

AUDIT AND ACCOUNTS COMMITTEE



Thursday, 29 September 2022

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room New Shire Hall PE28 4YE
[Venue Address]

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>
2. **Petitions and Public Questions**
3. **Public minutes of the Audit & Accounts Committee meeting held 31st May 2022** **5 - 16**
4. **Action Log** **17 - 18**
5. **Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22** **19 - 60**
6. **Financial Reporting and County Council Audit Plan** **61 - 120**
7. **Corporate Risk Register** **121 - 150**

8.	Internal Audit Progress Report	151 - 190
9.	Draft Anti-Fraud & Corruption Policy and Draft Anti-Money Laundering Policy	191 - 278
10.	Annual Whistleblowing Report 2021-22	279 - 284
11.	Committee Agenda Plan	285 - 286

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chair of the Council and political Group Leaders which can be accessed via the following link or made available on request: [Filming protocol hyperlink](#)

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution: [Procedure Rules hyperlink](#)

The Council does not guarantee the provision of car parking on the New Shire Hall site. Information on travel options is available at: [Travel to New Shire Hall hyperlink](#)

Meetings are streamed to the Council's website: [Council meetings Live Web Stream hyperlink](#)

The Audit and Accounts Committee comprises the following members:

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

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

Audit and Accounts Committee: Minutes

Date: 31st May 2022

Time: 2.00pm – 5.00pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors J French (substituting for C Boden), N Gay (Vice-Chair), M McGuire, A Sharp, S Taylor, A Whelan and G Wilson (Chair)

Officers: Janet Atkin, Alison Balcombe, Dawn Cave, Mairead Claydon, Steve Cox, Alex Deans, Tom Kelly, Stephen Howarth, Dean Leather, Fiona McMillan, Stephen Moir and Sue Procter; Mark Hodgson (EY); Lisa Blake and Barry Pryke (BDO) (*officers attended for relevant items*)

55. Notification of appointment of Chair and Vice Chair

The Annual Council meeting held on 10th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2022-23.

The Chair extended a special welcome to Mairead Claydon, as the Interim Head of Audit, and thanked Neil Hunter for all his work in that role.

56. Apologies for Absence and Declarations of Interest

Apologies for absence were presented on behalf of Councillor Boden, Councillor French substituting. There were no declarations of interest.

57. Petitions and Public Questions

There were no petitions or public questions.

58. Public minutes of the Committee meetings held 7th and 18th March 2022

It was resolved to approve the minutes of the Committee meetings held 7th and 18th March 2022.

59. Committee Action Log

The Action Log was noted.

60. External Auditors' Value For Money Conclusion for year ended 31st March 2018

The Committee considered a verbal update on work undertaken regarding Value for Money issues by the former external auditors, BDO, in relation to their final audit for the year ended 31st March 2018.

The Chair welcomed Lisa Blake and Barry Pryke of BDO to the meeting, and explained that further to the finalisation of BDO's Value for Money Conclusion in December 2021, they would be providing an update on the objections received in 2017 and 2018. He advised the BDO representatives that the Committee was concerned that the objections were still not determined, following the update received at the November 2021 Committee.

Ms Blake of BDO explained that following on from the finalisation of the VFM conclusion in December 2021, further work needed to be completed before a statement of reasons could be issued on the wide-ranging objections relating to the 2016-17 and 2017-18 Accounts. Those objections mainly related to contracting and procurement processes. She was pleased to report that all audit enquiries and audit work in respect of those objections had now been completed. Whilst the original intention had been to complete the statement of reasons by the end of April, that timeline had not been met. She explained that this was an iterative process, requiring support from BDO's Quality Assurance and legal teams, and there was also a requirement for BDO to provide a draft statement of reasons to PSAA before it was issued to either the Council for checking for accuracy, or to the objector.

Thanking Ms Blake, the Chair asked what timescale BDO were currently working to, as the Committee was increasingly frustrated that this work had not yet been concluded. Ms Blake advised that they were anticipating that the process would be complete by the end August. She was unsure of turnaround times for PSAA, but had received prompt responses from them in the past. The Chair responded that a further three months seemed an unnecessarily long time. Ms Blake apologised for BDO's failure to meet the April deadline, and outlined the numerous pressures on audit resource, both locally and in the wider market. She commented that the August date was realistic, and it would be issued before then if at all possible, but she was unable to commit to an earlier date at this stage.

A Member asked if BDO had any other LA clients in a similar position, i.e. waiting for similar historic issues to be resolved. He commented that it was a very unsatisfactory situation from the Council's perspective, and also for the objector who remained dissatisfied that his concerns had not yet been adequately addressed. Ms Blake advised that she did not have any other outstanding issues within her own portfolio that dated back this far, but more widely within BDO there were audited entities who had outstanding objections for previous years. PSAA maintain performance statistics, but she acknowledged that it was not unusual for responses to objections to take this long, and added that this was a particularly complex and wide ranging objection, with high level allegations that needed to be dealt with sensitively and confidentially. Acknowledging this, the Chair commented his understanding was that all objections had been considered, it was now a matter of writing and issuing the response. Ms Blake outlined the processes that needed to be completed before the response could be issued.

A Member queried the usefulness of any conclusions that would be drawn given amount of time elapsed, and whether it was reasonable for BDO to continue to claim fees. Ms Blake acknowledged that the recommendations were not as timely as they could have been, but there had been regular discussions with the Council throughout the process, and BDO had been in contact with current and former senior officers regarding the report recommendations, to ensure actions could be taken before the objections were finalised. Whilst there had been delays in the final reporting, Ms Blake maintained that good value audit work had been undertaken, and this was specifically about responding to electors' rights rather than the VFM judgement.

The Chief Executive clarified that he had not been approached by BDO to discuss the objections since taking up post. He agreed that it was disappointing that the Council was in this invidious position, which he had not experienced with audit partners in other public sector bodies, and he requested confirmation in writing that these matters would be concluded by August at the latest. Ms Blake confirmed that discussions had taken place with the previous Chief Executive, and that she was happy to confirm in writing BDO's commitment to the proposed timescales.

