 2022. For the year ending 2023 statutory timescales have reverted to the pre-pandemic stipulations. Our 2022-23 external audit is unlikely to be scheduled before the 2024 calendar year and the Council anticipates it will need to give public notice of reasons for delays with publication of draft and final financial statements. The reforms resulting from the Redmond Review of Local Audit and the uplift in audit fees resulting from the PSAA 2023-28 tender exercise are likely to take several years to bring about the

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improvements needed nationally to capacity and timeliness. The County Council is committed to improvement of its own processes for faster and more accurate production of statement of accounts in tandem with this.

In December 2022, PSAA confirmed the appointment of KPMG LLP as external auditor of Cambridgeshire County Council for five years from 2023/24 to 2027/28.

x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures, which were completely revised and updated in March 2022. The Corporate Risk Register has been updated throughout the year and presented to both the Strategy and Resources Committee and Audit & Accounts Committee at regular intervals.

During 2022/23, Cambridgeshire's Corporate Leadership Team has introduced new Risk & Assurance meetings. These formal meetings have a dedicated Terms of Reference intended to ensure regular detailed senior management oversight of the corporate and directorate risk registers, to reflect on feedback from Committee and to develop corporate oversight of risk and key independent assurances. Directorate Management Teams maintain their own risk registers and formally consider risk on a regular basis.

The Internal Audit Plan for 2023/24 presented to the Audit and Accounts Committee in March 2023 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2023/24.

3. CONCLUSIONS AND APPROVAL

3.1 KEY GOVERNANCE DEVELOPMENTS IN 2022/23

Where key governance processes or developments in the 2022/23 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

i. Corporate Programmes and Projects:

A restructure of corporate services engaged in delivering programmes and projects was initiated in the 2022/23 financial year. The next stage of this work in 2023/24 will be to develop a programme of work to strengthen the Council's governance of corporate programmes and projects; this will report to Corporate Leadership Team (CLT) and the Strategy and Resources Committee.

ii. Shared Services and Restructuring:

In 2022, Cambridgeshire County Council and Peterborough City Council agreed to proposals to separate most elements of their existing shared services, particularly in the former People

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& Communities Directorate. Implementation of these proposals is complex and involves a significant degree of change at every level of the Council's services.

In order to ensure successful implementation in 2023/24 while allowing for continuing delivery of services, each Directorate will develop a transition plan. A workstream has also been established to manage wider aspects of the separation process, such as IT systems, information security and procurement.

In addition to the separation of shared services, in 2022/23 Cambridgeshire County Council has undergone a major restructure at the most senior levels of its management. At the end of the financial year, the senior level restructure is largely complete with the majority of new Executive and Service Directors in post or due to start work by the summer. Further restructures within specific services, including Communities and Policy, are still underway.

iii. Safety Valve Funding:

In March 2023, Cambridgeshire County Council secured a package of additional support funding worth £49 million from the Department for Education under its 'Safety Valve' programme. This programme allows the Council to balance its budget for educational provision for children with special educational needs and disability (SEND), under the High Needs Block Funding element of the Dedicated Schools Grant (DSG).

As part of this agreement, Cambridgeshire will also make a contribution of £9 million over five years towards the reduction in the overall deficit of the DSG budget, and has committed to implementing a DSG Management Plan to deliver changes to the system to make it sustainable in the long term. The Council will provide regular monitoring reports to the Department of Education detailing progress against the conditions of the grant and various performance metrics.

iv. Waste Disposal

The Council discharges the majority of its statutory duties as a Waste Disposal Authority (WDA) through the Waste Management Private Finance Initiative (PFI) contract which started in 2008 and is due to expire in 2036. The introduction of the Environment Act 2021 and the rollout of the National Resources and Waste Strategy will result in changes to waste legislation that are highly likely to challenge current service delivery methods and increase the costs associated with the Waste PFI contract before the 2036 end date. This will therefore require the council to consider the implications for these changes for the current PFI arrangements.

The Council is committed to working with our public sector partners and has in place strong governance that includes continual consultation and transparency in its role as WDA. Our waste collection city and district council partners (including Peterborough City Council) are engaged through the Recycling in Cambridgeshire and Peterborough (RECAP) Waste Partnership. RECAP is an informal partnership where decisions are referred to a board made up of member representatives from each partner authority. Any decisions made by the RECAP board are then taken through the internal governance arrangements for each partners' own authority for formal approval.

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Day to day management of the Waste PFI contract is carried out by members of the waste team who escalate any matters that cannot be resolved at operational level to a Strategic Liaison Committee chaired by an independent chair and attended by the Executive Director Place and Sustainability and the contractor's Managing Director. This provides strategic direction, oversees major contract developments, takes oversight of the effectiveness of the Contract and provides a route to escalate contractual matters.

Following changes in legislation relating to Best Available Techniques conclusions (BATc), the permits for our private finance initiative (PFI) contracting partner operating the Waterbeach site were suspended by the Environment Agency (EA). As a consequence, waste processing at the Waterbeach site was suspended in August 2022 and alternative arrangements have been put in place until such time as an optimal solution can be implemented. This represents a significant financial risk to the Council and has necessitated additional governance arrangements to be introduced to effectively manage this project.

The widened Waste PFI BATc project is managed through a Joint Steering Group with the contractor Chaired by the Council's Head of Diligence and Best Value. The joint steering group reports directly to an internal Waste Project Board which is chaired by the Executive Director Place and Sustainability and includes senior representatives from finance, procurement & commercial and legal services. The Project Board is responsible for providing advice and direction to the BATc Project Team responsible for project delivery. Furthermore, the Project Board also ensures that officers are making decisions in the best interests of the Council and that officers are making decisions in line with the delegations allocated to them.

Elected Members receive regular, often detailed, updates from the waste service to ensure full oversight and opportunity for challenge, supporting transparency and robustness in decision making. A Waste Member Steering Group (WMSG) has been set up with cross party, cross committee representation from Environment and Green Investment and Strategy and Resources committees. This group receives regular updates from the Waste service, reviews risks, advises on matters of concern and provides a steer to the Waste Team and Officer Project Board on the strategic direction and policy formulation for the Council. Waste service matters are reported to the Environment and Green Investment committee and the financial aspects relating to the service reported to the Strategy and Resources committee.

3.2 SIGNIFICANT GOVERNANCE ISSUES

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. Significant governance issues are defined as those which:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;

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- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

A trial relating to the Guided Busway defects litigation is scheduled to take place in June 2023. The outcome of this trial has the potential to have a material impact on the Council's accounts, and is reported in the Statement of Accounts as a contingent liability.

Cambridgeshire County Council has been notified that the Health & Safety Executive intend to prosecute in relation to the deaths on the guided busway route. At the moment the Council is awaiting the detail of this.

3.3 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and uncertain and constrained levels of Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's Corporate Strategy and Budget is reflective of these pressures, and is subject to annual review, to ensure the major financial pressures facing the Council can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

The ongoing impact of inflation is also a key governance consideration for the Council as a whole, and particularly for services managing capital projects and high value contracts. Advanced ordering of major equipment has sheltered the Council from exposure for some costs; however, not all exposure to price volatility can be managed in advance, in particular with SME (small to medium size enterprise) suppliers.

In recognising these challenges, the Council is keen to strengthen the governance framework to mitigate against the risk of governance failure that has been seen in other institutions, which has been largely a cultural issue.

To facilitate this the Council has established the Statutory Officer Group consisting of the Head of Paid Service (Chief Executive), the Section 151 Officer and the Monitoring Officer to oversee the governance framework and direct work through the Annual Governance Statement Action Plan, which will be overseen by the Audit and Accounts Committee.

In addition to this the CIPFA Framework "Delivering Good Governance" (2016) has been supplemented by work done by the Centre for Governance and Scrutiny through the "Governance Risk and Resilience Framework" 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles through encouraging a culture of good and effective governance.

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The key principles of the framework are outlined below;

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

Over the course of the next year the existing governance framework will be tested against these principles and work undertaken where necessary and progress reported to the Audit and Accounts Committee on a regular basis.

This will form a sound basis for improvement work which owned and driven corporately across the organisation.

3.4 CONCLUSION

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

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the S151 / Chief Financial Officer in Local Government.

The authority's Code of Corporate Governance has undergone its annual review and is due to be published on Cambridgeshire County Council's public-facing website. This document demonstrates in detail that the Council's corporate governance and policy framework is aligned to the principles outlined by CIPFA/SOLACE in their *Delivering Good Governance In Local Government Framework*, and gives more information on how governance arrangements are monitored and reviewed.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements, as summarized in the Action Plan at Annex A to this document. Implementation of these actions will be monitored and reported on a six monthly basis.

3.5 LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Lucy Nethsingha
Leader of the Council

Dr Stephen S. Moir
Chief Executive

Councillor Graham Wilson
Chair of the Audit and Accounts Committee

May 2023

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Annual Governance Statement Action Plan

This Action Plan has been developed taking into consideration the outcomes from the annual review of corporate governance and development of the Annual Governance Statement; actions and issues identified by the Statutory Officer Group, issues arising from the Monitoring Officer report; governance issues raised by Internal Audit reviews; and third party feedback, inspections or complaints. The implementation of the actions outlined in this plan will be monitored through the Statutory Officers Group and reported to the Audit and Account Committee.

The actions are thematically grouped under the themes of the Centre for Governance and Scrutiny “Risk and Resilience Framework.”

Action	Owner	Target Date
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Establish Statutory Officers Group to discuss corporate governance arrangements and issues, and to reflect on recurring themes relating to Council improvement.	Service Director: Legal & Governance	Complete
Review Member Officer protocol to ensure that it supports the roles of Members and Officers in decision making.	Service Director: Legal & Governance	30 th September 2023
Implementation of decision-making guidance to improve quality of report writing.	Service Director: Legal & Governance	30 th September 2023
Ensuring openness and comprehensive stakeholder engagement.		
Re-development and implementation of Partnerships Guidance	Service Director Policy & Communities	30 th September 2023
Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Identification of key strategic policies and procedures	Service Director Policy & Communities	Complete

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Implement reporting against Strategic Key Performance Indicators (SKPI's) in line with the Council's Performance Framework and Strategic Framework.	Service Director Policy & Communities	30 th September 2023
Resume reporting on KPIs to the Children & Young People's Committee.	Service Director Policy & Communities	27 th June 2023
Determining the interventions necessary to optimise the achievement of the intended outcomes		
Consider the implementation of the Centre for Governance & Scrutiny Governance Review	Service Director: Legal & Governance	30 th June 2023
Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Development and implementation of Strategic Programme Management Office and Project Management Framework	Service Director Policy & Communities	31 st October 2023
Managing risks and performance through robust internal control and strong public financial management		
Audit & Accounts Committee to complete a review of effectiveness in line with CIPFA guidance.	Head of Internal Audit & Risk Management	31 st December 2023
Develop a three-year Risk Management Strategy outlining steps to develop and embed the Council's risk management processes.	Head of Internal Audit & Risk Management	31 st July 2023
Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Implement updated Declarations of Interest process for employees.	Head of HR Advisory / Strategic Finance Manager	30 th June 2023
Review of the Communications Protocol	Head of Comms/Chief Executive	30 th September 2023

Internal Audit Annual Report 2022-23

To: Audit & Accounts Committee

Meeting Date: 26th May 2023

From: Mairead Claydon, Head of Internal Audit & Risk Management

Electoral division(s): N/A

Key decision: No

Outcome: The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. This is reflected in the terms of reference of the Authority's Audit & Accounts Committee. The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2022 – 23.

The outcome is for Audit & Accounts Committee to consider the Annual Internal Audit Report for 2022 – 23 and be made aware of the Head of Internal Audit & Risk Management's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.

Recommendation: Audit & Accounts Committee is requested to review and comment on the Annual Internal Audit Report.

Officer contact:

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Email: Mairead.claydon@cambridgeshire.gov.uk
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Member contacts:

Names: Councillor Wilson and Councillor Gay
Post: Chair/Vice-Chair
Email:
Tel: 01223 706398

1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.

2. Main Issues

- 2.1 In line with PSIAS the annual internal audit opinion, and the basis by which the opinion has been reached, is set out in the Internal Audit Annual Report attached as Appendix A.

3. Source documents guidance

- 3.1 Source documents

Internal Audit Reports 2022/23

- 3.2 Location

Internal Audit team, New Shire Hall, Alconbury Weald

INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2022/23

Internal Audit & Risk Management Annual Report 2022/23

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1. INTRODUCTION

1.1 *The Annual Reporting Process*

- 1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.
- 1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE OPINION 2022/23

2.1 Chief Audit Executive Opinion

- 2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.
- 2.1.2 This opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. This assessment has taken account of the relative materiality of these areas, and management's progress in addressing control weaknesses.
- 2.1.3 Internal Audit operates independent of the organisation, as per the Internal Audit Charter, and there have been no compromises of Internal Audit's independence in its operation this year. The service was compliant with Public Sector Internal Audit Standards (PSIAS) requirements and undertook an external assessment against PSIAS during the course of the year (see Section 7.2, below, for more detail).

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2022/23 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2023.¹

This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2022/23 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Annex A.

I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Assurance opinions from Internal Audit reviews in 2022/23 showing a predominance of 'moderate' audit opinions. No instances were*

¹ The opinion of 'moderate' assurance reflects the service's standard definitions for assurance opinions, indicating that audit work has identified that there are control weaknesses that present a medium risk to the control environment; and that the control environment has mainly operated as intended, although errors have been detected. For more detail please see Section 3.2.4, below.

identified in-year where audit findings were deemed to have a 'major' organisational impact, and one action was recommended which was risk assessed as being 'essential' to avoid exposure to a significant organisational risk. See Section 4.1 for more details.

- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems. A prior-year issue around payroll control accounts is being addressed and will be reviewed in detail in a future audit undertaken by West Northamptonshire colleagues. See Section 4.2 for more details.*
- *Procurement and contract management remains a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and work completed throughout the year. See Section 4.5 for details.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance. There are some areas within the corporate policy framework which require further development, particularly with regards to project management and partnerships governance. There have been significant planned and actual changes in organisational structure at the Council in 2022/23 coupled with changes in senior management, and work to manage and embed these changes will continue into the new financial year. Organisational change of this nature may increase governance risk in the short term.*
- *62% of agreed audit actions due for implementation in 2022/23 have been completed by the organisation. This is broadly similar to the implementation rate of 64% for 2021/22. See Section 4.1.6 for more details.*

During 2022/23, the Council's Internal Audit service:

- *Had unrestricted access to all areas and systems in the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment. See Section 7.3.3 for more details.*

As a result, there are no qualifications to the 2022/23 Head of Internal Audit position statement. It should be noted that no systems of control can

provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- Mairead Claydon, Head of Internal Audit & Risk Management

3. REVIEW OF INTERNAL CONTROL

3.1 The Basis of Assurance

3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, Internal Audit continually updates a risk-based Audit Plan. This Plan includes a comprehensive range of work that is prioritised and completed to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

3.1.2 The findings and assurance levels provided by the reviews undertaken throughout 2022/23 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.1.3 At Cambridgeshire County Council, it is recognised that the Annual Internal Audit Plan essentially comprises two key elements:

The “Core” Audits: This is the part of the Plan which remains largely unchanged from year-to-year. It comprises key areas of assurance which are reviewed every year, such as Key Financial Systems, grant compliance audits, strategic risk management, and core governance reviews, as well as allowances of time for ongoing areas of work including reporting to the Audit Committee and senior management, and following-up on the implementation of agreed actions from previous audit reviews. However, it must be recognised that completion of these core audits alone would not give sufficient assurance to fully inform the Chief Audit Executive’s annual opinion.

The “Flexible” Audits: This is the part of the Plan which varies significantly from one year to the next, comprising audits of areas which are identified as being high-risk through the Internal Audit risk assessment process. Equally, the broader themes within the flexible audits remain largely consistent; for example, each year it is expected that a significant resource would be directed towards audits to provide assurance over financial governance arrangements, although the specific areas under review varies according to the risk assessment.

3.1.4 In practice, this means that the ‘core’ element of the Plan is set annually, while the ‘flexible’ element of the Plan is presented as a series of rolling quarterly Audit Plans, based on current risk assessments.

3.1.5 Quarterly risk assessments ensure that the timing of planned audits is always actively informed by an up-to-date assessment of the areas of highest risk, and that the flexible plan is subject to regular challenge and comment by both CLT and the Audit and Accounts Committee. This ensures the Audit Plan consistently reflects the changing public sector environment and emergence of new risks throughout the year, and that the work completed by Internal Audit is sufficient to give an evidence-based opinion over the control environment for the year.

3.2 *How Internal Control is Reviewed*

3.2.1 Every Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

3.2.2 However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

3.2.3 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.

3.2.4 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

- 3.2.5 Organisational impact is reported as major, moderate or minor (as defined below). Any reports with major organisational impact are reported to CLT, along with the agreed action plan.

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

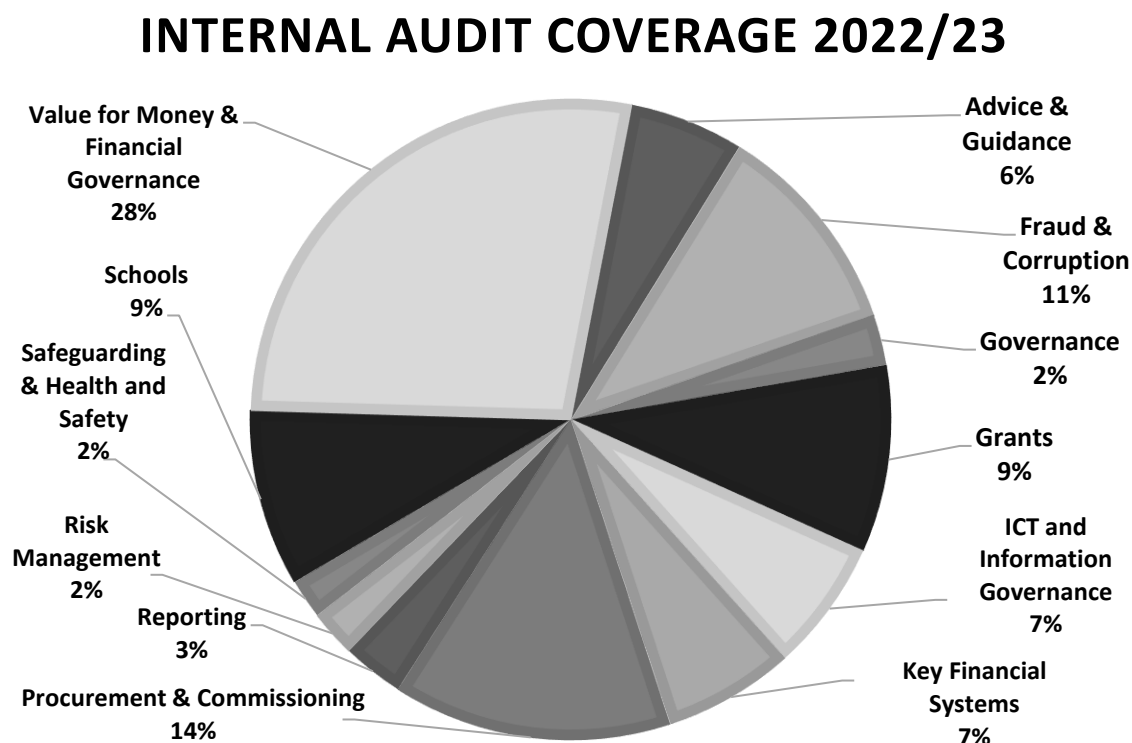
3.3 *Internal Audit Coverage in 2022 - 23*

- 3.3.1 The Council's Internal Audit Plan 2022/23 sought to provide assurance across the Council's control environment, with reviews targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, contract management, safeguarding and achieving value for money.
- 3.3.2 In order to give a sense of the breadth of coverage provided by Internal Audit reviews this year, Section 4 of this report provides more detailed information on the audit reviews carried out in 2022-23, by 'assurance block'. These

assurance blocks are aligned to key risk areas for the Council, such as financial governance, procurement, or ICT and information governance risk.