Noting that EY had taken over the External Audit role in 2018-19, a Member asked Mark Hodgson of EY about the four years of VFM conclusions for those subsequent years, which was required following BDO's conclusion of this work, observing that this was potentially subject to more objections. Ms Blake clarified that BDO had completed the VFM work, and that the outstanding work related to the objection received, and that this did not impact on the VFM conclusions for the years BDO audited. The Director of Finance commented that objections received covered similar areas, so there was a sequential impact, and discussions with EY indicated that they could deal with previous years' VFM considerations relatively quickly or concurrently once in a position to proceed. Mr Hodgson agreed, and advised that EY would not accept any objection as valid until the BDO work had been concluded. The Chair noted this sequential impact on subsequent years' audits and suggested BDO reconsidered the fees charged for this work.

The Committee resolved unanimously to note the update.

61. Financial Reporting and Related Matters

Members considered a report setting out progress with the Statement of Accounts for the year ending 31 March 2021, and matters relating to the production of accounts for 2021-22, which was linked to the following item on the external audit report.

The external audit for 2020-21 had not been concluded, but good progress was being made in most areas. A national issue around accounting for infrastructure assets had further delayed completion of the final Statement of Accounts. This issue was impacting on a large number of local authorities nationally and predominantly related to the valuation of roads and highways. It was the subject of an ongoing CIPFA consultation on updating the CIPFA Code of Practice.

The report also provided an update on the City Deal accounts. Since the March Committee meeting, EY and the Council had concluded on the relevant accounting treatment and had determined that the appropriate treatment was to recognise each year's individual allocation as a separate grant in the Comprehensive Income and Expenditure Statement. The accounting entries for this approach had been set out in the March Committee report.

In March 2021 the Government issued regulations that amended the deadlines for publication of draft and final accounts for the financial years ending March 2021 and 2022. Therefore, as with the accounts for 2020/21, the date for publication of the draft accounts for 2021/22 was currently 31st July 2022, and the audit should be completed by 30th September. Members also noted that the government had recently commenced a consultation on amended regulations that would extend the

deadline for having completed, audited accounts to 30th November, rather than 30th September.

Discussing the Highways/infrastructure issue, Members noted that this was purely an accounting issue, and did not impact on the value of the Council's usable assets.

A Member queried the appropriateness of the current accounting treatment of PFI schemes, and whether there was any latitude to bring these agreements to an end. Officers indicated that they were content with the way PFI schemes were accounted for, and all contracts were reviewed as at the appropriate review points under contract

It was resolved unanimously to:

1. note and comment on this report;
2. note the external auditor's draft Audit Results Report;
3. approve the accounting policies set out in Appendix A, including the two changes proposed to the current accounting policies set out in section 3.5 of the report.

62. Audit Results Report – Addendum – Year ended 31st March 2021

The Committee considered a report on action taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

In March, the Committee had considered an Audit Results report with assurances and procedures that applied at that time. EY sought to bring two key issues to the Committee's attention, which had arisen subsequently:

- Infrastructure assets, covered in the preceding report, had been raised as a new significant risk. This impacted on all authorities whose 2020-21 accounts had not yet been signed off, and had the impact of potentially altering the external audit opinion;
- A decision had been reached on how to deal with the City Deal grant, with the grant now spread equally over five separate years.

Other areas included:

- Significant adjustments in relation to the valuation of Property, Plant and Equipment;
- The audit of This Land Ltd by external auditors RSM had now been completed. There were some audit differences which would be highlighted in the financial statements as this impacted on the Group Accounts.

In relation to Infrastructure assets, a Member observed that those authorities whose accounts had already been signed off for 2020-21 would be on a different basis to those who were yet to sign off. The External Auditor advised that he was anticipating that the threshold would be increased to £2Billion, which would only

impact on a few authorities. It was confirmed that consideration was being given as to whether the Prior Year Adjustment would be merited under the requirements of the Standard.

Officers commented that in terms of Infrastructure assets, two routes were available to the Council: either they could wait for the outcome of the CIPFA consultation, or the finalised audit opinion from EY could be sought, with the proviso that there would be a limitation of scope in relation to infrastructure assets.

This approach would enable the Council to progress to the next set of accounts which were upcoming, further time to address accounting issues with infrastructure assets. This would be a route to signed accounts under the March 2022 delegation from this Committee.

Officers were pleased that a way forward had been concluded on City Deal, building on the discussions at the last Committee meeting, and the proposed treatment would be more intuitive for users of the accounts.

In response to a query on the BDO timescales, EY advised that they had commenced work on VFM conclusions for the 2018-19, 2019-20 and 2020-21 accounts, and whilst they were behind timetable, this work should be completed relatively quickly. In terms of outstanding objections, BDO's statement of reasons needed to be reviewed before decisions could be made, and those decisions would be taken individually and sequentially.

In response to a question of the impact of cost issues arising from BDO being so late, officers advised that there was an entitlement under legislation for BDO to pass on the costs of both objections and additional procedures to the Council. So far BDO had not presented an estimate of any extra costs, and officers were asked to keep Members updated on cost issues.

It was resolved unanimously to:

- a) receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) note and comment on the County Council's actions taken and planned as set out in this report.

63. Major Infrastructure Delivery

The Committee considered an update on the improvements in the Major Infrastructure and Delivery service, now known as the Project Delivery service.

Members noted the background to the report, and the considerable improvements that had been introduced and embedded over the previous 18 months, including the various processes put in place to meet the audit recommendations. The report demonstrated that the Service had come a long way over that timeframe, and that the Service was continually looking to improve. It was noted that the original audit had resulted in a large number of recommendations, and that a follow up audit of the implementation of the actions would be carried out by the Internal Audit team later in the year. The Executive Director highlighted that there had been significant cultural change within the relevant teams, and he was appreciative of Internal Audit's agreement to continue to monitor progress and undertake a further review.