- 3.3.3 The chart below seeks to demonstrate how Internal Audit time has been split across these different areas of assurance in practice during 2022/23:

Chart 1: Internal Audit Coverage in 2022/23, by Assurance Block:



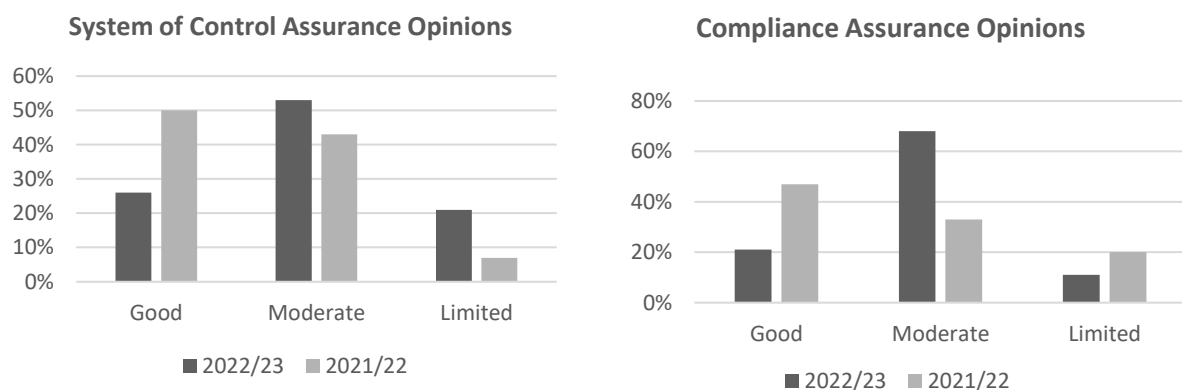
- 3.3.4 It should be noted however that only the primary risk assurance area for the audit has been used to calculate this chart. Some audits will provide coverage of multiple risk areas; for example, the reviews of fostering payments was primarily focused on the financial governance of the fostering service but also considered an element of how the Council's contracts seek to manage safeguarding risk. The true risk coverage of the audits delivered in 2022/23 will therefore be broader than that shown in the chart above.

4. INTERNAL AUDIT IN 2022/23

4.1 Overview and Key Findings

4.1.1 The charts below summarise the range of audit assurance opinions from internal audit reviews delivered in 2022/23, compared to the opinions issued in the previous financial year.² This demonstrates the predominance of 'moderate' assurance opinions in 2022/23, indicating that audit reviews have identified areas of medium risk to the control environment, and/or errors and non-compliance with controls. This underpins the overall 'moderate' assurance on the control environment.

Chart 2: Internal Audit Assurance Opinions 2022/23 vs. 2021/22:



4.1.2 As the charts indicate, overall levels of assurance from reviews conducted in 2022/23 have reduced to some extent when compared to the assurance opinions in 2021/22. However, in both financial years only a single audit report with a 'moderate' organisational impact was issued, and no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This is an important indicator from the internal audit work, and again underpins the overall moderate assurance on the control environment.

4.1.3 In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommended actions to further improve the system of control and compliance. All agreed actions from Internal Audit reviews are assigned a risk rating as follows:

- **Essential** - Action is imperative to avoid exposure to a significant organisational risk.

² Excluding individual schools audits.

- **High** - Action is imperative to avoid exposure to a significant risk to the service area.
- **Medium** - Action is required to avoid exposure to a risk to the service area.
- **Advisory** - Consultancy recommendations which are intended to improve operational efficiency or enhance value.

4.1.4 In 2022/23, one recommended action has been issued that was rated 'essential'. This action is owned by the Head of IT Operations and is not yet due for implementation, with a target date of 30th June 2023.

4.1.5 It is recognised that management has the responsibility to manage risk and that recommendations may or not be accepted, or an alternative control may be agreed that achieves the same improved governance. Where the agreed actions arising from recommendations are considered to have a significant impact on the system of internal control, the implementation of those actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

4.1.6 An overview of the implementation of actions as at 31st March 2023 is summarised in Table 1, below³:

Table 1: Implementation of Audit Actions 2022-23

Recommendation Category	Essential	High	Medium	Total
Agreed and implemented.	0 0%	18 12.24%	74 50.34%	92 62.59%
Agreed and due within the last 3 months, but not yet implemented.	0 0%	8 5.44%	9 6.12%	17 11.56%
Agreed and due over 3 months ago, but not yet implemented.	1 0.68%	4 2.72%	33 22.44%	38 25.85%
TOTAL	1	29	115	147

Table 1a: Audit Actions Agreed but not due by 31/03/2023

³ Please note that the total reflects the number of recommendations required to be implemented within 2022-23, and therefore includes recommendations made in 2021-22.

Recommendation Category	Essential	High	Medium
Agreed but not due until after 31 March 2023.	1	12	56

- 4.1.7 Details of all actions which are overdue for implementation are provided at Annex B to this report.
- 4.1.8 There is one outstanding 'essential' recommendation. This relates to the Light Touch ICT Security Healthcheck review issued in May 2021, which identified that the Council's Public Sector Network (PSN) Certification had lapsed. The Council's ICT Service has been preparing to apply for re-certification throughout 2022/23, with regular updates provided to the Audit & Accounts Committee. The service are planning to undertake an external IT Health Check (required for certification) in May 2023, with the application for PSN following shortly afterwards.
- 4.1.9 Of the outstanding actions, 23 relate to a single audit review of capital project management within Place & Sustainability. Internal Audit is currently conducting a full follow-up audit to assess the implementation of the 26 recommendations agreed as an outcome of the original audit work completed in 2020/21. Audit fieldwork completed to date has led to the closure of 3 actions, primarily due to the updates made to the project gateway framework process and its supporting policies and guidance.
- 4.1.10 Details of outstanding recommendations, with explanations and updates, are regularly reported to the Audit & Accounts Committee as part of the Internal Audit Progress Reports.

4.2 *Financial and Other Key Systems*

- 4.2.1 This is the 2022/23 suite of annual core systems reviews, undertaken to provide assurance to management and other stakeholders, including external audit, that expected controls are in place for key financial systems and that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.
- 4.2.2 With the agreement of the Chief Finance Officer, during 2022/23 the audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes, North Northamptonshire Council and West Northamptonshire Council financial systems. The Cambridgeshire Internal Audit team deliver audits of the Accounts Payable, Income Processing, and Debt Recovery systems to the other partners, and receive reports on the Payroll and Pensions systems as well as ERP IT controls.

- 4.2.3 Table 2 below details the assurance levels of all key systems audits undertaken in 2022/23, compared to the assurance levels in 2021/22.

Table 2: Key Financial Systems Audits 2022/23

Key Financial Systems:	Audit Opinion 2022-2023		Audit Opinion 2021-2022	
	Environment	Compliance	Environment	Compliance
Accounts Payable	Good	Good	Good	Good
Income Processing	Good	Moderate	Good	Good
Debt Recovery	Moderate	Good	Moderate	Good
Bank Reconciliation	Good	Good	N/A	N/A
ERP IT General Controls	(TBC)	(TBC)	N/A	N/A
Payroll Transactions	(TBC)	(TBC)	Good	Good
Pensions	(TBC)	(TBC)	Substantial	Good

- 4.2.4 In 2021/22, Internal Audit became aware of an issue with payroll control accounts, where there was a high number and value of unreconciled items in CCC's payroll control accounts. High balances of unreconciled items pose a risk that debtors and creditors balances may be overstated, debts may be missed and payroll fraud may go undetected.
- 4.2.5 Payroll audits are conducted by West Northamptonshire as the Lead Authority for this system, and a Payroll Transactions audit report for the financial year 2021/22 was supplied to Cambridgeshire in October 2022; this did not provide coverage of payroll control accounts. Coverage will be provided by the 2022/23 Payroll audit by West Northamptonshire, however this report has not yet been received.
- 4.2.6 In the absence of a direct assurance provided by the Lead Authority over the full payroll system including payroll control accounts, the Cambridgeshire Internal Audit team has undertaken a light touch review of progress with resolving the high balances in payroll control accounts.
- 4.2.7 An action plan setting out how CCC payroll control accounts is in place, which includes specific issues that need to be addressed and a number of actions have been completed. Corporate Finance colleagues have confirmed that some process issues have been resolved, meaning that while backlogs still need to be cleared the situation is stabilised. Finance are meeting with Payroll officers on

a monthly basis and are provided with Payroll's monthly reconciliations of each control account.

- 4.2.7 Progress to clear items relating to prior financial years is being made. Corporate Finance analysis shows that items older than March 2022 (historic items) across all payroll control accounts have reduced by 1,324 from March 2022 to February 2023 from 7,385 to 6,061. Seven of the ten payroll control accounts have less than 50 historic items and only four have historic balances in excess of £15k. There are still substantial aged items and balances in relation to the teachers pensions control account, but again there is evidence that this has significantly reduced over the course of the past year.
- 4.2.8 Finance colleagues have confirmed that the backlogs will take significant amounts of time to clear; this is partly because the strategy Payroll are taking is to prioritise reconciliation of in-year items on an ongoing basis to ensure that backlogs do not increase. They are then addressing the historical items.
- 4.2.9 Finance colleagues confirmed in May 2022 that this issue had been considered by External Audit, and they were content that the unreconciled items did not represent a risk of material misstatement of the Council's accounts. Analysis undertaken by Corporate Finance shows (as noted above) that the value and volume of historic items is now significantly less and therefore there is little risk that current balances will adversely affect External Audit's opinion on the 22/23 accounts.

4.3 Value for Money & Financial Governance

- 4.3.1 This assurance block provides assurance over the control systems in place to ensure robust financial governance at Cambridgeshire County Council, as well as ensuring that value for money. Each audit we undertake includes consideration of value for money at its core. As well as a range of contract reviews, discussed below at 4.5, Internal Audit conducted work in the following areas to provide assurance over value for money and financial governance:

- Budgetary Control
- Aged Debt & Income Raising
- VAT
- Purchase Cards
- In-house and External Fostering Payments (draft)
- Accuracy of Coding on the General Ledger (draft)

4.4 Safeguarding and Health & Safety

- 4.4.1 Some of Cambridgeshire's key organisational risks relate to the need to safeguard our local citizens, service users, tenants, officers and Members. The Internal Audit team therefore consider safeguarding and health and safety risks

as part of our rolling risk-based Audit Plan, both as stand-alone audit reviews with a focus on these risks, and as an element of reviews which cover a range of different risk types.

4.4.2 Risk-based reviews completed in 2022/23 which either focused on safeguarding/health and safety risk, or provided some assurance over these risks as part of a wider review, were as follows:

- Fire Safety Checks
- In-house Fostering Payments (draft)
- External Fostering Payments (draft)

4.5 *Procurement, Contracts and Commissioning*

4.5.1 For the Council to achieve value for money from its contracts and commissioning, it is important that officers comply with legislation, policy and best practice when procuring and managing contracts. The Internal Audit team therefore conduct an annual review of Procurement Compliance, with the report in April 2022 giving an audit opinion of moderate compliance with the key procurement controls in the Council's Contract Procedure Rules.

4.5.2 Additionally, in 2022/23, Internal Audit has conducted reviews of the following major Council contracts and contract frameworks, with a total annual value of £35.1m, to provide assurance over this key risk area:

- Integrated Drug and Alcohol Treatment Contract (annual value £5.48m)
- Healthy Child Programme Section 75 Agreement (annual value £8.98m)
- External Fostering Payments (annual commitment across external fostering placements was £20.65m in 2021/22) (draft)

4.5.3 As part of the team's new process to provide assurance over the Council's Corporate Risk Register, Internal Audit also conducted a Risk Assurance Review of Risk 8 "Failure of key partnerships or contracts".

4.5.4 During the course of 2022/23, a wide range of audit actions have been implemented across the Council to strengthen controls around procurement, contracting and commissioning. This has included:

- Implementation of a new process for approval of consultancy procurement and associated internal communications campaign.
- Corporate reporting on procurement waivers and direct awards.
- Various updates to procurement guidance documents and the Terms of Reference of the Council's Procurement Governance Board.

- Amendment to the Council's Business Continuity Planning template, to prompt services to consider the risk of provider/contract failure as part of their business continuity plans.

4.6 ICT and Information Governance

4.6.1 Increasingly, the Council's operations are run through digital platforms which store and process large quantities of confidential data. As the Council is also subject to extensive legislation regarding its responsibilities in handling, storing and sharing data, this is a key risk area for the organisation. In 2022/23, Internal Audit has provided reviews of the following areas across ICT and Information Governance:

- Transparency Code Policy & Compliance
- ICT Change Management

4.6.2 Additionally, as part of the team's new process to provide assurance over the Council's Corporate Risk Register, Internal Audit conducted a Risk Assurance Review of Risk 9 "The Council is a victim of Cyber Crime". Representatives from Internal Audit also attend regular meetings of the Council's Information Management Board.

4.6.3 As outlined above at Section 4.1.6, a key outstanding action for the Council is re-obtaining its Public Services Network (PSN) certification.

4.7 Grants and Other Head of Audit Assurances

4.7.1 In 2022/23, there has been an increase in the number of grants issued by central government requiring sign-off by the Chief Internal Auditor to verify that funds have been spent in line with grant conditions. Internal Audit testing confirmed that the following grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions:

- Supporting Families
- Disabled Facilities Grant
- Adult Weight Management Grant
- Universal Drug Treatment Grant
- Biodiversity Net Gain Grant

4.7.2 Internal Audit also provides assurance over expenditure made by Cambridgeshire County Council on behalf of the Cambridgeshire and Peterborough Combined Authority (CPCA). These reviews provide assurance to the CPCA that central government grants passed to the Council from the CPCA have been spent in accordance with the relevant terms and conditions. The CPCA can then place reliance on Internal Audit's work to support their returns

to central government. In 2022/23, Internal Audit completed two grant reviews for the CPCA:

- Local Transport Capital Block Funding (Highways Maintenance);
- Pothole & Challenge Fund.

4.7.3 Internal Audit has continued to support review of grants distributed to support the local response to Covid in 2022/23. The team completed audit testing and certification for the following grants:

- Test Track & Trace Grant
- Contain Outbreak Management Fund

4.8 *Schools Audits*

4.8.1 Internal Audit undertake an annual programme of Schools Financial Governance reviews of individual schools. These reviews focus on purchasing and payroll controls, and are targeted towards schools which had been identified as higher-risk via the Schools Finance team or Schools Improvement Service processes, or where there had been recent changes of leadership at the school.

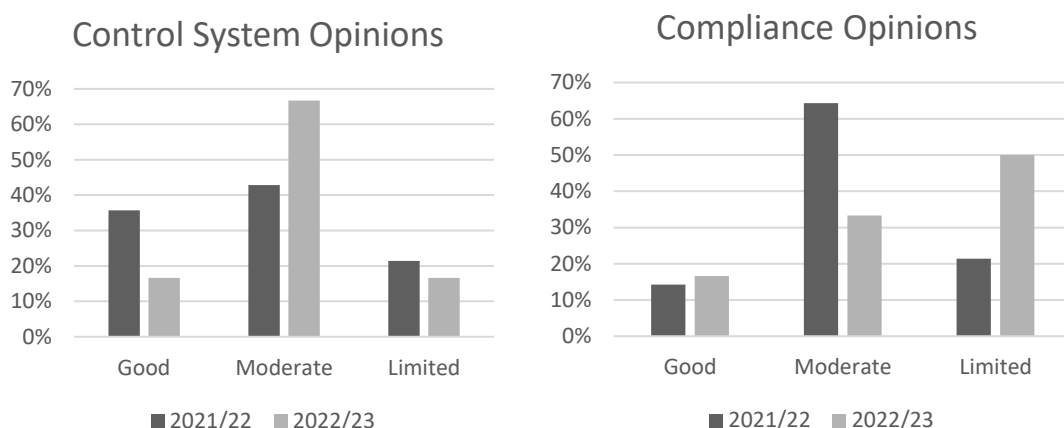
4.8.2 Internal Audit undertook 12 schools visits between September 2022 and December 2022 and issued reports to the schools. Headteachers were required to provide management responses and agree recommended actions, and return the report to Internal Audit. A final copy was then issued to the Headteacher and Chair of Governors.

4.8.3 A consolidated schools report has also been produced by Internal Audit, bringing together the findings across the various school visits. This includes identifying good practice as well as more common areas of weakness to be shared with schools, and some recommendations to improve financial policies and governance.

4.8.4 The consolidated report gave a 'moderate' level of assurance over schools' financial governance, equivalent to the audit opinion provided in 2021/22. Several actions from the 2021/22 audit remain outstanding (see Annex B for details), largely in relation to the need to make updates to Schools Financial Regulations.

4.8.5 The individual assurance opinions from each of these reviews are detailed in Annex A to this report. A comparison of the assurance opinions awarded in 2022/23 with those given in 2021/22 is provided below for reference. This shows a slight reduction in the level of assurance provided for schools financial governance in 2022/23, particularly in respect of compliance with key controls:

Chart 3: Outcomes of Schools Finance Governance Audits:



4.8.6 The implementation of actions to update Schools Financial Regulations should help address outstanding risks in this area. The report containing these recommendations was issued to the School's Finance Team in June 2022 and management responses targeted implementation dates in September 2022. However, these recommendations have yet to be implemented, with June 2023 now set as the target date. This may have contributed to the fact that schools audited in the 2022/23 programme were found to have many of the same thematic issues identified in 2021/22, including weaknesses around payroll and purchasing controls.

4.9 Other Work

4.9.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or concerns on to specialist services such as Information Governance or IT Security.

4.9.2 In 2022/23, Internal Audit was consulted for advice and guidance on a range of projects and issues across the Council. This included:

- CCC Payment Card Industry (PCI) Compliance project
- Proposals for adjustments to the Insight/Symology system in Highways
- A payment issue within the Commissioning team
- Council tax refund for care leavers

4.9.3 The team also provided feedback on proposed new or updated policies and systems while they were in draft. This has included:

- Contract Management Toolkit

- Policy Framework and Policy Library
- Financial processes within In-house Provider Services
- Social Fund Administration

4.9.4 In addition to the consultancy work outlined above, the Internal Audit team is also involved in responding to statutory returns and requests for information. In 2022/23, this has included responding to a range of Freedom of Information requests; an ombudsman complaint; and requests for information from the Department for Education.

4.10 *Summary of Completed Reviews*

4.10.1 A summary of all audit reports issued in 2022/23 is attached at Annex A.

5. ANTI-FRAUD & WHISTLEBLOWING

5.1 Overview of Whistleblowing Cases

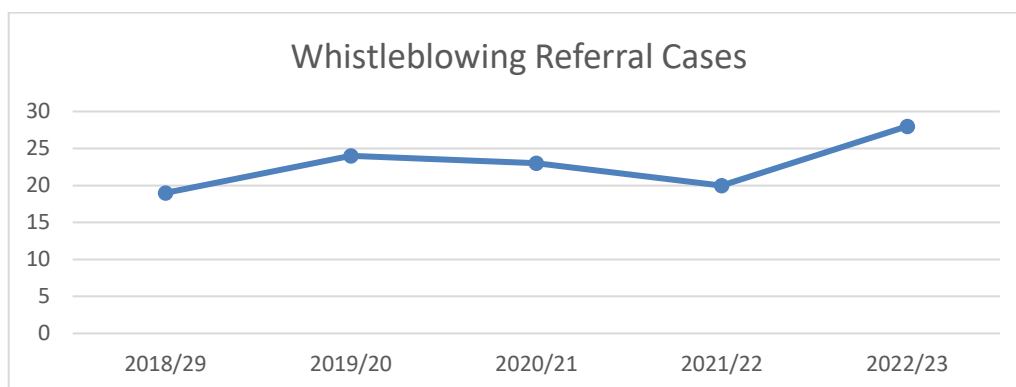
- 5.1.1 The Internal Audit service maintains a log of all whistleblowing referrals received by the team, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.
- 5.1.2 In 2022/23, a total of 28 whistleblowing referrals were received and processed by the Internal Audit Team at CCC. Table 3, below, shows the breakdown of these cases by the type of concern raised.

Table 3: Whistleblowing Referrals Received by Internal Audit in 2022/23:

Whistleblowing Cases reported to Internal Audit in 2022/23		Open	Closed	Total
Fraud	Third Party Fraud	1	4	5
	Bank Mandate Fraud (attempted)	0	1	1
	Phishing Fraud (attempted)	0	1	1
	Officer Fraud	0	1	1
	Direct Payments Fraud	1	1	2
	Client Funds Fraud	1	2	3
	Total Alleged/Attempted Fraud	3	10	13
Governance	Conflict of Interest	1	2	3
	Internal Governance Allegation	0	2	2
	School Governance Allegation	0	2	2
	Total Governance Allegations	1	6	7
Safeguarding	Safeguarding Concerns	0	1	1
	Health & Safety	0	1	1
	Total Safeguarding Allegations	0	2	2
HR	Grievance / Respect at Work concerns (inc. schools)	0	2	2
Theft	Theft	0	1	1
Non-CCC	Cases not within the Council's jurisdiction but referred to other agencies outside CCC	0	3	3
Total		4	24	28

- 5.1.3 This represents a slight increase in the number of whistleblowing referrals received compared to recent years.

Chart 4: Whistleblowing Referrals by Year:



5.1.4 A formal process of risk assessment is undertaken on all referrals, to identify the appropriate action to be undertaken. In the majority of cases, either:

- The initial review finds no investigation is required, for instance if the issue has already been dealt with internally; should be addressed through other procedures (such as the Respect At Work Policy); or is not serious enough to warrant a full investigation; or
- An investigation is initiated, but subsequently finds the allegation is not substantiated or only minor issues are found.

5.1.4 An overview of the outcomes of referrals received in 2022/23 is set out at Table 4, below, for the 24 cases which have been closed to date:

Table 4: Outcomes of Whistleblowing Referrals Received in 2022/23:

Outcome of Case	No. Cases
No action required (<i>Initial review of the referral finds no investigation is required e.g. the issue has already been dealt with or is not serious enough to warrant a full investigation</i>)	5 (21%)
Referred to relevant process (<i>Where initial review identifies that this should be dealt with through another corporate process rather than whistleblowing e.g. as a formal complaint or grievance, or safeguarding referral, and this is referred into the relevant process.</i>)	7 (29%)
No powers to investigate. (<i>Where concerns raised are not within the Council's powers to investigate, for example if they relate to an academy school or District Council services. Where possible the referral is passed on to the relevant organisation.</i>)	1 (4%)
Informal Audit advice & recommendations. (<i>Where a full investigation is not required but informal advice or guidance is issued to the relevant service on improving the control environment.</i>)	3 (12%)
Investigation indicates no serious concerns. (<i>An investigation has been initiated but subsequently finds the allegation is not substantiated or only minor issues are found</i>)	2 (8%)
Full audit investigation and recommendations.	2 (8%)

Police Referral / Taken to court	3 (12%)
Recovery action (<i>Recovery action is taken to recoup losses including setting up a payment plan, recouping overspends etc.</i>)	1 (4%)
Resolved within service. (<i>The issue is resolved within the relevant service without requiring a full investigation or onward referrals</i>).	0 (0%)
2022/23 Totals	24

5.2 *Fraud & Governance Investigations*

5.2.1 Where Internal Audit investigations into whistleblowing referrals are completed, Internal Audit issue recommendations to address any areas of weakness that the investigation identifies in the Council's systems of governance. Implementation of these recommendations is then followed-up by Internal Audit in the normal way and reported to Audit & Accounts Committee as part of the follow-ups process.

5.3 *Proactive Anti-Fraud Work*

5.3.1 During 2022/23 the Internal Audit team undertook a range of pro-active counter-fraud activities.

Policy Reviews and Updates:

5.3.2 Following the review of the Whistleblowing Policy in 2021, Internal Audit reviewed and updated the Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy, in order to make them more concise and easier for staff to understand. The updated policies were reviewed by the Audit & Accounts Committee on the 29th September 2022, and then approved by the Strategy & Resources Committee on the 20th October 2022.

5.3.3 To support the aims of these new policies, new E-learning modules are being developed by Internal Audit to communicate the key messages of the policies in a way that is easy to digest. In addition, communications campaigns have been undertaken utilising the staff intranet, Friday Focus emails and email cascade via Service Directors as to highlight these new, more user-friendly policies to staff.

Money Laundering Risk Assessment:

5.3.4 In accordance with CIPFA recommended best practice, Internal Audit undertook a Money Laundering Risk Assessment (MLRA) and issued a report in November 2022. The MLRA considered areas of Council operations which are particularly at risk of money laundering, and appraised the controls in place to prevent, identify and report issues relating to money laundering via Council systems. The report gave 'good' assurance that there are appropriate and proportionate

controls in place to prevent and detect money laundering in Cambridgeshire County Council systems.

- 5.3.5 The MLRA was undertaken alongside the drafting of the new Anti-Money Laundering Policy, so control gaps that were identified in the previous policy were subsequently addressed in the new Anti-Money Laundering Policy. Some control gaps were also identified regarding Council-owned or partner firms such as This Land and the Pension Fund for which formal recommendations have been made to those entities which will strengthen the Council's overall control environment.

Direct Payments:

- 5.3.6 There were five instances of suspected fraud relating to Direct Payments which were raised via CCC's Whistleblowing Service in the two-year period up to September 2022. In light of this, Internal Audit wrote a consolidated Direct Payments Audit report which considered the common themes and control gaps between these cases.
- 5.3.7 The report identified that it was often the same failures or gaps in the control environment which allowed these frauds to go undetected at first, and highlighted the possibility that there could be other similar cases of fraud which are currently going undetected. Consequently, the report made a number of recommendations to strengthen the service, including the ratification of a new Direct Payments Fraud and Misuse Policy, a draft of which was proposed by Internal Audit. As well as outlining the control environment surrounding Direct Payments, this policy aims to make all relevant staff aware of what to look out for to identify fraud and how they should report it, which was identified by the audit review as an area which needs improvement.

Council Tax NFI Project:

- 5.3.8 Throughout 2022/23, Internal Audit have been providing support and advice to a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud. This aims to identify fraud by data-matching using the 'Fraud Hub', specialist cloud-based software supplied by the Cabinet Office as an optional addition to the National Fraud Initiative exercise (NFI - see Section 5.4 below for more details). As Internal Audit are the service which co-ordinates the NFI for the Council, a representative from Audit joined the project to provide specialist input on the data-matching function and the collation of datasets for the project.
- 5.3.9 To date, a memorandum of understanding has been signed by the S151 Officers of all participating Councils, providing the terms on which the project will operate. As such, the project is now at the stage of collating the first round of datasets from various sources to undertake data-matching with. The District Councils have either completed or begun the process of appointing dedicated

staff to work on the project data, with a view for those staff to review and process each possible instance of fraud identified by the software. A review of the project will be undertaken six months after the first round of data-matching has been undertaken, to assess the revenue benefits of the project in comparison to its costs.

5.4 *National Fraud Initiative (NFI) 2022/23:*

- 5.4.1 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.
- 5.4.2 In 2022/23, the Internal Audit team co-ordinated the collation of data for the 2023 National Fraud Initiative exercise. This involved working with teams across Cambridgeshire County Council to obtain datasets, confirm they were in line with the required data specifications, and upload data in line with the national deadlines. Matches identified from this exercise were released in January 2023, and the Internal Audit team is now co-ordinating review of these matches by the relevant Council services.

6. RISK MANAGEMENT IN 2022-23

6.1 Overview of Risk Management

- 6.1.1 Under the Council's constitution, the Strategy & Resources Committee is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.
- 6.1.2 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. The Council's Risk Management Policy makes provision for escalation and de-escalation of risk through the tiers. On behalf of the corporate leadership team (CLT), the Executive Director of Strategy & Partnerships champions and takes overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council, including co-ordinating identified improvement activity.

6.2 Risk Management in 2022/23

- 6.2.1 An updated corporate Risk Management Policy was approved in March 2022 following a full review of the Council's policy and procedures. The Corporate Risk Register has been updated throughout the year and presented to both the Strategy and Resources Committee and Audit & Accounts Committee at regular intervals.
- 6.2.2 The Council's Corporate Leadership Team have introduced new regular Risk & Assurance meetings in 2022/23, with meetings taking place on 4th October 2022, 5th January 2023 and 8th March 2023. These formal meetings have a dedicated Terms of Reference intended to ensure regular detailed senior management oversight of the corporate and directorate risk registers, to reflect on feedback from Committee and to develop corporate oversight of risk and key independent assurances.
- 6.2.3 Throughout 2022/23, the Internal Audit & Risk Management team have provided advice and support to services seeking guidance on managing Directorate or service/project level risk registers. This has included:
- Attending Public Health DMT to discuss the PH Risk Register;
 - Assisting in the development of a Risk Register for the new Strategy & Partnerships Directorate and delivering risk workshops with heads of service and key managers within the new Directorate;
 - Supporting Place & Sustainability with a major review of their Directorate Risk Registers.

6.2.4 In 2022/23, Internal Audit team has completed a Risk Maturity Assessment for Cambridgeshire County Council, using a risk maturity framework from the Institute for Internal Auditors. This has identified that for 56% of the areas reviewed, the Council is operating at a 'risk enabled' level, the highest level of risk maturity within the framework. 38% of areas reviewed were at the 'risk defined' level, meaning that strategies and policies are in place and communicated, and just one area was identified which fell below this level. The intention is that the findings of this review will be used to create a long-term strategy for further development of risk management processes at the Council.

6.2.5 The annual report on Risk Management will be presented to Audit & Accounts Committee and Strategy & Resources Committee in July 2023. This will include the proposed three year Risk Strategy.

6.3 *Risk Assurance Reviews*

6.3.1 Over the course of the year, the Internal Audit & Risk Management team have developed a new approach to review and challenge individual risks on the Council's Corporate Risk Register, and to provide an independent assurance over the controls in place to manage the risk. There are three phases to the process:

- **Phase 1: Initial Review.** Reviewing the risk register and challenging identified triggers, controls and risk assessments. This aims to identify existing triggers or controls which may not have been identified previously on the risk register, and also to challenge the relevance of established triggers and controls.
- **Phase 2: Heat Map Assessment.** Reviewing the triggers and controls identified in Phase 1, to identify triggers which are poorly controlled and/or controls which manage a significant number of different triggers. The output of this is a prioritisation of controls for review by Internal Audit.
- **Phase 3: Assessment of Control.** Light-touch review of the controls identified as being a priority in Phase 2. This seeks to establish whether controls outlined in the risk register are in place; which triggers they mitigate against in practice; and whether they are serving to mitigate the risk in practice.

6.3.2 The initial review of each risk focuses on ensuring that appropriate controls are in place to manage the risk, while subsequent reviews will focus more on verifying that controls are being complied with in practice. A report is issued at the end of each review, and the expected outcome is for the risk owner to update the Corporate Risk Register and, as part of this, to develop an Action

Plan to further strengthen corporate control of the risk, based on findings and recommendations from the review.

6.3.3 In 2022/23, the Internal Audit & Risk Management team undertook two Risk Assurance reviews, focused on the following corporate risks:

- 'Failure of Key Partnerships or Contracts' (Risk 08 at the time of review)
- 'The Council is a victim of Cyber Crime' (Risk 09 at the time of review)

7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

7.1 *Delivery of the 2022/23 Internal Audit Plan*

7.1.1 The Cambridgeshire County Council Internal Audit Plan for 2022/23 was developed in early 2022, with the required resources confirmed as 1750 days. The draft Audit Plan was reviewed by Corporate Leadership Team (CLT), and by the Audit & Accounts Committee (AAC) on the 7th March 2022.

7.1.2 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, the Internal Audit Plan is regularly re-assessed and updated in line with changing risks throughout the year. Changes to the Plan were reviewed and challenged by CLT and the Audit and Accounts Committee through regular progress reporting.

7.1.3 The Internal Audit team maintains and tracks Key Performance Indicators (KPIs) to monitor delivery of the Internal Audit Plan. Due to vacancies within the team, Internal Audit resource has been heavily constrained within 2022/23, which is reflected in the reduced delivery against targets. However, it should be noted that team productivity (the % of time spent by staff on delivering productive audit work within the Audit Plan) remains on target. Given the capacity constraints, delivery has been focused on providing assurances that form part of the 'core' Internal Audit Plan.

TABLE 4: Cambridgeshire County Council Audit Plan Delivery 2022/23:

Delivery KPIs	Actual	Target	% Delivery
Delivery of the <u>core</u> Internal Audit Plan (days)	738	930	79%
Delivery of the <u>flexible</u> Internal Audit Plan (days)	540	820	66%
Audit Plan delivered (days)	1278	1750	73%
% Delivery of the <u>core</u> Internal Audit Plan (individual reviews)	62	73	85%
% Delivery of the <u>flexible</u> Internal Audit Plan (individual reviews)	11	20	55%
Audit Plan delivered (% individual reviews)	73	93	78%
Audit Team Productivity (%)	88.3%	85%	

7.1.4 As the Internal Audit team operates a 'rolling' approach to audit planning, there were a number of audit reviews which were underway at the end of 2022/23 but not yet delivered to draft report stage. These have been rolled over and will be delivered in the 2023/24 financial year as part of the flexible plan.

7.1.5 In addition to the audit days delivered to Cambridgeshire County Council, the Internal Audit team also delivers key financial systems reviews to North Northamptonshire, West Northamptonshire and Milton Keynes Councils, and delivers internal audit work to Pathfinder Legal Services. This external provision accounted for c.195 days of Internal Audit time in 2022/23; this time has not been included in the table above, which only shows delivery of the Cambridgeshire Audit Plan by the team.

7.1.6 All Internal Audit reviews delivered in-year are detailed at Annex A, below.

7.2 *Compliance with Public Sector Internal Audit Standards*

7.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the year.

7.2.2 In line with Public Sector Internal Audit Standards (PSIAS), the Internal Audit service maintains an Internal Audit Charter. Under PSIAS, the Charter is “a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities”. The Charter was completely rewritten and refreshed in 2022, and was reviewed and approved by Audit & Accounts Committee on the 7th March 2022.

7.2.3 An external assessment of Internal Audit’s compliance with Public Sector Internal Audit Standards (PSIAS) is required every five years. An external ‘peer-to-peer’ review by the Head of Internal Audit at Peterborough City Council was completed in 2022. The full report on this review was presented to Audit & Accounts Committee in November 2022, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

7.2.4 There was one attribute standard where an element of partial conformance was noted, but it was confirmed that this did not have a material impact on the assessment. This related to a lack of client feedback, due to the fact that customer feedback surveys had not been issued since 2020; however this process was reintroduced before the final PSIAS report was issued (see Section 7.3.7, below, for details).

7.2.5 Following the assessment, six actions were agreed to further improve compliance and effectiveness. These have all now been implemented, with the exception of the following action:

“Document within the Audit Manual the approach in relation to non-agreed / implemented recommendations.”

- 7.2.6 This final outstanding action will be completed when the Audit Manual is next reviewed and updated.

7.3 *Quality Assurance & Improvement Plan*

- 7.3.0 In accordance with the UK PSIAS Attribute Standard 1300, a Quality Assurance and Improvement Programme (QAIP) has been developed by Internal Audit. This includes both external assessments (discussed above at Section 6.2) and internal assessments to provide ongoing monitoring of Internal Audit activity and to provide assurance over the service's continued compliance with Public Sector Internal Audit Standards.