In response to a question on whether lessons learned from this Internal Audit could be transferred to other Council services, senior officers agreed that there were learning opportunities across the Council, especially within project and contract management, and they were working with Human Resources and Learning & Development colleagues to improve employees skills. Some points e.g. ensuring that contract management included the robustness of supply chain partners and processes, had already been picked up in Contract Procedure Rules, and there was clearly more learning that could be picked up across the Council, especially in relation to capital programme delivery.

It was resolved unanimously to:

- a) note and comment on progress to date;
- b) delegate the final matters for closeout to the Executive Director Place & Economy;
- c) note that a follow up audit of the implementation of the actions will be carried in Quarter 3 of this year.

64. Performance Management Framework

The Committee considered a report on the revised and refreshed Performance Management Framework and its role in the Council's governance framework. The Performance Management Framework set out how the Council manages performance in delivering services against its overarching priorities. It describes performance management activity at three levels: strategic (Committees and senior officers), operational (directorate and senior management teams) and individual (based on the Our Conversations framework).

The new framework sets out consistent and standardised approach to performance management. It proposed that Strategy & Resources Committee should receive quarterly reports on strategic KPIs, organised by key priorities, and determined by the annual Business Planning cycle. Service Committees should also receive regular reports on more detailed KPIs relating to their areas of oversight.

It was noted that Audit and Accounts Committee was not included in the performance framework detailing role of various Committees. Officers confirmed that this was an oversight, and the role of the Committee would be included in the final document. It was also noted that indicators were confirmed for some but not all priorities. Officers advised that they had been working with Service Committees to identify indicators, and a progress report would be considered at the June Strategy & Resources Committee. Currently only around half of the indicators had been confirmed.

There was a query on indicators adopted, and the degree to which the Council could direct or indirectly influence specific areas, e.g. Universal Credit claimants levels. Officers confirmed that these points had been discussed at length at the Member workshops, which had also considered what happened when an indicator related to more than one Committee.

A Member asked if these were the strategic, high level indicators, and whether there would be more substance at individual Policy and Service Committee level. It was confirmed that this was the case, and the Performance Framework as presented

covered only the strategic indicators. More detailed indicators would be established by both Policy and Service Committees and management teams.

A Member commented that much could be gained from reviewing the performance framework which other authorities had in place, and this comparison could be more valuable than assessing and defining the Council's position. Officers confirmed that benchmarking between authorities against standardised indicator definitions was a very important part of the service planning which was used across the whole Council. However, whilst other authorities' performance frameworks had been reviewed, Cambridgeshire's framework needed to reflect unique points such as the Our Conversations process. The Member stressed the importance of not letting KPIs get in the way of delivering services, which should be the priority. Officers agreed, and commented that KPIs were an important part of the quality assurance process, but there were a range of more granular tools available to managers to deliver services and monitor performance.

The Chief Executive observed that any approach to performance management needed to be proportionate, with a balance between inputs, outputs and outcomes. Officers were working with Members to ensure the right approach was adopted, and that it was not too burdensome.

It was resolved unanimously:

- a) to note and comment on the Performance Management Framework;
- b) In future, to review the performance report after it has been presented to Strategy and Resources Committee quarterly

65. Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022

The Assistant Director for HR Services presented an update on the use of consultants and agency workers in Quarter 2 (July to September 2021) and Quarter 3 (October to December 2021). Two consultants were engaged via Opus in Q2, and no consultants were used in Q3. The report also set out information on all interims and consultants engaged outside of these arrangements and coded to the consultancy code.

The report also set out the usage of agency workers and interims during the reporting period, which showed a decrease from Q2 to Q3, which was mainly attributable to the pandemic. A significant number of contractors had been supporting public health, but this number would decrease moving forward. Approval processes were being updated in relation to employees, consultants, interims and agency workers, enabling increased scrutiny of spending prior to their engagement.

Whilst observing the reduction in numbers, it was noted that 9.4% of workforce costs were being spent on agency workers and interims. Even allowing for the pandemic, a Member commented that this seemed high. Officers explained that the percentage was still high and should eventually return to historic levels of around 6%. However, it was quite possible the percentage would increase for some time, due to recruitment challenges across the board. Recruitment and retention were challenging nationally, especially in the public sector, and labour shortages would

continue to impact. The Committee was reassured that whilst the workforce picture was bleak, the Council continued to use creative methods to recruit and retain staff.

A Member was unclear on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues. Action required.

There was a Member query as to whether senior interims could appoint other interims/agency workers. It was confirmed that the policy on appointments had been improved and tightened up following an audit.

It was resolved unanimously to note the current data on the use of consultants and agency workers/interims.

66. Debt Management Update

Members considered an update on the current debt position.

The debt position had improved by £4.8M to £17.5M from the position reported in July 2021. There was a positive picture across most Directorates except Adult Social Care, which had increased by £1.8M. The bulk of that increase related to the increased timeframe now being experienced in the completion of some formal processes such as Court of Protection (COP), Power of Attorney and settlement of clients' estates. These processes had previously taken around 16 weeks, and were now taking much longer, on average. In response to a Member question, it was confirmed that this was a national issue beyond the Council's control, and the delays were common not only to local authorities across the country, but also the private sector deputies.

A Member observed the Debts classified as pending write-off had reduced from £305K to £71K, and asked whether this had meant that the Council had written off that amount rather than collected payment. It was confirmed that much of that figure would have been write-offs rather than payment collected. It was noted that write offs for 2021/22 were fairly low at £868K, which represented less than 0.5% of revenue raised within the same period.

Members noted that there was a general improvement in the CCG area, reflecting the good work undertaken by Finance colleagues. All pre April 2020 debts had been resolved, and work had commenced on the post April 2020 debts.

In terms of collection rates, these were around 94% for the first three quarters of 2021-22, reducing to 77% for the last quarter. However, this was because many charges were not yet due at the time of reporting, and that figure was improving and was expected to be in line with the previous quarters.

Officers outlined the considerable work that had been undertaken implementing the Service Improvement Plan. One particular success had been the work undertaken to reduce the number of invoices sent out by post, which had reduced by 11% to 66%. A specific campaign had been undertaken with schools, and was now being rolled out in Adult Social Care. Improvements to self service processes and encouraging

budget holders to raise Purchase Orders and provide full information were also noted.

Whilst applauding the reduction of invoices sent out by post, a Member asked whether emailed invoices were appropriate for some client groups e.g. the vulnerable and elderly. Officers confirmed that they were working with social workers to ensure that a more bespoke, sensitive approach was adopted with those client groups.

In response to a Member query on the CCG, it was confirmed that information would be migrated across to the new system. Relationships with NHS colleagues were being forged and maintained, and systems established to ensure that this transition was implemented as smoothly as possible.

It was resolved unanimously to:

- a) note the actions and approach being taken to manage income collection and debt recovery;
- b) agree that a further update will be provided on the position at the end of 2022/23.

67. Update on the response to the External Auditor's value for money opinion (2017/18) and findings of procurement weaknesses

The Committee considered a report on the actions taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

Members were reminded that in November 2021, BDO had presented their findings on procurement weaknesses, which included a number of recommendations which the Council had already taken forward, having been highlighted by both BDO and the internal audit team. The arrival of the Head of Procurement in January 2022 had been particularly helpful, bringing fresh perspectives and impetus. The Committee noted areas where progress had been made. A key area was the mandatory procurement training for all officers, which was sequenced to take place after the Contract Procedure Rules had been updated.

The Annual Report on procurement activity illustrated the different procurement routes available. It was noted that all waivers over £10K were reviewed and considered by the Director of Finance.

A Member noted that the third recommendation agreed by Committee in November, related to Member training. Officers confirmed that some training on procurement had been included in the Member induction process in 2021, and there would be some specific training later in the year, once the training for officers had been delivered. Officers would be working with Democratic Services colleagues on this issue. Members stressed the importance of all Members accessing that training.
Action required: Director of Finance/ Head of Democratic Services.

It was noted that as part of follow up internal audit work in relation to consultancy procurement had detected a further historic example of a consultancy appointment where the accumulated value exceeds the key decision threshold, but where Committee approval appeared not to have been given in advance. Additionally, there

had been more recent examples of non-compliance with Council policies around information retention, internal approvals and payment incentivisation. Responding, officers confirmed that by its nature, audit work was retrospective, and contracts were selected based on current expenditure, where there was inevitably a time lag. In some cases, there was a lack of evidence to give assurances, but this did not mean that the correct procedures had not been followed. Having a central storage location for contracts over £100K would be helpful going forward in providing this evidence.

The Chief Executive confirmed that the Corporate Leadership Team had discussing the Internal Audit findings on procurement, and compliance with contract management formed part of Directors' performance objectives.

It was resolved unanimously to:

- a) Receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) Note and comment on the County Council's actions taken and planned as set out in this report.

68. Draft Annual Governance Statement 2021-22

Members considered the draft Annual Governance Statement (AGS) for 2021-22. This document would ultimately be signed off by the Chief Executive and the Leader of the Council.

The AGS was a statutory document which formed part of the Annual Statement of Accounts. It summarised the extent to which the Council was complying with its Code of Corporate Governance, i.e. the processes and procedures in place to enable the Council to carry out its functions effectively, including details of any significant actions required to improve the governance arrangements in the year ahead. The Internal Audit team had worked with senior managers to ensure areas in their control had been complied with. Whilst the Internal Audit team coordinate production of the AGS, content was led by senior management, especially the Director of Finance.

A minor correction was suggested with regard to a reference to "all major parties", in terms of political representation on the Audit & Accounts Committee, and it was agreed that this should be changed to "all parties".

It was resolved unanimously that the Annual Governance Statement at Appendix A is consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2 of the report.

69. Internal Audit Annual Report

The Committee considered the Annual Internal Audit Report, which formed part of the evidence supporting the Annual Governance Statement.

The Committee was reminded that the Public Sector Internal Audit Standards required an Annual Report be produced. The Report also formed part of the Quarter 4 report to Committee. The former Head of Internal Audit had given a "satisfactory" assurance, which was a slight reduction from last year's "Strong satisfactory

Assurance". This reduction in opinion reflected a known Payroll control issue that was detailed in the report.

In discussion, it was noted:

- 47 outstanding actions had been highlighted, but 18 had been closed since the last meeting, and many related to Major Infrastructure Delivery, leaving 19 outstanding actions;
- the report also included an update on Risk Management including the Risk Register;
- that the draft Pensions report would be presented to a meeting for the Pension Fund Committee on 10th June 2022;
- In relation to the Payroll issues, it was noted that West Northamptonshire Council provided this service. The Chief Executive advised that he had already scheduled a meeting with the Director of Resources and Assistant Director of HR on this issue, as issues of poor performance of the Payroll service had been flagged up, and those senior officers were following up with West Northamptonshire Council accordingly. It was agreed that this would be recorded as an action so that it could be followed up at future meetings.
Action required;
- There was a discussion on This Land, and a Member suggested that the This Land Board had been unaware of the audit concerns. Officers detailed the two outstanding recommendations in relation to This Land, and advised that This Land were aware of concerns, but they would ensure Members' comments were relayed to the Chair of This Land;
- observing that the level of risk had been reduced on the Corporate Risk Register for the Council having insufficient budget to deliver agreed short and medium corporate objectives (02), a Member observed that the Council still faced many challenges, such as recruitment and retention, and he was surprised this risk level had been reduced. Senior officers assured Members that the budget position and forward forecast was monitored closely by the Corporate Leadership Team, and whilst there were still pressures, the Council was not under the same pressures as during the pandemic, hence the reduction of risk level.

It was resolved unanimously to review and comment on the Annual Internal Audit Report.

70. Audit and Accounts Committee Agenda Plan

Members considered the Committee Agenda Plan.

It was confirmed that the Committee would be updated in due course on the situation with regard to HACT, FACT and ESACT in due course, and that that matter was commercially and legal sensitive.