Continuing Professional Development:

- 7.3.1 Continuing professional development has been a major focus of the Internal Audit quality assurance programme in 2022/23, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality. A system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to evaluate audit activity and identify areas for development on an ongoing basis, as part of regular supervision of all staff.
- 7.3.2 In 2022/23, a key focus of staff development has been enhancing the role of weekly team meetings and using these to deliver training and development to all Internal Audit staff. This includes development sessions delivered by managers within the team, including sessions on communications skills; ethical dilemmas; and governance failures in local government. The team has also regularly invited colleagues from other Council services to speak at Internal Audit meetings, both to enhance professional development and to encouraging networking across the Council. This has included:
- Head of Business Intelligence presenting about the results of the Census in Cambridgeshire and forecasting demography.
 - Head of Diligence and Best Value presenting on price variations in contracts.
 - Head of Procurement & Commercial presenting about procurement.
 - Information Services Senior Advisor presenting about digital accessibility.
 - Senior Information Management Analyst presenting about information security.
 - Strategic Wellbeing & Engagement Business Partner presenting about staff wellbeing.

Staffing and Capacity:

- 7.3.3 In 2022/23, the Internal Audit & Risk Management team has undergone a change in leadership with the departure of the previous Head of Internal Audit

& Risk Management in May 2022. The previous Audit & Risk Manager successfully applied for this post; however the service has struggled to fill the subsequent Audit & Risk Manager vacancy, and the existing Group Auditor vacancy, throughout the 2022/23 financial year. This is in the context of an extremely competitive jobs market for internal audit across the UK; feedback from other local authorities in the region suggests that maintaining sufficient qualified staffing is a common issue for public sector Internal Audit teams.

- 7.3.4 These vacancies have created challenges in the delivery of the Audit Plan this year, which have been managed through regular re-profiling of the Plan, with a focus on ensuring delivery of the 'core' elements of the plan and sufficient breadth of the 'flexible' element of the Plan to provide a balanced year-end opinion. The team has also commissioned external resource to deliver audits of IT Security and IT Records Management in the new financial year.
- 7.3.5 As such, it is considered that the team has had resources that are just sufficient to enable it to provide adequate coverage authority's control environment to provide the annual opinion; however, resourcing remains a significant risk for the team in 2023/24. It will be critical that the Audit & Risk Manager and Group Auditor posts are filled in the new financial year, or that alternative arrangements to support audit resourcing are put in place, such as a co-sourcing arrangement.
- 7.3.6 A key part of the Internal Audit team's succession planning continues to be the operation of an Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA). In September 2022, two new Associate Auditors started work in the team under this scheme; and following a successful recruitment campaign undertaken with Finance, a further Associate Auditor is expected to start work in September 2023.

Customer Feedback Outcomes:

- 7.3.7 In August 2022, the Internal Audit team re-introduced the use of Customer Feedback Surveys to obtain feedback on the work of the team from senior management and recipients of Internal Audit reports. The team completely re-designed the questionnaire and introduced a new eForm, to ensure the process is straightforward and accessible for officers. Surveys are shared when final audit reports are issued, and the audit team also issued a survey requesting general feedback from CLT in March 2022.
- 7.3.8 In total, in 2022/23 nine completed surveys were returned to the team. Results were generally very positive, with 100% of respondents stating that they believed the work completed by Internal Audit added value to their service.
- 7.3.9 More detail on the findings from these surveys is provided below.

Table 5: Customer Feedback Survey Responses:

Questions:	Average score:	
How far do you agree that the auditors involved were professional, knowledgeable and approachable?	4.2 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	
How far do you agree that auditors engaged with officers to understand key service concerns and risks during the audit?	3.9 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	
How far do you agree that the draft audit report gave findings in sufficient detail and there was a chance to discuss findings and recommended actions appropriately?	4.6 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	
How far do you agree that final actions agreed as a result of the audit were relevant and reflected appropriate improvements in risk management and control?	4.1 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	
Has your perception of Internal Audit changed following your experience?	Yes - positively	2 (22%)
	Yes - negatively	0 (0%)
	No change	7 (78%)

CCC INTERNAL AUDIT – SUMMARY OF COMPLETED REVIEWS 2022/23

The table below summarises the Internal Audit reviews that were completed during the 2022/23 financial year. Where reports have been issued as draft but not yet finalised, this is noted and the draft opinion is given.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Key Financial Systems Reviews				
Accounts Payable	Cross Cutting	Good	Good	Minor
Bank Reconciliation	Cross Cutting	Good	Good	Minor
Debt Recovery	Cross Cutting	Good	Moderate	Minor
Income Processing	Cross Cutting	Moderate	Good	Minor
IT General Controls in ERP	Cross Cutting	TBC – Lead Authority audit		
Pensions	Cross Cutting	TBC – Lead Authority audit		
Payroll	Cross Cutting	TBC – Lead Authority audit		
Grant Reviews & Certifications				
Adult Weight Management Grant	Public Health	Grant Certification Provided		
Biodiversity Net Gain Grant	Place & Sustainability	Grant Certification Provided		
Contain Outbreak Management Fund	Public Health	Grant Certification Provided		
Disabled Facilities Grant	Adults	Grant Certification Provided		
Local Transport Capital Block Funding (Highways Maintenance)	In conjunction with CPCA	Grant Certification Provided		
Pothole & Challenge Fund	In conjunction with CPCA	Grant Certification Provided		
Supporting Families Grant	Children’s	Grant Certification Provided		
Test, Track & Trace Grant	Public Health	Grant Certification Provided		
Universal Drug Treatment Grant	Public Health	Grant Certification Provided		
Schools Audits				
Schools Financial Assurance Consolidated Report	Childrens	Moderate	Moderate	Minor
Ashbeach Primary School Audit	Childrens	Moderate	Moderate	N/A
Cherry Hinton Primary School Audit	Childrens	Limited	Moderate	N/A
Duxford Primary School Audit	Childrens	Good	Good	N/A
Fowlmere Primary School Audit	Childrens	Limited	Limited	N/A
Grove Primary School Audit	Childrens	Limited	Moderate	N/A
Homerton Children's Centre Audit	Childrens	Limited	Limited	N/A
Isleham Primary School Audit	Childrens	Moderate	Good	N/A
Milton Road Primary School Audit	Childrens	Moderate	Moderate	N/A
Newnham Croft Primary School Audit	Childrens	Limited	Moderate	N/A
St Matthew's Primary School Audit	Childrens	Good	Moderate	N/A
Teversham Primary School Audit	Childrens	Moderate	Moderate	N/A
Wheatfields Primary School Audit	Childrens	Limited	Moderate	N/A
Other Audit Reviews				

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Accuracy of Coding on the Financial Ledger (Draft)	Finance & Resources	Moderate	Moderate	Minor
Aged Debt & Income Raising	Finance & Resources	Moderate	Moderate	Minor
Budgetary Control	Finance & Resources	Good	Good	Minor
Drug and Alcohol Treatment System Contract	Public Health	Moderate	Moderate	Minor
External Fostering Payments (Draft)	Childrens	Moderate	Moderate	Minor
Fire Safety Checks	Finance & Resources	Limited	Moderate	Minor
Healthy Child Provision Section 75 Agreement	Public Health	Moderate	Limited	Minor
ICT Change Management	Finance & Resources	Moderate	Moderate	Minor
Internal Fostering Payments (Draft)	Childrens	Moderate	Moderate	Minor
Money Laundering Risk Assessment	Cross Cutting	N/A	Good	Minor
Procurement Compliance	Cross Cutting	Moderate	N/A	Minor
Purchase Cards	Finance & Resources	Moderate	Limited	Minor
Transparency Code Policy & Compliance	Strategy & Partnerships	Limited	Limited	Minor
VAT	Finance & Resources	Moderate	Limited	Moderate
Whistleblowing, Investigations & Case Review Reports (n.b. this section captures larger-scale reviews and investigations requiring >2 days input from the Audit team)				
Chartwell Assurance Review	People and Communities	Report issued.		
Conflict of Interest Case 092	Childrens	Investigation confirmed no concerns.		
Contractors Appointment Assurance	Cross Cutting	Report issued.		
Direct Payments Case 083	Adults	Case review completed and advice issued.		
Direct Payments Case 087	Adults	Case review completed and advice issued.		
Early Years Funding Investigation	Childrens	Report issued.		
Interim Fraud Case 097	Place & Sustainability	Report issued.		
Stretham Communities Capital Fund Review	Strategy & Partnerships	Report issued.		
Governance, Policy & Other Internal Audit Work				
Annual Governance Statement (AGS) /Code of Corporate Governance	Cross Cutting	Co-ordinated production of the AGS and review of the Code of Corporate Governance.		
Anti-Fraud & Corruption Policy Review	Cross Cutting	Full policy review.		
Anti-Money Laundering Policy Review	Cross Cutting	Full policy review.		
Council Tax NFI Project	Cross Cutting	Support and advice to project team.		
Direct Payments Fraud & Misuse Policy	Adults	Development of a draft corporate policy on fraud and misuse of Direct Payments		

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Information Management Board	Customer & Digital Services	Attendance at Board meetings to provide advice and support		
National Fraud Initiative	Cross Cutting	Co-ordinated 2022 data collection exercise.		
Public Sector Internal Audit Standards (PSIAS) Review	Strategy & Partnerships	Supporting the external peer review of the Internal Audit team’s PSIAS compliance.		
Sustainability Panel	Cross Cutting	Attendance at Panel meetings to provide advice and support		
Risk Management				
Risk Management Support	Cross Cutting	Support and facilitation to organisation-wide risk management activity		
Cyber Crime Risk	Finance & Resources	Risk Assurance review provided to Risk Owner		
Contracts & Partnerships Risk	Finance & Resources	Risk Assurance review provided to Risk Owner		
Risk Maturity Assessment	Cross Cutting	Moderate	Good	Minor

ANNEX B *Summary of Outstanding Recommendations*

(Recommendation status as at 31.3.2023).

Essential Recommendations overdue

Audit	Risk level	Summary of Recommendation	Target Date	Status
ICT Light Touch Security	E	<p>A target date for CCC re-obtaining PSN certification is agreed and JMT is kept updated of progress towards this target. In view of management's comments on the draft report, we recommend two separate target dates be agreed:</p> <ul style="list-style-type: none">• One for the completion of an ITHC and the submission of an appropriate Remediation Plan to PSN (if needed). Perhaps the target for this could be August 2021• And the other target being for the completion of (at least the high priority elements of) the new Remediation Plan. We suggest this target date could be 3-6 months after the above.	30/11/2021	<p>IT continue to complete work for certification and a separate report is to be taken to the same Committee considering this paper with a detailed update on progress.</p> <p>Revised target date: 30/09/2023</p>

Recommendations overdue – under 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
Consultancy Contracts Assurance	H	Results of the Internal Audit compliance testing should be used by Finance to target training and support to individual budget managers.	31/12/2022	<p>The outcomes of the Accuracy of Coding on the General Ledger compliance testing have been supplied to Finance by Internal Audit in early April 2023. This will allow them to target training and support to budget managers. The delay in implementation of the action has been due to delays in the audit work.</p> <p>Revised target date: 31/05/2023</p>
Integrated Drugs and Alcohol Treatment System Contract	H	<p>Stronger performance incentives should be implemented into the contract attached to monitoring data. This could include financial rewards when performance is considered outstanding.</p> <p>To allow for the mechanisms in clauses 15 and 16 of the contract to be used to their fullest potential, clear baselines and tolerances for each performance objective should be established. As such, Public Health should treat any underperformance against these tolerances as 'Service Failure' and any decision to not withhold payment should be delegated to officers with appropriate seniority for formal sign off.</p>	30/01/2023	<p>The service has reviewed the Key Performance Indicator workbook and clearer baselines and tolerances are being established with a distinction and emphasis on priority outcome indicators against which financial mechanisms can be considered if deemed appropriate. The work will be completed by June 2023.</p> <p>Revised target date 30 June 2023</p>
Integrated Drugs and Alcohol Treatment System Contract	H	<p>Public Health should review the CGL monitoring workbook, to determine what data is of the highest importance, removing unnecessary data points. This will support the formation of valuable conclusions and action plans within quarterly contract monitoring.</p> <p>Review of the CGL monitoring workbook should remove</p>	30/01/2023	<p>Review of the CGL monitoring workbook has commenced and should be fully completed and implemented by June 2023 ready for the Q1 reporting. Delays have been caused due to staff capacity and negotiations with the provider; this was a significant piece of work and with new additional</p>

		<p>negligent data points that are rarely reviewed or updated. A streamlined monitoring workbook should clearly distinguish between local and national data, to allow the service to be reactive on receipt of new information.</p> <p>This review of the monitoring workbook should support the refinement of the current KPI suite and quality indicators suite stipulated in the contract. To enable usage of existing contract performance mechanisms, service will need to review compliance with (refined) quality indicators at regular intervals.</p>		<p>grant-related delivery that needed to be incorporated into the process.</p> <p>Revised target date 30 June 2023</p>
Integrated Drugs and Alcohol Treatment System Contract	H	<p>Public Health should alter financial monitoring so that, for budget variances as uncovered in the review of SMS reporting within quarterly contract monitoring meetings, are reconciled to prime evidence, as allowed by clauses 34.1 and 34.2 of the contract. This represents a shift to more open book financial reporting.</p> <p>To assist with this Public Health should utilise the detailed pricing schedule which includes a detailed list of allowable costs against each pricing element. This pricing schedule can be the basis for challenge in contract monitoring meetings allowing for efficient detection of budget variances. It will also allow the council to distinguish costs that should be absorbed by CGL.</p> <p>If the Service considers this unfeasible, they should consult with the Head of Diligence and Best Value for advice and guidance on how to implement a more open book financial reporting approach.</p>	30/01/2023	<p>Robust quarterly financial reports are received which reflect a detailed breakdown of variances against each pricing element (as per pricing schedule). Variances are scrutinised. The team have received training from the head of diligence to improve knowledge.</p> <p>Discussions are being had with Head of Procurement and finance leads around use of 'open book accounting' and will be discussed at a forthcoming Procurement Board.</p> <p>Revised target date 30 June 2023</p>
Fire Risk Assessments	H	<p>The Property Compliance Team, Estates and Facilities Management should ensure that a review is undertaken to identify a definitive list of all properties for which the Council is required to undertake FRA's.</p> <p>If any such properties identified have not had an FRA in the last three years, the Property Compliance Team Manager</p>	31/03/2023	<p>The service confirmed progress has been made on this recommendation but it is not yet complete. This work is being prioritised alongside other key H&S tasks and will be complete by the revised deadline.</p> <p>Revised target date: 30 September 2023</p>

		should ensure that a FRA is undertaken as a matter of priority.		
Fire Risk Assessments	H	The Assistant Director of Property should ensure that an urgent review is undertaken to identify cases where recommended actions from FRA's have not been recorded on the Facilities Management remedial actions spreadsheet.	31/03/2023	<p>The Assistant Director informed IA that this action had been completed but will need a further update to continue to maintain this.</p> <p>It should be noted that Internal Audit is not able to sign off this action as complete until evidence of this is provided to and reviewed by IA.</p> <p>Revised target date: 30 May 2023</p>
Fire Risk Assessments	H	<p>The Assistant Director of Property should ensure that a review is undertaken to identify cases where recommended actions from FRA's have not been implemented. A programme of work should be developed to:</p> <ul style="list-style-type: none"> • Identify the most urgent/highest priority outstanding actions. • Schedule work and activity to implement the outstanding actions based on priority ratings. • Obtain evidence in any cases where it is considered the action has been implemented e.g. the required certification. <p>All outstanding actions from this review should be implemented as a matter of significant priority to mitigate the level of risk as early as possible.</p>	31/03/2023	<p>The Assistant Director informed IA that this action had been completed and a programme of action for 2023/24 is in process of being completed.</p> <p>It should be noted that Internal Audit is not able to sign off this action as complete until evidence of this is provided to and reviewed by IA.</p> <p>Revised target date: 30 May 2023</p>
Healthy Child Programme	M	The Authority should seek to extend the period under which they are permitted to challenge the achievement of incentive payment criteria in the current Section 75 Agreement to at least 30 days	31/12/2022	The service confirmed an extension has been agreed between Provider and Commissioner and will be amended in the s75 variation. Within this, an amendment is also being made to increase the time for the Provider to respond to any challenge to 30 days. The variation is currently sat with Legal and a

				<p>new target date has been set to 31/05/2023 to allow completion of work by Legal colleagues.</p> <p>Revised target date: 31/05/2023</p>
Healthy Child Programme	M	<p>The Delegation & Partnering Agreement should be reviewed and updated to permit underspends to be carried forward within the HCP as specified in the Section 75 Agreement, rather than being repaid to PCC as currently required by the Delegation & Partnering Agreement. The updated document should include a clear governance process setting out how the use of any underspend on the PCC side of the contract should be approved (for instance, this could specify approval by the Director of Public Health). As part of this, the service should also consider whether it is practical to include more flexible provisions in the Delegation & Partnering Agreement around financial contributions, so that the Agreement does not have to be completely re-written and re-signed if the financial contributions are indexed or uplifted during the course of the partnership. This should include a clear governance route for approval of changes to the contract value (for instance, approval from the Director of Public Health).</p>	31/03/2023	<p>Once the s75 paperwork has been completed (see action above) the service will liaise with Legal to update the Delegation & Partnering agreement to reflect the changes to the s75 agreement and to also adjust the wording around financial contributions.</p> <p>Revised target date: 31/07/2023</p>
Healthy Child Programme	H	<p>The Authority should seek to vary the Section 75 Agreement to remove the requirement that underspends are ring-fenced for use in the HCP.</p>	31/12/2022	<p>Service confirmed this has been agreed between Provider and Commissioner and will be amended in the s75 variation, which is currently sat with Legal. New target date set for 31/05/2023 to allow for Legal colleagues to complete.</p> <p>New Target Date: 31/05/2023</p>
Insurance Fund	M	<p>The Claims Handling Manual should be updated following implementation of an Insurance Strategy, this should ensure that the service goals and objectives are supported by</p>	31/12/2022	<p>Head of Insurance advised workings of the revised document are in progress, although service pressures</p>

		operational processes which target management resource accordingly. This could also include: current reporting review processes, betterment circumstances.		due to a significant uptick in claims receipts in Q4 of 22/23 have caused a delay. Revised target date: 30 November 2023
Insurance Fund	M	An Insurance Strategy is developed to provide a clear framework for the service goals and objectives including a structured approach to the Councils insurance arrangements. For example, this could include the following information: The strategic aims of the service, a breakdown of the risks the council self-insures and policies the council holds with external insurance providers, the process for projecting future risk profile, management and recharging arrangements, claims management processes and processes for reviewing the insurance strategy.	01/01/2023	Head of Insurance advised that this action has been delayed due to service pressures, however work has now commenced to form an insurance strategy and an initial framework for the document is with S151 for consideration and feedback. Revised target date: 30 September 2023
AR Income 21/22	M	<p>A policy should be developed to govern how credit only customer accounts should be treated and managed. The policy should include at what point in time a credit only account should be considered as aged. For example, an aged account could be defined as one that has not had any invoices raised for 6 months. The policy should include a check to ensure that a credit only account is not due to failure on behalf of the Council to raise an invoice prior to any further action being taken.</p> <p>Once this policy has been developed, exception reporting should be developed to identify aged credit only accounts so that action can be determined and taken in line with the policy.</p> <p>Data on credit only accounts should be incorporated into the current reporting regime and in conjunction with unapplied items reporting (recommended above) and should include:</p> <ul style="list-style-type: none"> • The number of credit only accounts • The value of transactions on credit only accounts 	31/12/2022	<p>Although credit only accounts is a situation that spans all customer groups the bulk of such situations is predominantly within the Adult Social Care (ASC) sphere. Bearing this in mind, principles on how to deal with credit-only customer accounts will be drafted in conjunction with ASC to ensure that we limit the impact to vulnerable customers and their financial representatives.</p> <p>This review will also consider the recommendation within the 2022/23 audit of Income Processing, in respect of a small difference write-off / write-on where the account balance is minimal and therefore further actions would not be cost effective.</p> <p>The target date has been revised to 2023/24 Q3 to allow for the new Income system to be embedded across all Partner organisations.</p>