The Committee noted the Agenda Plan.

71. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraphs 1 & 5 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 this information to be disclosed information relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

72. Manor Farm Update

Returning to public session, the Chair announced that the Committee had agreed unanimously to publish the Mazars report, as redacted, following the meeting, and gave the following statement [News - Cambridgeshire County Council](#)

Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 21st September 2022 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 31 st May 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
65.	Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022	Janet Atkin	Query on lack of clarity on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues.	To be reflected in the next report (November 2022 Committee).	In progress
69.	Internal Audit Annual Report	Tom Kelly/ Janet Atkin	Monitoring Payroll performance (West Northamptonshire Council)	<p>Payroll performance information is being received by the Council on a quarterly basis and progress is being made with the improvement plan as reported to the lead authority board.</p> <p>The new Chief Internal Auditor for West Northamptonshire Council has committed to providing the Payroll Internal Audit report by 30 September 2022.</p> <p>Further information is provided in the Internal Audit Actions monitoring report at this meeting</p>	In progress

Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22

To: Audit and Accounts Committee

Meeting Date: 29th September 2022

From: Ben Barlow – Investments and Fund Accounting Manager - Pensions

Recommendation: That the Audit and Accounts Committee:

1. Note the Audit Plan 2021-22 and the presentation by Ernst and Young

Officer contact: Ben Barlow

Fund Accounting Manager

Ben.Barlow@westnorthants.gov.uk

Tel: 07896 890375

Member contacts: Councillors Graham Wilson and Nick Gay

Chair and Vice Chair

graham.wilson@cambridgeshire.gov.uk nick.gay@cambridgeshire.gov.uk

Tel: 01223 706398

1. Background

- 1.1. Ernst and Young (EY) act as the Cambridgeshire Pension Fund's external auditors. As the external auditors they have produced a plan of the 2021-22 audit of the Cambridgeshire Pension Fund.
- 1.2. The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor EY. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1st April to 31st March and that the SOA is free from material misstatement.

2. Content, Responsibilities and Timeline

- 2.1. EY have been appointed as Independent External Auditors to provide an audit opinion on:
 - 2.1.1 whether the financial statements of Cambridgeshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; and
 - 2.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.
- 2.2. EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit, the team, and the planned delivery of the audit process.
- 2.3. Page 5 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

Risk/area of focus	Audit approach	Fund approach
Misstatements due to fraud or error	<ul style="list-style-type: none">• Identify fraud risks at planning stage• Inquire of management how risks are mitigated by controls• Understand the level of oversight within processes• Consider effectiveness of controls• Use appropriate audit strategy to address risks identified• Perform mandatory procedures, including detailed testing	<ul style="list-style-type: none">• Ensure process notes include identified risks• Provide written process notes which detail controls
Unusual Investments – Cambridge and Counties Bank (CCB)	<ul style="list-style-type: none">• Review Grant Thornton's external valuation of the Bank and consider	<ul style="list-style-type: none">• Instruct Grant Thornton to provide a valuation report for the Bank and make this, and supporting

Risk/area of focus	Audit approach	Fund approach
	<p>appropriateness of assumptions used</p> <ul style="list-style-type: none"> • Ensure values used are in line with relevant accounting policies • Ensure value of the Bank is in line with Grant Thornton's valuation report 	<p>information, available to the auditor</p> <ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology
Valuation of Level 3 investments (unquoted investments)	<ul style="list-style-type: none"> • Assess the competence of management experts • Review basis of valuation and assess the appropriateness of the valuation methods • Review latest audited accounts for level 3 investments • Perform analytical procedures and checking the valuation output for reasonableness • Obtain internal control reports from fund managers • Review investment valuation disclosures to verify significant judgements have been appropriately made 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology • Provide quarterly reconciliation reports • Liaise with Investment Managers to provide information to auditors on a timely basis
Valuation of Level 2 investments (Pooled Investments)	<ul style="list-style-type: none"> • Assess the competence of management experts • Review basis of valuation and assess the appropriateness of the valuation methods • Review observable data points used in the calculation of the investment valuation • Obtain internal control reports from fund managers • Review investment valuation disclosures to verify significant judgements have been appropriately made 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology • Provide quarterly reconciliation reports • Liaise with Investment Managers to provide information to auditors on a timely basis

Risk/area of focus	Audit approach	Fund approach
IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits	<ul style="list-style-type: none"> Assess competence of management experts (Hymans) Review IAS26 approach applied by the actuary are reasonable and compliant with IAS26 Ensure IAS26 disclosure is in line with relevant standards and consistent 	<ul style="list-style-type: none"> Ensure process notes include identified risks Provide written process notes which detail controls

2.4. Page 16 of the accompanying report sets out the planned materiality levels for the audit, based on 1% of net assets of £4.3bn, which are planned to be:

Audit Area	Materiality
Planning Materiality	£43m
Performance Materiality	£32.3m
Audit Differences	£2.2m

2.5. Page 25 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	June 2022	Completed
Report audit plan	July 2022	Completed
Year end Audit	August -September 2022	Completed
Audit Findings Report	December 2022	Deadline 30 September 2022

2.6. The statutory date for publication of the final set of the Council's Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later). A verbal update on progress will be made at this meeting.