		<ul style="list-style-type: none"> The volume of transactions on credit only accounts Narrative on any issues and action taken in relation to clearing transactions from credit only accounts. 		Revised target date: 30 September 2023
AR Income 21/22	M	<p>Documented procedures should be created to govern the future ongoing use of the fortuitous income codes. These procedures should include clear criteria that should be met prior to a suspense item being moved to an income code.</p> <p>These procedures should also cover the process of moving transactions from customer accounts to a fortuitous income code. Once developed, the procedures should be agreed with the S.151 officers.</p>	31/12/2022	<p>Draft process has been developed in respect of how the fortuitous income code will be operated.</p> <p>Paper needs to be reviewed / approved with the S151 officers across each Partner organisation to obtain approval.</p> <p>Revised Target date of Q3 23/24, as the process is likely to be impacted by changes delivered as part of the IMS project implementing a new income system, which will be delivered for each Partner during the first three quarters of 23/24.</p> <p>Revised target date: 30 September 2023</p>
Money Laundering Risk Assessment	M	<p>“The content on money laundering in the Fraud Prevention eLearning should be updated to include:</p> <ul style="list-style-type: none"> Updated information on money laundering laws. Examples of the type of higher-risk transactions that staff might see in a CCC context. Case studies with more of a public sector focus. Reporting Procedure. Customer Due Diligence process. <p>Key teams in areas at highest risk of money laundering (i.e. Finance Operations, Property and social care finance) should be targeted to encourage them to complete the eLearning.</p> <p>The Council should consider introducing a separate Anti-Money Laundering training module which could be offered as targeted or even mandatory training for staff in higher risk teams.”</p>	31/01/2023	<p>Internal Audit are in the process of creating bespoke money laundering training so it can be targeted to specific officers who are at more risk of coming into contact with money laundering. The work is underway and progressing.</p> <p>Revised target date 31 July 2023</p>
DR 21/22	M	Regular reviews of aged debts should be undertaken with the aim of reducing existing aged debt. These reviews should be targeted to ensure they are proportionate to	31/03/2023	Aged debts are reported as part of the monthly reporting pack which is distributed and discussed at Service Review meetings.

		<p>resources and focus on aged debts that may not have been reviewed recently or on a regular basis. Reviews should include:</p> <ul style="list-style-type: none"> • Identifying any aged debts where no manual recovery activity has been undertaken. • Identifying any aged debts where no manual recovery activity has been undertaken for a significant period. • Determining whether action from the service who raised the invoice is required • Determining What recovery activity should be undertaken • Whether the debt is considered unrecoverable and should be written off <p>Given that the portfolio prioritisation of high value debts means it is less likely that lower value aged debts are regularly as part of existing processes, it is recommended that these debts are subject to regular targeted reviews.</p> <p>Reviews could be undertaken by redistributing existing resources for a limited period</p>		<p>Data shows that the majority of aged debt lies within the ASC sphere, where recovery of charges can be complicated due type of service, client base and other government bodies which elongate timeframes for resolution which are outside of the Authorities control.</p> <p>Improvements have been made with historic debts with the switch to statement style reminders, as well as through a one-off exercise that looked at low value aged debts against dormant accounts.</p> <p>ASC Debt Improvement Project set-up during Q3 of 2022/23 with the aim to improve all aspects of the customer journey, and the debt position. The outcomes of the review will be implemented during 23/24.</p> <p>Further update will be provided in the second half of 2023/24 once the outcome of the Improvement project is known and changes implemented.</p> <p>Revised target date: Internal Audit will re-engage with the Debt Recovery Service to assess progress with this in September 2023</p>
Fire Risk Assessments	M	<p>Once a definitive list has been identified of all council properties requiring FRAs, a column should be added to the corporate portfolio spreadsheet to indicate where a FRA needs to be completed for a property, so the Compliance Team can regularly reconcile against their own FRA compliance spreadsheet to ensure they are carrying out required FRAs.</p> <p>An area of good practice would be to add another column</p>	31/03/2023	<p>The service confirmed progress has been made on this recommendation but it is not yet complete. This work is being prioritised alongside other key H&S tasks and will be complete by the revised deadline.</p> <p>Revised target date: 30 June 2023</p>

		for the rationale if a FRA is not required, as this would prevent the need to duplicate work if staff move on. The live corporate portfolio list should then be made available to all Teams to ensure that they are aware of when new properties are added or when properties are deleted.		
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Summary of Outstanding Recommendations – over 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
Healthy Child Programme	H	Linked to the previous recommendation, Public Health should conduct an exercise to scrutinise all non-staffing costs in the CCS/Cambridgeshire element of the Section 75 Agreement and seek to bring these more in line with the CPFT costs, with particular challenge to the cost of estates and overheads. The Section 75 Agreement permits the cost of the contract to be varied each year as agreed in the Annual Development Plan, so the service should seek to agree a reduction to non-staffing costs to be implemented in the 2023/24 Annual Development Plan (or sooner if agreement can be reached with the provider).	31/08/2022	<p>Service confirmed that they are now receiving robust 6-month financial reports from the Provider which includes details of non-staffing costs and new reporting enables them to have a more holistic overview of S75 agreement costs. There is ongoing work being conducted within CCS regarding estates costs, which is the main disparity between CCS & CPFT non-staffing costs, however this will not be concluded by the end of the 2022/23 financial year and the service will include it in the 2023/24 Annual Development Plan.</p> <p>Additionally, there are wider conversations underway within the ICB to take a more system-wide approach to reviewing estates. There is also inclusion with the 23/24 ADP a commitment to ensure that staffing costs always exceed 75% of total contract value. Inflation and increased cost of living pressures, including rising property maintenance/management costs of buildings also makes it challenging to bring down any estate costs this year.</p> <p>The service are asking CCS to provide updated HCP costs for all bases they are operating out of and a</p>

				<p>piece of work has already taken place between CCS and Huntingdonshire District Council to negotiate a reduction in rent costs for the Oak Tree Centre, which is by far the most costly building. However, the service are still waiting to hear back on what this means in terms of a reduction in HCP contributions.</p> <p>Revised target date: TBC</p>
Consultancy Contracts Assurance	H	Reporting on consultancy expenditure to Committee should include whether or not an e-form has been completed for each separate consultancy assignment, to request approval to use consultants.	31/07/2022	<p>The Head of Procurement & Commercial confirmed that the data for this is now being collected through the new e-form for approving consultancy spend. Information on approved spend will be presented to Audit & Accounts Committee in May 2023 as part of the standard reporting on consultancy and agency spend.</p> <p>Revised target date: 26/05/2023</p>
Fees and Charges	H	Following the update of the policy and guidance, a communication strategy should be developed which raises awareness and embeds the policy and best practice guidance across the organisation.	30/06/2022	<p>Head of Finance confirmed that now that the business plan has been agreed and set, the fees & charges policy will be communicated out to budget managers as part of the monthly budget manager emails, and any guidance that is produced alongside business planning processes. The policy will be revamped ahead of 2024-25 now it is a Finance responsibility.</p> <p>Revised target date: Internal Audit will engage with Finance in June 2023 to confirm policy is communicated in monthly budget manager emails.</p>

Dol Employees	- H	<p>The Council should establish a single process for staff to declare financial and non-financial interests with one form that incorporates a section for Related Parties as well as any non-financial interests. The administrative principals within the Related Parties process should be used as a foundation as an established list of key officers incorporating additional employees with a key role. Any non-financial interests should be passed to the HR team for inclusion on the corporate record. The following points should also be embedded as part of the new process to ensure a good control environment is created:</p> <p>The rules within the policy should identify:</p> <ul style="list-style-type: none"> key officers who must complete a declaration on a regular basis (even if this is a nil return); what to do when changes occur from first declaring an interest; requirements for employees to pro-actively declare an interest to the officer(s) they are dealing with if their company or organisation is transacting business with a different service within the Council; rules regarding declaring interests where employees on decision making boards/groups may have an interest and are also involved in a decision-making process. The Declarations of Interest form should include the ability for the form to be returned by email and the Code of Conduct should include a link to the Declaration of Interest form. 	31/03/2023	<p>Service stated that following further investigation it became apparent that the two processes do not lend themselves to an integrated approach therefore colleagues from Corporate Finance and HR have been working together to set out and map how the related parties declarations process and the code of conduct process will be closely aligned – this shows when information is shared, by whom and what action is taken if the cross checking undertaken identifies any inconsistencies in the information that has been declared. The Audit Team will now review the new process to assess whether this provides sufficient assurance to address the risks identified in the original audit.</p> <p>The Code of Conduct Declaration form is now able to be submitted electronically in accordance with this recommendation (The Declarations of Interest form should include the ability for the form to be returned by email and the Code of Conduct should include a link to the Declaration of Interest form). This is an interim measure until the service launch the declarations e-form which requires some further work from colleagues in IT before it is ready to be used.</p> <p>Revised target date: 31/05/2023</p>
Overall Schools Report	M	The School Finance Team should amend existing CCC regulations for schools to clearly specify areas where schools need to formulate their own internal policies in addition to the CCC regulations for schools. These include a Scheme of Financial Delegation and the other policy areas listed in Annex A to this report.	30/09/2022	Internal Audit has been liaising with the Schools Finance Team and has produced a series of draft model procedure documents that will be shared with schools. These model policies cover separation of duties and approval in purchasing and payroll, and scrutiny and review of specific payroll reports. These

Overall Schools Report	M	<p>Where CCC regulations for schools allow for varying proportionality of controls such as separation of duties, the Schools Finance Team should consider clarifying in what situations it is acceptable to deviate from best practice, and to what degree. This could include setting a financial threshold above which schools must be able to evidence separation of duties in purchasing.</p> <p>It should also be made clearer in the regulations what constitutes sufficient separation of duties at different stages of the purchasing process. For example, can the same person approve a purchase order and then raise it on the system (such as the Headteacher)</p>	30/09/2022	<p>model procedures have now been approved by the Schools Finance Team and published.</p> <p>The Schools Finance Team plan to revise CCC Regulations for Schools before sending out for the 2023/24 academic year. This will incorporate the recommendations and also changes to the new financial system.</p> <p>Revised target date: 30 June 2023</p>
Overall Schools Report	M	The School Finance Team should amend CCC regulations for schools to state that the Payroll Costing Report and Previous Pay Comparison Report should be used to identify all variances and illustrate the full cost of the payroll to be signed off. If these two reports are used, the Payroll Validation Reports and EPM Variance reports are not necessary and schools are able to conduct more detailed scrutiny of their payroll.	30/09/2022	
Overall Schools Report	M	The School Finance Team should consider amending CCC regulations for schools to include a requirement that a second officer must authorise individual payroll amendments. This would require schools to apply separation of duties in all individual payroll amendments, which if not demonstrated increases the risk of payroll fraud.	30/09/2022	
DSG - High Needs Block Demand Management	M	The service has indicated that there are already plans to review and update the Personal Budget policy. The service should ensure as part of this update that guidance is clear that where any provision is to be secured by a Personal Budget, Section J of the EHCP should include: details of how the Personal Budget will support particular outcomes; the specific provision it will be used for, including any flexibility in its usage; and the	01/04/2022	<p>The EHCP Improvement Plan Programme of works contains projects such as Personal Budgets, EOTAS and EHE. In addition, Personal Budgets is reflected in the SEND Strategy working groups. However we will need to develop our own Education (SEND) PB Policy. Funding has been secured for a fixed term post for a SEND Policy and Guidance Development Lead. The Job Description is in draft for review and submitting to HR.</p>

		arrangements for any direct payments for education, health and social care.		<p>The aim is to complete this by 31st April 2023 and advertise for recruitment this summer term.</p> <p>Once in post the Lead will undertake a review of current CCC Personal Budget Policy to ensure that we have robust and transparent Policies, so that across the system all services know what Personal Budget means. Clear and Transparent guidance is needed to ensure consistent approach and working practice across all of SEND and key stakeholders. This is also inclusive of EOTA's and EHE with are additional projects where Policy and Guidance will also be developed.</p> <p>The development of the EHCP Template also forms part of the EHCP Improvement Plan Programme of works.</p> <p>The development of a working group for Personal Budgets is in Phase 1 of this project as part of the Discovery, definition and design elements required. This is expected to commence in September 2023</p> <p>Revised target date: 30 September 2023</p>
DSG - High Needs Block Demand Management	M	A detailed written training package should be developed and implemented by the local authority and distributed to schools and special educational needs coordinators (SENCO), with information on how to conduct an annual review meeting and how to amend an EHCP after an annual review has taken place. The service should also seek to identify schools which repeatedly supply annual review forms that do not meet the standard requirements expected by CCC and retrain them, in addition to challenging paperwork sent by schools if it is not completed correctly.	01/09/2022	<p>The EHCP Improvement Plan Programme of works is split into two functioning workstreams, Annual Review and EHCP. Under Annual Review we will be conducting extensive research and engagement with our key stakeholders to understand what a good Annual Review looks like. Research will also include anonymised Quality Assurance Audits of Annual Reviews. This will feed into the development of work required to improve the Annual Review process and develop bespoke Training Packages for delivery across the whole system.</p> <p>Seconded SENCOS have been resourced with initial sessions being held alongside the Quality Assurance</p>

				<p>Lead and SEND Transformation Programme Lead after the Easter Break. The Annual Review workstream will run until, at minimum, end of 2025.</p> <p>Revised target date: Internal Audit will liaise with the service at the end of May regarding interim measures that may be put in place to mitigate the risk.</p>
Soham Library Preschool	M	<p>Consideration should be given to the accounting treatment for any Less Than Best lease arrangements (including rent holidays) with the 'cost' of any subsidy being recognised as a nominal cost to a service's accounts to reflect the community benefit invested in these arrangements.</p>	31/10/21	<p>The service are considering whether this will be possible or whether there could be an alternative way of calculating and recognising the subsidy provided by Less Than Best arrangements. This is being pursued with Finance.</p> <p>Revised target date: 30th June 2023</p>
This Land	M	<p>Governance arrangements: A formal document is produced and presented to C&IC (as Shareholder) containing governance arrangements of:</p> <ul style="list-style-type: none"> • Reporting to Shareholder; • Corporate performance indicators for delivery against the benefits identified; • Business plan; • Financing the company; • Reserved matters; • Risk, Audit, and internal control <p>This could be a development of the drafted Memorandum of Understanding or a separate document which should be discussed and agreed by the committee, with changes made if necessary. Implementation of this recommendation would substantially increase the audit opinion.</p>	01/06/21	<p>The external solicitors Freeths have completed a review of This Land's articles of association and the shareholder agreement, concluding that the constitutional documents largely meet the relevant sector guidance, however they have recommended clarification of the how the shareholder will exercise its role. This includes that the observer rights the shareholder has at board meetings are confirmed in the governing document.</p> <p>The arrangements for reporting to Committee, submission of the annual business plan and financing the company are now established and the company also provides an annual statement on internal control. These arrangements will be codified, alongside implementing the recommendation from Freeths, in an update to the shareholder agreement. This is being done in tandem with the induction of newly appointed non-executive directors and company secretary at This</p>

				<p>Land.</p> <p>Revised target date: 15 June 2023</p>
Capital Programme Governance Review	M	There are 23 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/2021	<p>These recommendations re currently under review as part of an internal audit review. As a result of the work undertaken to date, 3 of the 26 original recommendations have now been marked as 'implemented'.</p> <p>Revised target date: Audit report expected to be issued in June 2023</p>
General Ledger	M	Urgent action is taken in conjunction with the Payroll and HR Transactions Manager to address the weaknesses in the quality and accuracy of payroll control accounts.	30/09/2021	<p>This action continues to be progressed by the Payroll Team in liaison with Corporate Finance. Aged items are being cleared and there is an action plan in place to address specific issues.</p> <p>Revised target date: While progress has been made Finance Colleagues have confirmed it will take some time to clear the remaining historic transactions. Internal Audit will continue to Liaise with Finance and provide a further update as part of our next progress report.</p>
Key Policies and Procedures	M	The Partnership Governance Advice and Guidance to be allocated an owner, reviewed depending on the last review date and published on Camweb.	30/11/2022	<p>Responsibility for this action has recently transferred to a different officer: the recently appointed Service Director of Policy and Communities.</p> <p>As the Service Director of Policy and Communities has not been in post for long Internal Audit understand that further time may be needed for the Service</p>

				<p>Director of Policy and Communities to implement this recommendation.</p> <p>Revised target date Internal Audit will liaise with the service at the start of June 2023 for a progress update.</p>
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Financial Reporting and Related Matters Update

To: Audit and Accounts Committee

Meeting Date: 26 May 2023

From: Executive Director for Finance and Resources

Outcome: The Committee is asked to note the update relating to the production of the Council's 2022/23 Statement of Accounts, the reasons for delays in this and prior year audits and the steps to resolve this position.

Recommendation: The Committee is asked to:

- Note the report,
- Agree the recommended changes to the Council's accounting policies for the 2022/23 Statement of Accounts, highlighted in section 2.20.