2.7. The statutory date for publication of the Pension Funds Annual Report is 1st December.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

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

Name of Legal Officer: Amy Brown

3. Source documents

3.1. Appendix 1 Audit Plan 2021/22



Cambridgeshire Pension Fund

Initial Audit Plan

Year ended 31 March 2022

15 July 2022



Audit and Accounts Committee / Pension Fund Committee
Cambridgeshire County Council
New Shire Hall
Emery Crescent Enterprise Campus
Weald, Huntingdon
PE28 4YE

15 July 2022

Dear Audit and Accounts Committee/Pension Fund Committee Members,

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit and Accounts Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

Whilst we have not yet been able to issue our 2020/21 audit opinion, due to additional considerations on the Cambridgeshire County Council audit, this does not impact on our ability to issue this Audit Plan in respect of 2021/22. This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 29 September 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error - management override and incorrect posting of investment journals	Fraud risk	No change in risk or focus	<p>There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.</p> <p>We have considered the key areas where management has the specific opportunity and incentive to override controls.</p> <p>We have identified the main area as being around the investment income and asset valuations from the Custodian reports being incorrectly posted to the general ledger specifically through journal postings, to secure a more favourable reported financial position.</p>
Valuation of unusual investments (Cambridge & Counties Bank)	Significant risk	No change in risk or focus	<p>From a review of the draft 2021/22 financial statements, the Pension Fund has a £85.0 million investment in Cambridge and Counties Bank (CCB) Bank. The Pension Fund's investment in CCB is a hard to value Level 3 investment, as there is a lack of observable inputs and prices are not publicly available, and thus requires a specialist valuation model.</p> <p>The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.</p> <p>We consider this a non-routine investment for a Pension Fund, which therefore requires specialist valuation. We have not identified any issues in previous years and the Pension Fund continue to use an expert in this area, however this remains a material estimate based on a complex valuation model. On this basis, we have deemed it a significant risk.</p>

Overview of our 2021/22 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of complex Level 3 Investments (unquoted investments)	Significant risk	Increase in risk	<p>The Fund's investments include unquoted pooled investment vehicles such as Private Equity, Infrastructure and Property Investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 Investments are based on 'unobservable' inputs.</p> <p>Judgements are made by the Fund Managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.</p> <p>Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.</p> <p>In the 2021/22 draft accounts, approximately 26% of the overall Fund, totalling £1,101 million, is within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.</p>
Valuation of Level 2 Investments (Pooled Investments)	Inherent Risk	Increase in risk	<p>The Fund's investments also include other Pooled Investment vehicles, totalling £2,932 million in the 2021/22 draft accounts. The valuation of such investments are classified under IFRS 13 as Level 2 Investments. As such the valuation of level 2 investments are based on 'inputs from observable data'. Given this is an estimate, we have raised an Inherent risk in regard to the valuation of assets of this nature.</p>
IAS26 disclosure - Actuarial present value of promised retirement benefits	Area of Focus	No change in risk or focus	<p>An actuarial estimate of the Pension Fund Liability to pay future pensions is calculated by an independent firm of Actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£43.0m

Performance
materiality

£32.3m

Audit
differences

£2.2m

Materiality has been set at £43.0 million, which represents 1% of the net assets of the scheme available to fund benefits per the 2021/22 draft accounts. This is the same percentage we applied in the prior year. The Pension Fund is a public interest entity and a major local authority based on its size and as such, we have determined that planning materiality of 1% is an appropriate level.

Performance materiality has been set at £32.3 million, which represents 75% of materiality. This is the upper end of our range based on the low level of errors identified in previous years and is consistent with the level we applied in the prior year.

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions during the year ended 31 March 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increase focus on, for example, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised). Therefore to the extent any of these or any other risks are relevant in the context of Cambridgeshire Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for the 2021/22 financial statements.

We are working with the Pension Fund to deliver the audit in advance of 30 November but publication is linked to the audit of the County Council's accounts. We will work with the Council to ensure that appropriate publication wording is published by the date set out above. In Section 06 we include a provisional timeline for the audit.



02

Audit risks



Audit risks

Our response to significant risks

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

Misstatements due to fraud or error – management override and incorrect posting of investment journals *

What is the risk?

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

We have considered the specific areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

The valuation of investment assets and income are key metrics for measuring the performance of the pension fund. These values are taken from the custodian reports and posted to the general ledger through journals.

We consider that management has an incentive to increase these values reported in the financial statements and is in a unique position to influence the posting of investment income and year end investment asset valuation journals. There is therefore a risk this may result in misstatements either due to fraud or error.

We have therefore identified investment assets valuation and investment income as a fraud risk.

We will determine whether this risk is applicable to both investment assets and investment income depending on whether income is material once we have received the draft financial statements.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- ▶ Identifying fraud risks during the planning stages
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To respond to the specific fraud risk we have identified relating to the incorrect posting of journals we will perform the following additional audit procedures:

- ▶ Undertake a review of reconciliation to the fund managers and custodian reports and investigate any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians and ensure the amounts are consistent with fund managers and custodian reports..

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

Our response to significant risks (continued)

Unusual Investments - Cambridge and Counties Bank (CCB)

What is the risk?

The Pension Fund's investment in Cambridge and Counties Bank (CCB) is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

As this investment is not publicly listed and as such there is a degree of judgement in their valuation. From our review of the draft 2021/22 financial statements, the Fund had a £85.0 million investment in CCB.

The Pension Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.

What will we do?

Our approach will focus on:

- ▶ Engaging with EY Transaction Valuation team who will undertake a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ We will ensure that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ The audit team will test the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert - GT.

Our response to significant risks (continued)

Valuation of Level 3 complex investments (unquoted investments)

What is the risk?

The Fund's investments include unquoted Pooled Investment vehicles such as Private Equity, Infrastructure and Property Investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.

In the 2021/22 draft accounts, approximately 26% of the overall Fund, totalling £1,101 million, was within this investment type, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts;
- ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- ▶ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and
- ▶ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- ▶ Obtaining and reviewing internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers;
- ▶ Review investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Level 2 investments - Pooled Investments (Inherent risk)</p> <p>The Fund's investments also include other Pooled Investment vehicles totalling £2,932 million in the 2021/22 draft accounts. The valuation of such investments are classified under IFRS 13 as Level 2 investments. As such the valuation of Level 2 investments are based on 'inputs from observable data'. Given this is therefore an estimate, we have raised an inherent risk in regard to the valuation of assets of this nature.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Assessing the competence of management experts; ▶ Reviewing the basis of valuation for Pooled Investments and assessing the appropriateness of the valuation methods used; ▶ Reviewing the observable data points used in the calculation of the investment valuation; ▶ Obtaining and reviewing internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and ▶ Review investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 2 investments have been appropriately made in the Pension Fund's financial statements
<p>IAS 26 disclosure - Actuarial present value of promised retirement benefits (area of audit focus)</p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £5,774 million as at 31 March 2021.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Assessing the competence of management experts, Hymans Robertson; ▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and ▶ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.



03

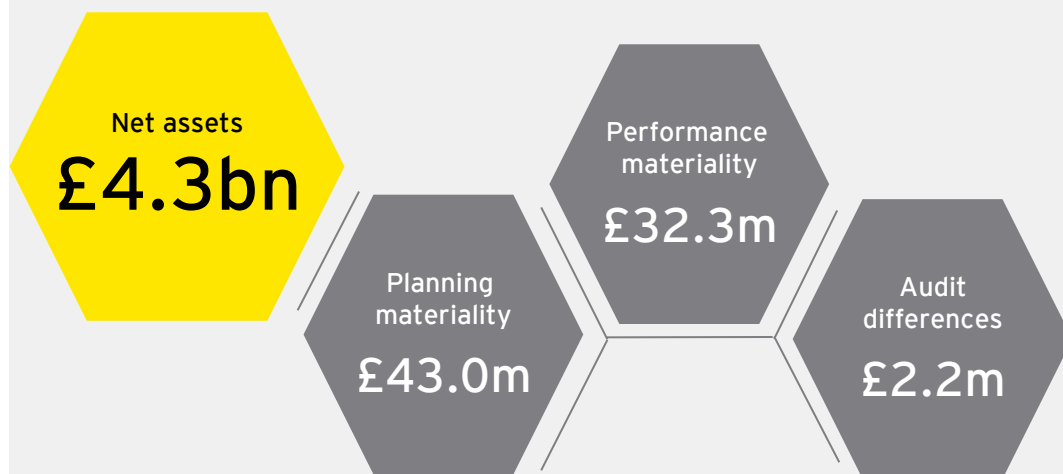
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £43.0 million. This represents 1% of the Pension Fund's net assets within the 2021/22 draft accounts. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from the pension liabilities. We have provided supplemental information about audit materiality in Appendix C.



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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £32.3 million which represents 75% of planning materiality – consistent with the prior year level. We have considered factors such as the number of errors in the prior year, the adequacy of the control environment, and any significant changes in 2021/22 when determining the percentage of performance materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.

Materiality

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

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence; and
- ▶ External Audit Fees, we will test the disclosure back to supporting evidence.



04 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to review and report on the Pension Fund's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK), as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Other procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal Audit:

As in the prior year, we will review Internal Audit plans and the results of their work where relevant to this engagement. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.



05

Audit team



Audit team

Audit team

The engagement team is led by Mark Hodgson, who has significant experience on Pension Fund audits.

Mark is supported by Jacob McHugh, Audit Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. The audit team will be led by Mary Springer, Senior.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pension Fund valuation and disclosures	Hymans Robertson (Cambridgeshire Pension Fund actuary) PwC (Consulting Actuary to the NAO on behalf of audit providers) EY Pensions Advisory Team
Cambridgeshire & Counties Bank Investment valuation	Grant Thornton (Cambridgeshire Pension Fund valuer for Cambridge & Counties Bank valuation) EY Transactions Team (for support on Cambridge & Counties Bank valuation)
Investment valuation	The Pension Fund's Custodian and Fund Managers

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

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

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

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

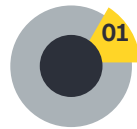


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

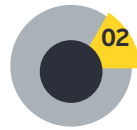
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



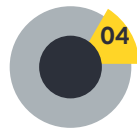
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



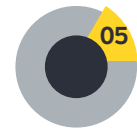
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



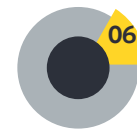
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC



06

Audit timeline





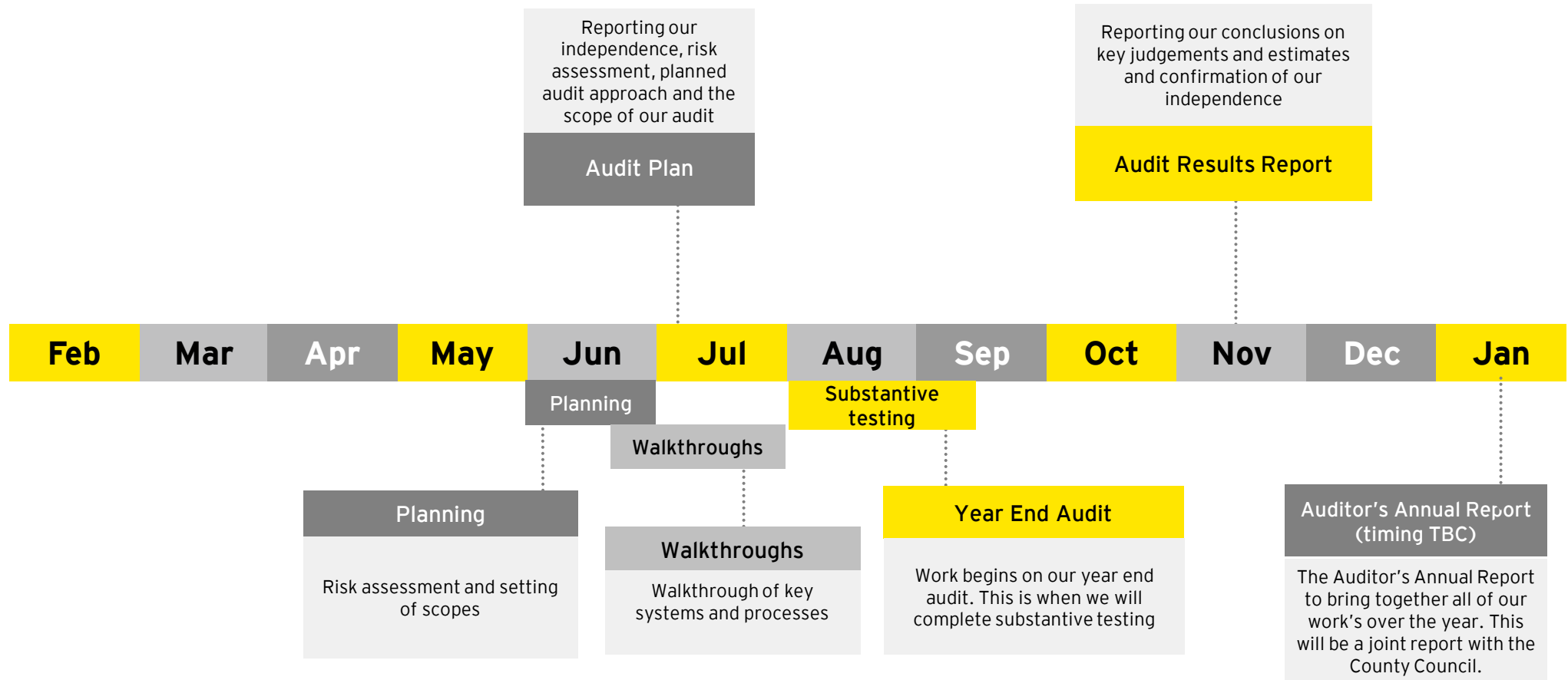
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