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1. Background

- 1.1 This report provides an update on reaching a financial statements external audit opinion for the 2021/22 financial year. The Committee will be aware of the on-going issues relating to our auditors (Ernst & Young LLP – EY) value for money (VfM) conclusions on all financial years since 2018. Additionally, objections from local electors to the accounts had been made to both EY and the predecessor auditor (BDO LLP) for all years since 2017. This report provides an update to that position.
- 1.2 Committee will also be aware that the 2022/23 Statement of Accounts are due by current regulations for completion in draft form for submission to EY as our external auditors by 31 May 2023; two months earlier than has been the case for the last few years. This report sets out the reasons why this deadline will not be able to be met, the revised timetable for closedown and audit, as well as the steps being taken to resolve this ongoing position.

2. Main Issues

- **Prior year accounts update**

- 2.1 The Committee will recall that the 2018-2021 VfM opinions have been delayed whilst our external auditors (EY) considered objections from a local elector. In addition, our 2021/22 Statement of Accounts opinion has been delayed due to planned EY phasing/resourcing and a number of national technical audit matters.
- 2.2 Since the Committee last met, EY has determined all of the objections made to them as auditor since 2018. On 3 March 2023, the auditor issued a detailed statement of reasons (extending to some 137 paragraphs) carefully considering the various matters raised in the objections. Addressing the local elector, the auditor concluded:

“...we have decided to take no action at this time in response to your objections. We will not be issuing a public interest report or applying for a declaration of an unlawful item of account... [The County Council should] continue to action the recommendations made by the previous auditor [BDO’s findings reported in November 2021] and pay close attention to its procurement practices going forward...”

The County Council continues to diligently implement improvements in procurement governance as a result of those previous recommendations and the Committee is updated on progress with this in the Annual Procurement Report listed separately as an agenda item for this meeting.

- 2.3 Under the Local Audit & Accountability Act 2014, the local elector had 21 days to appeal the auditor’s decision not to apply for a declaration of an unlawful item by applying to the Court. No appeal was made and consideration of the objections is now complete in accordance with the Act.
- 2.4 The legislation provides that the County Council is responsible for meeting the Auditor’s costs of dealing with the objection. We are advised that EY’s additional costs will be in the region of £65k - £70k (covering both EY’s time and the legal advice they engaged as part of the process). Additionally, the Council has also incurred its own external legal fees in order to address the local elector’s correspondence relating to this process, amounting to £10k.

- 2.5 The completion of the objection process for 2018-22 will enable EY to return to consideration of its VfM opinions for those years. As such, EY are making tentative steps to start this work, with the intention of completing it for all outstanding periods by the end of 2023.
- 2.6 There are also two objections dated 2017 and 2018 with the predecessor external auditor, BDO LLP. BDO representatives attended the Committee in May 2022 and February 2023 to explain delays and committed to concluding those objections in the near future. The latest update from BDO is that they are considering legal advice as part of finalising their work and the firm is targeting determination by mid-June. Officers continue to push for updates on a regular basis.
- 2.7 On the 2021/22 accounts opinion, we are still resolving a small number of matters with external audit, including our long-term debtor position, our infrastructure asset reporting and our pension fund valuation. These are all balance sheet and technical presentation matters and do not impact on the Council's revenue outturn or financial resilience. We are in the process of finalising these matters with EY.

- **2022/23 Closedown Timetable**

- 2.8 The Committee will be aware that, over the last few years, nationally the position relating to the issuing of local authority opinions has been a matter of some concern.
- 2.9 In March the Society of County Treasurers (SCT) carried out a quick survey of member's status with regards accounts being signed off. Of the 36 members who completed the survey, 25 (69%) have not had their 2021/22 accounts or VfM opinion signed off. This includes CCC. Of the remaining 11, 5 have had their VfM opinion but not the accounts signed off and 3 have had their accounts signed off. Only 3 authorities have had both their accounts and VFM opinions signed off and an Annual Audit Report capable of then being presented.
- 2.10 Furthermore 5 members of SCT still do not have their accounts from 2020/21 signed off. Across the country, this position is replicated with only 12% of 2021/22 accounts being signed off by the 30 November 2022 deadline, and 630 outstanding opinions relating to 2021/22 or prior years.
- 2.11 There have been two "consultations" looking into this matter – one, a call for evidence from the Public Accounts Committee, and another from Department of Levelling Up, Housing and Communities (DLUHC). The first, from the Public Accounts Committee, was on the timeliness of local auditor reporting, which followed on from earlier inquiries into local audit in England in 2021 which found that the system was close to breaking point, further exacerbated by the pandemic. The Society of County Treasurers (SCT) responded to the call for evidence with a letter highlighting the concerns of the Society, primarily that there is no immediate sign of an improvement in capacity and that commentators are estimating it could take 5 years to address the backlog.
- 2.12 The DLUHC consultation, [Request for views](#), asked whether the 31 May deadline should remain for making accounts available for public inspection. CCC, along with the Local Government Association (LGA), SCT, the Association of Local Authority Treasurers

(ALATs) and others responded to this, saying that the 31 May deadline should not be used as it is unrealistic, given the significant and ongoing audit delays. Then, on 3 March, the Levelling Up, Housing and Communities (LUHC) Committee launched an inquiry into local audit. The inquiry will “scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority”. The inquiry is also likely to explore how local authority financial reporting could be made more accessible, the role of local audits in acting as ‘red flag’ for action by councils to address financial issues, and how auditors in local government could work together to share best practice.

- 2.13 Despite [representation to the recent consultation with DLUHC](#), the Department and the Chartered Institute for Public Finance and Accountancy (CIPFA) chose to revert to the earlier deadline for the production of the 2022/23 draft Statement of Accounts for local authorities for public inspection in England as the 31 May 2023. Although CIPFA does recognise that the period of public inspection should be a matter for local authority consideration and not set nationally for a prescribed period.
- 2.14 Given the delay in signing off CCC's prior year audits, we now face a position whereby as Section 151 Officer I have to consider several factors in whether the Council can meet the 31 May deadline, including:
- Do I have sufficient information available to ensure that the statement of accounts are true and fair and free from material mis-statement. Whilst I have full confidence in my team, the outstanding audit issues mean I cannot answer how these will be resolved and any consequences these will have on prior years and thus prior year adjustments needed.
 - The Council's Finance Team are continuing to respond to queries from auditors, as well as dealing with ongoing VfM issues. At the same time, they need to complete the closedown of 2022/23 alongside other accounting day-to-day tasks. This coming on the back of three years where this has been the position, whilst also managing with the repercussions of the pandemic. I have a duty of care and well-being to these staff in setting workloads and deadlines, just as external auditors do to theirs.
 - We have received a letter from EY noting that due to resourcing issues they are not able to commence CCC's audit until November 2023 at the earliest.
 - The position faced by CCC is one being faced across both our peer county authorities and every level of local government, including many of our Cambridgeshire public bodies. As such, we are not unique in our challenges or predicament.
- 2.15 As a result of discussions with CIPFA, EY and the Finance Team I am advising the Committee that it will not be possible to issue the draft Statement of Accounts by 31 May 2023, and the expected date now being July 2023. This will enable the Committee to consider a draft set of Accounts prior to audit at its next meeting. We will issue a note on our website to inform of the public inspection period. The Committee will note that as EY have stated that the 2022/23 audit of these accounts will not commence until at least November 2023, that the opinion will also be delayed and now expected in 2024.
- 2.16 The Committee will also be aware that for the 2023/24 Statement of Accounts, following a

procurement exercise run by the Public Sector Audit Appointments (PSAA), KPMG LLP are the Council's appointed auditors. This will require a handover between auditors. Officers have already begun discussions with KPMG and EY relating to this matter, as a key focus now is how we turn the curve and resolve this position in order to consistently meet future deadlines.

- 2.17 As incoming Section 151 Officer with several years' experience, I can inform the Committee that the capacity and capability with the Finance Team is of a good standard, with good processes and approach to closedown. As such, key to 2023 will be resolving the outstanding technical issues and preparing the ground for upcoming changes such as the pension fund accounting and infrastructure asset reporting. This will be a key focus of the Finance leadership team.
- 2.18 The delay in the 2022/23 audit by EY will mean that there will again be a cross over with the audit of that year and the closedown of 2023/24 accounts. This will need to be managed carefully alongside the handover of audit. I plan to engage with the Finance Team and the auditors this September to map that process and timing out to ensure that we meet the 31 May 2024 deadline for 2023/24 Accounts. We will then need to manage the process of sign-off with our auditors, but all effort will be focused on early discussions with KPMG relating to key areas of risk, such as property plant and equipment valuations in order to continual improve our reporting and working papers to aid their review.
- 2.19 We will continue to review this process and bring updates to this Committee.

- ***Progress with EY recommendations***

- 2.20 EY's provisional Audit Results Report for 2021/22 highlighted some areas where internal control mechanisms could be improved:
- MRP review – we are in the process of procuring external resource to complete this work over the summer.
 - Valuation of the solar farm asset – a specialist valuer has been procured with a valuation report expected by 19 May 2023; this valuation will be included in the 2022/23 accounts.
 - Related Party Disclosures – procedures for reviewing related party disclosures have been updated, including reviewing historic disclosures and ensuring that if they have subsequently been removed, it is intentional and correct. We are also implementing an E-form to collect this information, which will improve the efficiency of collecting and reviewing this data. Finally, we will be bringing the process for declaration of interests and related party disclosures closer together, to ensure each reflect the other where appropriate.
 - Accounts Payable and Accounts Receivable – data cleansing work continues, as resources allow. The cleansing of historic data, some pre-dating the implementation of ERP Gold, is a significant undertaking and resolution requires input by multiple teams across the Council. However, the underlying balances are reconciled, and external auditors have not raised this as a significant issue previously. We aim to consider plans later in the financial year to make further progress with this recommendation.
 - Property, Plant and Equipment valuations – the Council's Property and Finance teams are working hard with our external valuers, Bruton Knowles, to ensure that a full set of valuation information is included within the draft accounts, and that the quality of the

information provided is greatly improved. There has been a change in resource at BK delivering our valuations, plus a new valuation system has been introduced for DRC assets, which we anticipate will improve the efficiency and quality of output for those valuations.

- Update on Accounting for Infrastructure Assets

- 2.21 The Committee will be aware of a national issue raised during the auditing of local authority accounts for 2021/22 in relation to accounting for infrastructure assets, resulting from historical information deficits, particularly regarding roads.
- 2.22 In November 2022, CIPFA published an update to the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom, to provide a temporary solution to accounting for infrastructure assets for the financial years 2021/22 to 2024/25. CIPFA continues to consider options for a long-term solution, for inclusion in the 2025/26 Code.
- 2.23 The Council has adopted the amendments provided for in the 2021/22 Code update, with the final statement of accounts to be published including the required changes. The Council proposes to continue with this approach for 2022/23, complying with the Code requirements, ahead of any further amendments beyond 2024/25. The changes to accounting policies required to as a result are included in paragraph 2.23 below.

- 2022/23 Changes to Accounting Policies

- 2.24 The Council's Statement of Accounts is produced based on a set of accounting policies that are adopted each year, which are listed within the accounts. The policies may need to be changed depending on any revisions to the code of practice for local authority accounting. As well as that, each year, we review our policies to ensure they are in line with how the Council operates, that they reflect best practice, that they balance benefit against available resource (including materiality considerations), and taking into account any adjustments required as a result of audit recommendations.
- 2.25 The temporary amendments to the code issued by CIPFA in November 2022 to provide a temporary fix to the national infrastructure assets accounting issue have also necessitated some updates to our own policies.
- 2.26 For the production of the Statement of Accounts for 2022/23, the following amendments are proposed:

Policy	Amendment
Property, Plant and Equipment - Recognition	<p>The Council's current policy states that all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement. However, this does not reflect the reality of how we account for these assets, which are in fact capitalised. Therefore, we recommend removal of this part of the policy:</p> <p><i>"Assets costing less than £10,000, or revalued to less than £10,000, and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement."</i></p>

Property, Plant and Equipment - Measurement	<p>The Code allows authorities to value Community Assets at historic cost, however the nature of the type of Community Assets we hold means it is straight forward, with little impact on cost, to include these in the 5-year rolling programme. Therefore, we are recommending that we amend our policy to hold these assets at current value.</p> <p>In addition, the above amendment to non-PFI Vehicles, Plant, Furniture and Equipment requires an additional statement to be added to say they will be held at historical cost, and clarification that it is only PFI Vehicles, Plant, Furniture and Equipment that are held at current value.</p> <p><i>“The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value, <u>plus Community Assets</u>, are revalued at least every five years.”</i></p> <p><i>“Infrastructure has been included in the Balance Sheet at depreciated historical cost, whilst Community Assets <u>Vehicles, Plant, Furniture and Equipment</u>, and Assets Under Construction have been included at historical cost.”</i></p> <p><i>“Land and Building assets and <u>PFI</u> Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value.”</i></p> <p>CIPFA’s temporary Code update with respect to Infrastructure Assets, issued in November 2022, also requires a minor change to our accounting policies for these assets.</p> <p><i><u>“For infrastructure assets, a modified form of historic cost is used: opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.”</u></i></p>
Property, Plant and Equipment - Depreciation	<p>Detailed work on accounting for infrastructure assets has established that the expected average useful life for these assets is 50 years, rather than the 40 years included in our current policy. Therefore, we are recommending we amend the depreciation policy to 50 years for these assets.</p> <p>In addition, the above amendment to Vehicles, Plant, Furniture and Equipment requires an additional statement to be added to say how they will be depreciated.</p> <p><i>“Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:</i></p> <ul style="list-style-type: none"> - <i>Buildings (including Surplus Assets) – 5 to 60 years, in line</i>

	<p><i>with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;</i></p> <ul style="list-style-type: none"> - <i>PFI schemes only: Vehicles, Plant, Furniture and Equipment – 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)</i> - <i><u>Non-PFI schemes: Vehicles, Plant, Furniture and Equipment – 3 to 10 years</u></i> - <i><u>Infrastructure – 50 years.</u></i>
Property, Plant and Equipment – Infrastructure Asset Recognitions and De-recognitions	<p>A minor amendment for Infrastructure Assets accounting policies is proposed, for clarification purposes and in line with CIPFA's temporary Code update.</p> <p><i>“Capital expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised.</i></p> <p><i>Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced / replaced (including any associated depreciation). As such, the value derecognised will be determined by the cost of the replacement asset, <u>and assuming that the component replaced was at the end of its useful life.</u>”</i></p>

2.27 The full set of amended accounting policies can be found in Appendix A.

3. Alignment with corporate priorities

3.1 Environment and Sustainability

There are no significant implications for this priority.

3.2 Health and Care

There are no significant implications for this priority.

3.3 Places and Communities

There are no significant implications for this priority.

3.4 Children and Young People

There are no significant implications for this priority.

3.5 Transport

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

Paragraph 2.4 sets out the main direct resource implication of this paper.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this priority.

4.3 Statutory, Legal and Risk Implications

This report in its entirety deals with the Council's obligations under the local audit and accountability act 2014 and related regulations to produce statements of accounts that are then subject to external audit.

Paragraph 2.14 and 2.15 set out that current regulations on publication date of draft accounts is not likely to be met.

4.4 Equality and Diversity Implications

There are no significant implications for this priority.

4.5 Engagement and Communications Implications

There are no significant implications for this priority.

4.6 Localism and Local Member Involvement

There are no significant implications for this priority.

4.7 Public Health Implications

There are no significant implications for this priority.

4.8 Climate Change and Environment Implications on Priority Areas

4.8.1 Implication 1: Energy efficient, low carbon buildings.
Positive/neutral/negative Status: Neutral

4.8.2 Implication 2: Low carbon transport.
Positive/neutral/negative Status: Neutral

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Positive/neutral/negative Status: Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Positive/neutral/negative Status: Neutral

4.8.5 Implication 5: Water use, availability and management:
Positive/neutral/negative Status: Neutral

4.8.6 Implication 6: Air Pollution.
Positive/neutral/negative Status: Neutral

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Positive/neutral/negative Status: Neutral

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial?
N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal?
N/A

Have the equality and diversity implications been cleared by your EqIA Super User?
N/A

Have any engagement and communication implications been cleared by Communications?
N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact?
N/A

Have any Public Health implications been cleared by Public Health?
N/A

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer?
N/A

5. Source documents

5.1 Cambridgeshire County Council - Provisional Audit Results Report - 3 February 2023

Appendix A – Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, supported by International Financial Reporting Standards (IFRS). The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

The following accounting concepts have been applied in preparing the accounts:

- **Relevance:** the information in the accounts is useful in assessing the Council's performance;
- **Reliability:** the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors;
- **Comparability:** a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed. Application of the terms of the Code ensure comparability;
- **Understandability:** the Council endeavours to ensure that an interested reader can understand the accounts;
- **Materiality:** in using its professional judgment, the Council considers the size and nature of any transaction or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts;
- **Going Concern:** the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future;
- **Primacy of Legislative Requirements:** the Council operates through the power of statute. Where legislation prescribes the treatment of transactions, then the accounting concepts outlined above may not be applied.

THE DE MINIMIS THRESHOLD

The de minimis threshold level has been set at £4,000 (this threshold has been used as a guideline across the Council, where it is sensible to refer to a de minimis in making accrual adjustments).

ACCRUALS OF INCOME AND EXPENDITURE

Revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the year in which goods and services are received and, similarly, income is credited in the year to which it relates, regardless of the timing of cash payments or receipts. For example, accrued income is recognised where an amount is earned in the current accounting year, but is expected to be received in a subsequent year. Deferred income reflects any income which has been received in advance of it being earned and is recognised when it can be matched with the year in which it is earned.

Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment category refers to assets that are expected to be used for more than one year. All expenditure on the acquisition, creation, or enhancement of property, plant and equipment has been capitalised on an accruals basis, subject to the following accounting policies.

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £10,000, or revalued to less than £10,000 are charged to the Comprehensive Income and Expenditure Statement.

The assets of local authority-maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the Council, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, page xxx). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Infrastructure Asset Additions and De-recognitions

Capital expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised. Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced / replaced (including

any associated depreciation). As such, the value derecognised will be determined by the cost of the replacement asset, and assuming that the component replaced was at the end of its useful life.

Measurement

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value, plus Community Assets, are revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, all assets are revalued via desktop valuation in year two and by indexation in years three to five. The index applied to each asset is based on changes in Building Cost Information Service (BCIS) forecasts and land value estimations since the previous year.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 30 November during the year in question, however as part of the carrying value assessment exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation to 31 March.

Infrastructure has been included in the Balance Sheet at depreciated historical cost, whilst Vehicle, Plant, Furniture and Equipment, and Assets Under Construction have been included at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use.

For infrastructure assets, a modified form of historic cost is used: opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. The value of Infrastructure assets within the accounts includes a lump sum removal in 1998 when Peterborough City Council was formed, becoming independent of Cambridgeshire County Council. This lump sum is not broken down on an asset-by-asset basis in line with how Infrastructure Assets are recorded in the Asset Register. Other additions and enhancements are recorded at cost on a project-by-project basis rather than by asset, therefore additions and enhancements may relate to a number of individual Infrastructure assets.

Land and Building assets and PFI Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. Operational Property, Plant and Equipment is valued using Existing Use Value whereas specialised assets are valued using Depreciated Replacement Cost. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts, which is a type of Existing Use Valuation. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal. Assets held at current or fair value are split into land and building components, with the building element further subdivided in order to be depreciated over appropriate estimated useful lives. The four building components used are Roof, Structure, Machinery and Equipment, and Externals.

Capitalisation of Borrowing Costs

Borrowing costs that are:

- Directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
- When it is probable that they will result in future economic benefits or service potential to the Council; and

- The costs can be measured reliably;

Costs shall be capitalised and form part of the cost of that non-current asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready (over a year) for its intended use or sale.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

The commencement of capitalisation begins when all of the following conditions are met:

- Expenditure in respect of the asset is incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.
- Borrowing funding for a project is expected to total over £500k before the asset is operational.

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation will be suspended during periods in which active development is interrupted.

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding depreciation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention (except for Infrastructure), where depreciation is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.

Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:

- Buildings (including Surplus Assets) – 5 to 60 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- PFI schemes: Vehicles, Plant, Furniture and Equipment – 3 to 26 years;
- Non-PFI schemes: Vehicles, Plant, Furniture and Equipment – 3 to 10 years
- Infrastructure – 50 years.

Upon a review of asset lives, depreciation is calculated over the revised remaining useful life of the asset.

FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as Surplus Assets and Investment Properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

Two reserve accounts are required in the Council's Balance Sheet for capital accounting adjustments:

- **The Revaluation Reserve** - this contains the balance of the surpluses or deficits arising on the periodic revaluation of property, plant and equipment. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;
- **The Capital Adjustment Account** - this absorbs the timing differences arising from the different arrangements for accounting for the consumption of property, plant and equipment and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Any receipts from disposals, net of costs of disposal, are also credited to the Comprehensive Income and Expenditure Statement. Costs

associated with disposal can be funded from the associated capital receipt as long as they are less than 4% of the value of the proceeds. Any disposal costs over this level must therefore be funded by revenue.

The gain, or loss, on the disposal of a long-term asset is the amount by which the disposal proceeds, net of disposals costs, are more (gain) or less (loss) than the balance sheet value of the long-term asset. Any previous revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account on disposal.

Income that is not reserved for the repayment of external loans, and has not been applied in financing capital expenditure, is shown on the Balance Sheet within the Usable Capital Receipts Reserve.

CHARGES TO REVENUE FOR LONG-TERM ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding long-term assets during the year:

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page xxx);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page xxx). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure is incurred during the year that may be treated as capital under statutory provisions but does not result in the creation of a long-term asset (e.g. expenditure on academy schools). Instead of capitalising this expenditure, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources, those resources are also credited to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of expenditure by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

HERITAGE ASSETS

Heritage Assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets. The Council holds these assets principally for future generations because of their contribution to knowledge, the environment and the culture of the County.

The Code requires authorities to recognise heritage assets where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining this information outweighs the benefits to the users of the financial

statements, the asset is not recognised on the Council's Balance Sheet, but commentary is included in the notes to the financial statements. Where valuations are made, an appropriate method is adopted; this may include, for example, insurance valuations of museum collections.

The Council's different classes of Heritage Assets are treated as follows:

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;
- Archaeological artefacts and ecofacts – not recognised on balance sheet due to a lack of reliable valuation information;
- Civic regalia – not recognised on balance sheet due to being considered as immaterial and a lack of reliable valuation information.

The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress which is included in the Group Accounts comprises, the acquisition cost of land, construction costs and professional fees (capitalised borrowing costs are removed as they are intragroup). Net realisable value is the estimated selling price in the ordinary course of business, less applicable, variable selling expenses. If cost falls below net realisable value, then an applicable impairment provision is recognised in the Comprehensive Income and Expenditure Statement.

FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument (e.g. Public Works Loan Board borrowing). Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount

presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain, or loss, over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

GOVERNMENT GRANTS

Government grants, and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions. There are two types of stipulations; conditions and restrictions:

- Conditions are stipulations that specify that the future economic benefits or service potential embodied in transferred assets are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor;
- Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation). However, if recovery of the grant / donation is only possible indirectly by, for instance, legal action for breach of contract or withholding payment of other monies due separately to the Council without a right to have done so, then this will amount to a restriction rather than a condition.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement and reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure it is posted to the Capital and Contributions Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

COUNCIL TAX AND NON-DOMESTIC RATES

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax and non-domestic rates (NDR). This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:

- the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax and NDR receivables in its Balance Sheet as well as an appropriate share of the Collection Fund surplus / deficit for the year within its Comprehensive Income and Expenditure Statement.

LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to support the delivery of those services passes to the PFI contractor in return for an annual fee. The Code of Practice requires that PFI contracts are accounted for in a manner consistent with the adoption of International Financial Reporting Interpretations Committee (IFRIC) 12: Service Concession Arrangements as contained in the Government's Financial Reporting Manual (FreM), and means that assets and liabilities are recognised on the Council's Balance Sheet where the Council substantially controls the use of the assets involved and any associated residual interest. As the Council is deemed to control the services that are provided under its PFI schemes and, as the ownership of the property, plant, and equipment will pass to the Council at the end of the contract, the Council carries the long-term assets used under the contracts on the Balance Sheet in line with the requirements of IFRIC 12.

The original recognition of these assets is at historical cost the year after they are made available for use, and when revalued, at current value in existing use. This is matched by the recognition of an equivalent liability for amounts due to the scheme operator to pay for the capital investment. PFI assets are revalued and depreciated in the same way as any other property, plant, and equipment owned by the Council.

Annual unitary charges that are paid by the Council to PFI operators can be analysed into five elements:

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts

payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Prudent provision for PFI schemes is made within the annual unitary charge, based on the part of the unitary payment that goes to write down the matching liability for assets recognised on the Balance Sheet.

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, Note xx)

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Council as Lessee

Finance leases

Property, plant and equipment assets held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor and initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability and contingent rents are charged as expenses in the years in which they are incurred. Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment and a finance charge.

As with other long-term assets, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy on page xxx). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Council as Lessor

Finance leases

Where the Council grants a finance lease on a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain,

representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property (applied to write down the lease debtor (together with any premiums received)), and finance income. However, in the case of academy schools the Council does not recognise a long-term debtor on the Balance Sheet. This is because the assets are transferred as 125-year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, it is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over a property, or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are 'adjusting' and 'non-adjusting' events, both favourable and unfavourable, that occur between the end of the reporting year and the date when the Statement of Accounts is authorised for issue.

An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the financial statements.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3

months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement cash, and cash equivalents, are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

POST EMPLOYMENT BENEFITS

The majority of employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE);
- The Local Government Pension Scheme, administered by Cambridgeshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

The Teachers' Pension Scheme

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme as follows:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - ▶ quoted securities – market value
 - ▶ unquoted securities – professional estimate
 - ▶ unitised securities – closing bid price
 - ▶ property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement components.

Service Cost elements comprise:

- ▶ Current service cost: the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- ▶ Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- ▶ Net interest on the net defined benefit liability (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

Re-measurements comprise:

- ▶ Expected return on plan assets: excluding amounts included in the net interest on the net defined benefit liability. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- ▶ Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- ▶ Contributions paid to the pension fund: cash paid as employer contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and

credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The Council's reserves are categorised as follows:

- Usable reserves - those reserves that contain resources that a council can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;
- Unusable reserves – those that a council is not able to utilise to provide services. This category of reserves includes:
 - ▶ Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains / losses are realised as the assets are disposed of.
 - ▶ Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A change in policy was introduced in 2015-16 for the proportion of the provision that relates to the historic debt liability that had accumulated to 31 March 2010. Up until 2014-15 this element of the provision was calculated using Option 1 of the Guidance, the "Regulatory Method", which based the calculation on 4% of the Capital Financing Requirement, amended for Adjustment A, on a reducing balance basis. From 2015-16 this debt liability will be provided for using an annuity calculation methodology, allowable under the DCLG Guidance.

Capital expenditure incurred from 2010-11 onwards will be subject to Minimum Revenue Provision (MRP) in the year after the asset has become operational. MRP will be provided for under Option 3 of the DCLG Guidance and will be based on the estimated useful life of the assets, using the equal annual instalment method.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. In view of

the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers. The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation and any under or over provisions that are identified for previous years will be taken into consideration in the calculation of the current year's provisions and adjusted accordingly.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events that may or may not be incurred by the Council depending on the outcome of one or more uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the financial statements.

VALUE ADDED TAX (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and / or joint ventures. The Council has involvement with a number of entities, and where the interests are not material the nature and value of the relationship is disclosed within the single entity accounts. In line with the code requirements on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than group accounts.

Procurement and Commercial Annual Report

To: Audit and Accounts Committee

Meeting Date: 26th May 2023

From: Tom Kelly, Services Director of Finance and Procurement

Outcome: The Committee is asked to note the Procurement and Commercial Annual Report, attached here at Appendix 1.

Recommendation: That the Committee considers the Procurement and Commercial Annual Report

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1. Background

- 1.1 In November 2021, this Committee considered the External Auditor's value for money opinion for 2017/18. This opinion contained a number of findings on procurement weaknesses and a number of initial actions were reported on.
- 1.2 It was agreed at that Committee meeting, that an Annual Report would be presented to the Committee covering the areas identified in November 2021.

2. Main Issues

- 2.1 The first Procurement and Commercial Annual report is attached at Appendix 1.
- 2.2 The report covers those areas agreed at the November 2021 Committee meeting as well as giving an overview of the team's activities in financial year 2022/23 and a short look forward to the next financial year.
- 2.3 Members are asked to note particularly the legislative changes that will affect the team over the next year and the risks and opportunities presented by those changes.

3. Appendices

- 3.1 Appendix 1 – Procurement and Commercial Annual Report 2022/23.

An Annual Report for the Procurement and Commercial Team Financial Year 2022/23

1 Team Overview

- 1.1 A permanent Head of Procurement, solely focused on Cambridgeshire County Council, was appointed in January 2022 to oversee the work of the three procurement teams covering Place and Sustainability, People and Communities and Corporate and IT.
- 1.2 In September, following the corporate leadership re-structure, the Procurement and Commercial teams were brought together under the Head of Procurement and Commercial.
- 1.3 The revised team consists of 4 team managers, a Policy and Systems Manager, 5 Procurement Managers, 3 procurement apprentices and 2 senior commercial advisors. The team structure is available on the procurement Camweb page.

2 Procurement and Commercial Workload

2.1 *Commercial Workload*

- 2.1.1 Since the amalgamation with the Procurement Team in September, the Commercial Team have been working to establish their remit and priorities. This work is now complete and the team have clear outcomes.
- 2.1.2 The team are focusing resources on areas with high contract risk and/or spend. Their key projects include:
- Ongoing intensive support for the waste management regulatory response project by the Commercial Manager (circa. £40million/year).
 - Ongoing support for the climate change and energy teams and that involvement has increased to cover Swaffham Prior Community Heat Project.
 - Support to the Home to School Transport team to develop alternative delivery models and to identify key contract risks. (circa. £35million/year)
 - Developed a corporate policy for managing price variations in existing contracts and guidance for interpreting CCC's Standard Terms & Conditions.
 - Secured £65,000 of funding for 10 places across the organisation to undertake high regarded, accredited contract management training.
 - Finally, most recently, support has been provided to the adult social care brokerage team to rationalise and reduce the costs of care (high costs decisions relating to block bed and spot bed placements).
- 2.1.3 Alongside this work, the Commercial Manager has been conducting key contract risk assessments with contract managers and this work continues for lower value contracts. This work is allowing contract managers and CLT to have a much better understanding and visibility of the risks presented by the Council's key contracts and therefore to put in place, as necessary, contingency measures.

2.2 *Procurement Activity*

- 2.2.1 During financial year 2022/23, the Procurement Team received initial contact on 63 new procurements with a total estimated value of nearly £400m. 19 of these were in the Corporate Services and IT team, 24 were in the People and Communities team and the remainder in the Place and Sustainability team.
- 2.2.2 During the same period, 47 contracts were awarded with a total estimated value of £1b. Of these the highest value contracts awarded were:
- Cleaning and grounds maintenance (£5.3m)
 - Home and community support DPS rounds 12 and 13 (£300,000,000)
 - Early years pseudo Dynamic Purchasing System round 1 (£185,989,145)
 - Children's Services External Placements Dynamic Purchasing System round 8 (£470,184,791)
 - Individual service funds (£18,000,000)
 - 6 extra care schemes (£11,750,000)
 - Insurance and Claims management (£5,000,000)
 - March Future High Street Fund and MATS Broad Street (£5,500,000)
- 2.2.3 In addition to this procurement support, the team have worked to develop the standard procurement documents used, the guidance available to colleagues managing their own procurements and the information available to suppliers and the community on the Council's webpage.

3 Actions from the BDO External Audit

In November 2021, the Committee received BDO's External Value for Money Conclusions for the year ending March 2018. This included critical findings in relation to the Council's procurement arrangements, which the Committee brought to the attention of Full Council. The following areas, derived from BDO's recommendations are reported to this Committee to monitor management actions.

- 3.1 Consultancy/agency expenditure: this is now reported six monthly to the Audit and Accounts Committee. In addition, the Consultant's Policy has been updated and a new electronic approval form for consultancy spend has been introduced. Future Committee reports will include information on the proportion of spend which has been authorised via this approval form.
- 3.2 Electronic waiver system: waivers are now managed via an online case management system, the form and guidance within that system are currently being updated to ensure that they align with the Council's Contract Procedure Rules as closely as possible.
- 3.3 Procurement training: procurement training was provided to Members in October 2022. An e learning module was developed for officers and became available in September 2022, this training is mandatory for budget managers and contract managers named on the Council's Contract Register. To date around 162 of the required officers have undertaken this training, this represents approximately 52% of the cohort. Work is ongoing via the Procurement Governance Board to improve that %, with escalation to responsible directors for each service where there are gaps in completions of the training.

- 3.4 Contract Procedure Rules update: the Contract Procedure Rules were updated in March 2022 following which a Procurement Guide was published to provide officers with practical support in conducting their own procurements. Template and standard documentation has also been reviewed to ensure that it meets best practice requirements and is as accessible as possible to colleagues.
- 3.5 Procurement Governance: the governance arrangements for individual procurements valued over £100,000 have been improved with the introduction of Procurement Plans and Award Reports. Procurement Plans must be signed off by the Chief Officer and if the contract is valued over £1m by the Head of Procurement. Award reports must be signed off by the Chief Officer before notification of award letters can be sent to bidders. These new processes ensure high level oversight of key procurement activity.
- 3.6 Procurement Governance Board: in July 2022, a Procurement Governance Board was formed bringing together an extended leadership group representative from each directorate with the corporate leads for Procurement and Commercial, Finance, Diligence and Legal. With a remit to provide strategic oversight for procurement and to consider and manage procurement related risks, this Board meets every 2 months and is overseeing progress with all the governance enhancements set out in this report.
- 3.7 Direct awards: direct awards (valued over £5,000) now require the approval of the Procurement and Commercial Team before they can be progressed. This requirement has been widely communicated and the team also monitors direct awards being added to the Contract Register, where they have not received prior approval – additional advice is given to the contract manager in question.
- 3.8 Contracts valued over £100,000: where a contract is valued over £100,000, a (digital) signed copy of that contract must be forwarded to the Procurement and Commercial Team for storage. Again, this requirement has been widely communicated and where contracts valued over £100,000 are added to the Contract Register without a copy being sent to the Team, a request for that copy contract is sent to the contract manager. Missing contracts are escalated to the Procurement Governance Board.
- 3.9 Procurement Pipeline: CLT approved the format of a procurement and commercial pipeline in September 2022. This pipeline is now available on the Council's website (<https://www.cambridgeshire.gov.uk/asset-library/March-2023-Procurement-Pipelines.xlsx>) and will be reviewed and updated quarterly. Additional budget and funding information for the pipeline is available internally to support the business planning process.
- 3.10 Contract extensions: when a contract is added to the Contract Register, there is the opportunity to define the number and length of any extension periods available. During the financial year covered by this report, 50 contracts were extended. The total value of the extension taken was £1.6m. Extensions are approved by the budget manager if the value of the contract is below

£100,000 and by a member of the Procurement and Commercial Team if the value of the contract is above £100,000.

4 Delivering the Sustainable Procurement Strategy

4.1 The Sustainable Procurement Strategy (<https://www.cambridgeshire.gov.uk/business/business-with-the-council/sustainable-procurement-strategy>) was agreed as part of the Strategic Business Plan in early 2023. The Strategy sets the overall direction for the procurement function over the next 2 years.

4.2 The key objectives of the Strategy are:

- Support the growth of local business and the third sector by making procurement spend more accessible.
- Increasing the levels of social value delivered by our suppliers
- Contributing to the Council's net zero targets.
- Delivering best value outcomes through procurement activity
- Ensuring that procurement processes are robust, transparent, non-discriminatory and compliant.

4.3 Key activity to deliver that strategy over the next 12 months will be:

- Improving market engagement for individual procurements and more widely.
- Continuing to increase the number of procurements where social value is included as an award criteria.
- Developing low carbon guidance for procurers and identifying current high carbon contracts for review.
- Improving the team's approach to the identification and management of savings.
- Continuing to support the guidance and training on offer for both officers and Members.
- Improving the understanding of risk across the Council's key contracts and suppliers and putting in place plans to mitigate those risks.

5 Key Risks for 2023/24

5.1 The Procurement and Commercial Team remains proactive and fully engaged across the organisation and is fully staffed, operating with no vacancies. During the year the Council created an additional fixed post to focus specifically on procurement systems and governance and continues to invest in apprenticeships with CIPS accreditation to develop the Council's procurement professionals alongside experienced staff.

5.2 It is anticipated that the Procurement Act 2023 will receive Royal Assent in the Spring/early Summer. This Act heralds the most significant change ever seen to procurement processes and transparency requirements. It will be important that both Officers and Members are supportive of the changes that will need to be made to governance structures and operational processes during the 6 month transition period.

- 5.3 It is also anticipated that the Provider Selection Regime will be introduced from July 2023, this applies to health related procurements only but removes the requirement to compete many health related contracts. Again governance structures and operational processes will need to be reviewed.

Clare Ellis
Head of Procurement and Commercial

Council's use of Consultancy and Agency staff

To: Audit and Accounts Committee

Meeting Date: 26th May 2023

From: Tom Kelly
Service Director: Finance and Resources

Outcome: The Committee is asked to consider the information contained within the report.

Recommendation: The Committee is asked to note the information in the report and the action being taken.

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nick.gay@cambridgeshire.gov.uk
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1. Background

- 1.1 Information covering the Council's use of consultants, agency workers and interims is presented to the Audit and Accounts Committee on a six monthly basis.
- 1.2 This report outlines that information for quarters 2, 3 and 4 of 2022/23 (June 2022 to March 2023).

2. Main Issues

Consultancy

- 2.1 OPUS have confirmed that no consultants were engaged through them in the period covered by this report.
- 2.2 Milestone expenditure is not included in the cost code analysis because this spend is made via a procured contract.
- 2.3 The table below summarises the consultancy spend over the period covered by the report, Appendix 1 breaks down the spend further.

Quarter	Spend
2	£600,312
3	£559,012
4	£575,361 (inc. accruals)

- 2.4 Officers are now required to complete an electronic approval form before engaging a consultant. The electronic approval form went live in quarter 3. In total, £1.1m of consultancy spend has been approved via the approval form but this isn't represented fully in the consultancy cost code spend analysis.
- 2.5 The difference in spend going through the approval form and the levels represented in the spend analysis may be explained by any or all the following:
 - The spend notified on an approval form will represent the total contract value. Payments will be made over the whole contract term and so it will take some time for the payments to 'catch up' with the contract value.
 - There will be a lag of potentially a few months between authorisation and the contract starting as the procurement will have to take place in the intervening period.
 - The spend may be coded elsewhere.
- 2.6 Over the next quarter, the Procurement and Commercial Team will track a sample of the approval forms to determine which of the possible explanations at 2.5 is occurring.

Agency Staff and Interims

- 2.7 The table below summarises the agency staff and interim spend over the period covered by the report.

Quarter	Total Agency Spend	Spend through Opus	% of workforce spend	Change in spend (from same quarter in the previous year)
2	£3.47m	£2.76m	9.5%	+£0.53m
3	£3.25m	£2.9m	7.3%	+£0.19m
4	£4.16m	£3.75m	10.2%	+£0.74m

Appendix 1 provides a breakdown of the expenditure by Directorate.

- 2.8 Appendix 1 highlights that Place and Sustainability is the department with the highest levels of non-Opus spend. However, most of the individuals employed outside Opus have left or been moved to an Opus arrangement in the new financial year.
- 2.9 The increasing spend is not creating a budgetary pressure, interims and project teams are being funded, in the main, by grants and vacancies.
- 2.10 The electronic approval form for agency staff and interims is not yet live due to the re-structuring in the department.

3. Appendices

- 3.1 Appendix 1 – Breakdown of Spend by Directorate

Agency/Interim Spend by Directorate

Directorate	Q2	Q3	Q4	Total	Non Opus Spend
Public Health	£94,301.00	£25,369.00	£ 21,195.00	£140,865.00	
Finance & Resources	£358,430.00	£328,480.00	£ 248,295.00	£935,205.00	
Strategy & Partnerships	£51,456.00	£67,954.00	£ 48,465.00	£167,875.00	£46,835.00
Place & Sustainability	£653,762.00	£768,938.00	£ 834,573.00	£2,257,273.00	£993,918.00
People Services: Adults	£932,136.00	£788,852.00	£ 1,204,681.00	£2,925,669.00	£120,700.00
People Services: Children's	£1,457,033.00	£1,271,002.00	£ 1,805,622.00	£233,249.00	£233,249.00
Grand Total	£3,547,118.00	£3,250,595.00	£4,162,831.00	£6,660,136.00	£1,394,702.00

Quarter 2 Consultancy Spend Breakdown

Directorate	Description of Requirement	Total Spend	Comments
Finance and Resources	CBC Masterplanning	£200,000.00	
	GCP Grid substations land assessments	£7,665.00	
	Bus pinch point analysis	£23,000.00	
	Total	£230,665.00	
Peoples (Adults, Health and Commissioning)	Fair cost of care exercise	£5,000.00	
	Total	£5,000.00	
Peoples (Children, Education and Families)	Chair for SAR and CSPR subgroups 2022/23	£4,100.00	
	BSIL work	£1,900.00	
	Lead reviewer and author SCR NS	£8,878.00	
	Total	£14,878.00	
Place and Sustainability	Connecting Cambs technical assurance support	£22,895.00	
	Consultancy management	£90,207.00	
	Options appraisal for parks and green space stewar	£3,040.00	
	Future parks accelerator	£2,500.00	
	Energy performance contracting at Hartford Infant	£4,819.00	
	HD Engineer for HDM	£29,959.00	Miscoded, not consultancy
	Lining survey	£40,410.00	Miscoded, not consultancy
	Medworth DCO Support	£2,967.00	
	Medworth CHP Support	£2,845.00	
	Northstowe Phase 1	£1,242.00	
	Individual consultants (nature of work not indicated)	£73,673.00	
	Scanner survey	£24,905.00	
	Proof reading and copy writing	£125.00	
	Definitive map training	£730.00	
	Interims	£18,750.00	Miscoded, not consultancy
	Total	£319,067.00	
Strategy and Partnerships	Consultancy management	£30,702.00	
	Total	£30,702.00	

Quarter 3 Consultancy Spend

Directorate	Description of Requirement	Total Spend
Finance and Resources	GCP data audit	£29,250.00
	Consultancy management	£7,500.00
	MotionMap travel app support	£3,600.00
	GCP Grid substations land assessments	£1,642.00
	Total	£41,992.00
Peoples (Adults, Health and Commissioning)	Consultancy management	£35,990.00
	Review of LDP pooled budget arrangements	£26,700.00
	Review of delegated IT services	£15,907.00
	Community microenterprise programme	£39,705.00
	Total	£118,302.00
Peoples (Children, Education and Families)	Chair for SAR and CSPR subgroups 2022/23	£2,500.00
	Total	£2,500.00
Place and Sustainability	Carbon assessment support	£9,188.00
	Connecting Cambs technical assurance support	£21,375.00
	Individual consultants (nature of work not indicated)	£129,248.00
	Heat decarbonisation prokect	£30,000.00
	Impington College energy performance works	£58,431.00
	HD Engineer for HDM	£29,389.00
	Interims for road safety audits	£9,469.00
	Littleport and East Cambs Academy energy performance works	£2,286.00
	Medworth DCO Support	£625.00
	MVV Medworth CHP Proposal	£3,570.00
	Northstowe Phase 1	£616.00
	Peer review of waste carbon calculator	£3,300.00
	SCRIM Survey	£14,452.00
	Proof reading and copy writing	£100.00
	Review of air quality and health impact assessments	£2,125.00
	Highways consultants	£1,500.00
	Interim for street lighting team	£1,750.00
	Total	£317,424.00
Strategy and Partnerships	BIPC Jumpstart Grant winner	£12,000.00
	BIPC Marketing materials	£104.00
	Libraries event	£2,143.00
	Libraries income project	£12,400.00
	Household survey	£19,472.00
	Consultancy management	£60.00
	Reimbursement of salary costs	£28,307.00
	Marketing materials for Cambridgeshire Business Centre	£195.00
	Photography services	£525.00
	Radio advertising	£3,588.00
	Total	£78,794.00

Quarter 4 Consultancy Spend

Directorate	Description of Requirement	Total Spend
Finance and resources	Technical and feasibility consultancy	£516.00
	IT consultancy	£18,000.00
	Progress review of TL	£30,000.00
	GCP Grid substations land assessments	£1,095.00
	MotionMap Travel App support	£3,600.00
	Grid substations consultancy	£2,512.00
	Making Connections OBC	£3,165.00
	Sponsorship for annual draw of Cambridge Ahead data draw	£8,250.00
	Independent advisor for GCP	£11,107.00
	Total	£78,245.00
Peoples (Adults, Health and Commissioning)	Community microenterprise programme	£13,235.00
	Fair cost of care exercise	£30,250.00
	Feasibility study at the Hawthorns	£6,295.00
	Review of delegated IT services	£47,722.00
	Total	£97,502.00
Peoples (Children, Education and Families)	Chair for SAR and CSPR subgroups 2022/23	£9,060.00
	Child safeguarding practice review	£2,320.00
	Consultancy management	£11,985.00
	CSPR Report TN family	£785.00
	CSPR NS report author	£864.00
	Front door scrutiny	£8,580.00
	Local validation list requirements	£500.00
	Independent author for SAR	£975.00
	Individual consultant	£18,135.00
	Safeguarding adult review	£8,998.00
	Total	£62,202.00
Place and sustainability	Examination coordination, strategic review and advice	£22,340.00
	Access to Hiram	£2,780.00
	AS Domestic homicide review	£1,050.00
	North Angle Solar Farm client support agreement	£4,281.00
	Connecting Cambs technical assurance support	£20,187.00
	Clinical supervision	£3,500.00
	DHR Panel meeting	£5,000.00
	Public inquiry professional advocacy	£432.00
	Flexible funding	£9,000.00
	DHR	£200.00
	Heat decarbonisation consultancy	£74,475.00
	Highways investigations reporting template	£360.00
	HD Engineer for HDM	£4,204.00
	Interims for road safety audits	£5,439.00
	Upherd's Lane, Ely investigation	£1,106.00
	Medworth DCO Support	£2,437.00
	MVV Medworth	£5,861.00
	Northstowe Phase 1	£2,436.00
	Interims for road safety audits	£12,694.00
	Peer research project	£8,000.00
	Technical assurance	£41,543.00

	St Ives Thicket Path bridleway application	£720.00
	ZP DHR	£3,500.00
	Total	£231,545.00
Public Health	Tier 2 Adult Weight Management	£23,077.00
	Consultancy management	£5,500.00
	Total	£28,577.00
Strategy and Partnerships	BIPC Jumpstarter Grant winner	£9,000.00
	CFCP Homeless contract	£24,977.00
	BIPC staff costs	£230.00
	Election services	£23,521.00
	Cambridgeshire Business Centre events hire	£90.00
	Household survey	£19,472.00
	Total	£77,290.00

Audit and Accounts Committee Draft Training Plan

To: Audit and Accounts Committee

Meeting Date: 26 May 2023

From: Executive Director for Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: The Committee is asked to consider a proposed training programme to support members awareness and understanding in carrying out their functions.

Recommendation: The Committee is asked to:

- Note the report,
- Consider both the format and content of the draft training plan attached at Appendix 1, noting any changes in that or timings.

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Member contacts:

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1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated position statement on local authority, and police, audit committees. Included in those suggestions, which took account of other reviews such as the Redmond Review, was advice that while expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance. As such the recommended practice is for audit committees to review and assess themselves annually or to seek an external review. This review should also help inform a planned programme of regular training to address gaps and maintain standards. None of the national bodies have set a prescribed standard of training with suggestions ranging from specific training to encouraging committee members to participate in networks and forums established for the purpose of sharing good practice.
- 1.2 The Audit and Accounts Committee's last training was held on members recent induction following the last County Elections –June 2021. As such this report contains suggestions to continue to improve its support for members and a programme to look at providing a strong framework that covers the areas covered by the Committee as well as emerging changes.

2. Main Issues

- 2.1 Local government audit and finance is continuing to evolve. The valuation of balance sheets or format of the accounts has never been more complicated, the regulation of audit is changing and the public scrutiny on the role of audit committees has never been as high profile. As such the Audit and Accounts Committee members have a significant number changes it needs to consider and plan for. Whilst we acknowledge the high competency of the County Council's members, we continually strive to ensure all of its members have access to training to maintain those skills.
- 2.2 The attached Appendix sets out a proposed training plan for the remainder of this electoral cycle.
- 2.3 It is suggested that to create flexibility and recognise the demands on members the programme should be a mixture of face-to-face delivery and on-line training. Where training is held face to face every effort will be made to set dates significantly in advance to allow members to attend and aligned with the Committee dates, although where members cannot attend, all training will be recorded and available for non-attendees to follow up at a later date.
- 2.4 It is suggested that the training be provided by a mixture of officers and external advisors at nil cost.
- 2.5 Going forward we would undertake skills based assessments to drive amendments and additions to this programme, as well as the level at which the training is pitched to meet needs, and focus in on Cambridgeshire CC specific issues.
- 2.6 Members will be required to attend / complete all training modules. Alongside this the programme will continue to be reviewed in light of emerging developments from CIPFA, Government and Audit, Reporting and Governance Authority (ARGA).

- 2.7 Officers will carry out a post training session evaluation and will continually seek advice and comments from members attending on the focus and style of training.
- 2.8 It is suggested this programme could inform the future Annual Report presented to Full Council by the Chair of the Audit and Accounts Committee to demonstrate the effectiveness of the Committee.

Proposed Audit & Accounts Committee DRAFT / POTENTIAL Training Programme 2023-2025

Face to face training:	Potential E-Learning modules
2023/24	
Accounts – Valuations / Property, Plant & Equipment: A focus on the methods used to value and estimate values of our key assets, as well as coverage. This will inform Members ahead of scrutiny of the Councils 2022/23 draft statement of accounts.	Audit Landscape: There are several national changes taking place around how external and internal audit are set out, delivered and governed. This includes Audit, Reporting and Governance Authority (ARGA), the appointment of external auditors, fee setting and quality reviews of IA.
Treasury Management: This will inform members of the Councils Treasury Strategy, the reasoning behind risk, as well as how and where the Council invests / borrows its money. The cashflow forecasting employed and the accounting for treasury management.	Audit Code changes: Chartered Institute of Public Finance & Accountancy (CIPFA) and National Audit Office (NAO) regularly carry out updates to audit codes of practice. This training will cover the basic content and updates (happening and planned)
Risk Management: What is risk management, how do you assess likelihood and impact, what is a risk event, what is mitigation and residual risk, as well as what is risk appetite.	Regulation updates: Government sets out regulations as to how finance functions, audit and audit committees must work. This session will focus on what these are and any updates (happening or planned).
Financial Sustainability: This will focus on how the Council assesses factors that affect its long-term financial viability, including commitments, budget monitoring and management of reserves.	Skills Frameworks: This programme will focus on the core competencies of audit and finance, including risk based audit, estimation and forecasting.

Face to face training:	Potential E-Learning modules
2024/25	
Internal Audit: A focus on the role of IA, qualitative factors and measures, resourcing, risk based approach including three lines of defence, as well as good reporting and follow up.	Role of the Statutory Officers: who are statutory officers, what are they responsible for, where is their role defined and what does that mean for the way we work.
Business Continuity: This will focus on what is Business Continuity, when does it apply, how it is managed and what an Audit Committee should look at in assessing the effectiveness of an organisations response to incidents.	Partnership Governance: How do we work with our partners; what difference factors do we need to consider in making decisions across partnerships.
Constitution: This training will coincide with the planned update of the Authority's Constitution as part of its Annual Governance Statement work. As such it will look at what is a constitution, what does it cover and how is it applied.	Ombudsman: Which Ombudsman bodies cover local government, how do they operate and how do we respond.
Fraud and Money Laundering: A guide to legislative requirements to safeguard public funds. How we plan and undertake checks within our controls to mitigate these risks.	Transparency & openness: why is this such an important principle of the public sector and what does it mean? How do we interpret and ensure we are in line with standards? Where do the 'grey lines' lie?
2025/26	
Induction & Role of an Audit Committee: Basic introduction to the purpose of an Audit Committee, the Terms of Reference, Frequency and agenda of meetings, where to find further information and introduction to key officers and partners.	External & Internal Audit: Who are they, what are their powers, what areas do they look at, how are they different. Introduction to our auditors as well as plans of work and ways of reporting to Committee.

Audit and Accounts Committee Forward Agenda Plan

Updated 18th May 2023

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Financial Reporting and Related Matters Update – Monitoring at each meeting, covering Integrated Finance Monitoring Report. Lead officers: Tom Kelly/Stephen Howarth/Michelle Parker/Eleanor Tod.
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update, Update on the value of the National Fraud Initiative and Risk Register. Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date. Lead Officer: Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
26/05/23 (18/05/23)	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Draft Annual Governance Statement 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Notification of appointment of Committee Chair and Vice Chair	Annual	Democratic Services Officer	Dawn Cave
	Internal Audit Annual Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Committee training plan	Annual	Executive Director, Finance & Resources	Michael Hudson
	Cyber Update	-	Assistant Director of Customer & Digital Services	Sam Smith
	RIPA Policy Review	Annual	Head of Information Governance	Ben Stevenson
	Annual Procurement and Commercial Report	Annual	Head of Procurement and Commercial	Clare Ellis

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
28/07/23 (20/07/23)	Draft Cambridgeshire County Council Statement of Accounts 2022-23	Annual	Service Director: Finance & Procurement	Tom Kelly
	Annual Risk Management Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	FACT Community Transport update+	-	Service Director: Finance & Procurement	Tom Kelly
	Audit & Accounts Committee Self- Assessment	-	Head of Internal Audit & Risk Management	Mairead Claydon
28/09/23 (20/09/23)	Audit & Accounts Committee Annual Report 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Annual Whistleblowing Report 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	External Audit Plan for Cambridgeshire County Council 2022-23	Annual	External Auditor/ Head of Finance	Mark Hodgson/ Stephen Howarth
	External Audit Plan for Cambridgeshire Pension Fund 2022-23	Annual	External Auditor/ Investments and Fund Accounting Manager - Pensions	Mark Hodgson/ Ben Barlow
	Debt Management Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
01/12/23 (23/11/23)	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Cambridgeshire County Council Statement of Accounts 2022-23 and Audit Results Report	Annual	External Auditor/ Head of Finance	Mark Hodgson/ Stephen Howarth
	Pension Fund Annual Report and Statement of Accounts 2022-23	Annual	Investments and Fund Accounting Manager - Pensions	Ben Barlow/ Fiona Coates
01/02/24 (24/11/24)	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson
	Debt Management Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe

28/03/24 (20/03/24)	Draft Internal Audit Plan 2024/25		Head of Internal Audit & Risk Management	Mairead Claydon
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
30/05/24	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Draft Annual Governance Statement 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Annual Procurement Report	Annual	Head of Procurement and Commercial	Clare Ellis
	Annual Risk Management Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon

Date tbc:

Corporate Risk register		Head of Diligence & Best Value	Neil Hunter
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+ = indicates Exempt report