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

Required communications

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. The non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Other Communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	17,256	17,256	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	56,305	-	56,305
Additional work required for specific additional procedures (including revised estimates standard) (Note 2)	TBC		TBC
Additional fee in respect of work on behalf of admitted body auditors (recharges to the Pension Fund) (Note 3)	8,800	-	8,000
Total fees	TBC	17,256	TBC

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.

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

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

All fees exclude VAT

Note 1: As noted on Page 8, we do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to annual price uplifts.



Note 2: For 2020/21 and 2021/22 there are a number of additional risk factors to the audit as outlined within this audit plan - such as the impact of Covid-19 and the valuation of Cambridge & Counties Bank. As our 2020/21 audit has not yet formally concluded, we have not calculated the additional fee that will be proposed to Management. The final fee will be subject to determination by PSAA Ltd. The same approach will apply in respect of the 2021/22 audit.

Note 3: We plan to charge an additional fee of £8,800 in 2021/22 to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies.

Appendix B

Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Initial Audit Plan - 29 September 2022 - Audit and Accounts Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee




Appendix B

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee




Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Initial Audit Plan - 29 September 2022 - Audit and Accounts Committee</p> <p>Audit Results Report - 24 November 2022 - Audit and Accounts Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 24 November 2022 - Audit and Accounts Committee

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	<p>Initial Audit Plan - 29 September 2022 - Audit and Accounts Committee</p> <p>Audit Results Report - 24 November 2022 - Audit and Accounts Committee</p> <p>Auditor's Annual Report - January 2023 (date TBC) - Audit and Accounts Committee.</p>

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Pension Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Accounts Committee. The audit does not relieve management or the Audit and Accounts Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Report.
Other procedures	▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

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

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://www.ey.com).

© 2019 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://www.ey.com)

Financial Reporting and County Council Audit Plan

To: Audit and Accounts Committee

Meeting Date: 29 September 2022

From: Service Director: Finance & Procurement

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: Committee will have agreed the plan for the audit of the 2021/22 financial statements, and will have been updated on the status of audits of previous years' statements.

Recommendation: Audit and Accounts Committee is recommended to approve the Initial Audit Plan for the 2021/22 draft financial statements

Officer contacts:

Name: Stephen Howarth
Post: Head of Finance
Email: Stephen.howarth@cambridgeshire.gov.uk
Tel: 01223 715333

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 706398

1. Background

- 1.1 This report provides an update on several items relating to the Council's financial reporting across several financial years.
- 1.2 The Council's external auditor is Ernst & Young (EY) and has been since 2018/19.

2. Main Issues

2.1 2021/22 Initial Audit Plan

- 2.1.2 The Council's draft financial statements for 2021/22 were published by the statutory deadline of 31 July 2022, and are [available online](#).
- 2.1.2 These are subject to audit by the external auditor, and they will provide an audit opinion on:
 - whether the financial statements give a true and fair view of the financial position and transactions of the Council for the year ended 31 March 2022
 - the consolidation of the financial statements for the group, which includes the Council, the pension fund and This Land Ltd.
- 2.1.3 EY have produced an audit plan, setting out identified risks, expected materiality levels, the scope of the audit, the team, and the planned timescales. This is available as annex 1.
- 2.1.4 The main audit work commenced in September and is expected to continue through to November 2022. The plan does still need to be agreed by committee.
- 2.1.5 The audit plan also updates on the status of value for money reporting for the financial years 2018/19 to 2020/21 which are still outstanding due to the predecessor auditor only recently concluded 2017/18 value for money work (see 2.2 below).

2.2 Outstanding objections to 2017/18 and 2016/17 accounts

- 2.2.1 The Council's auditor for the 2017/18 financial year was BDO.
- 2.2.2 Although the financial statement and value for money opinions have been received the auditor has not yet certified the completion of the audit as they need to determine objections received in 2017 and 2018. Committee received an update on this from BDO at its May meeting.
- 2.2.3 While the main work of the value for money opinion has been concluded by BDO, they have not at the time of writing provided a full statement of reasons confirming the outcome of their consideration of the objection to the accounts. At the meeting in May, BDO expected to issue this by the end of August 2022. BDO have recently reported IT issues hampering their final review stages but also report progress towards issuing the determination. This will first go to the PSAA followed by the Objector and the Council. With the further delay, the Council is now requesting weekly updates from BDO.

2.3 2020/21 Statement of Accounts

- 2.3.1 Since the last meeting, the Council's audited financial statements for 2020/21 were [published online](#).
- 2.3.2 The audit of these financial statements was impacted by national issues related to accounting for infrastructure assets, which Committee received an update on in May. This issue has resulted in auditors being unable to verify historical values and depreciation for infrastructure assets due to lack of detailed information for some financial years. In Cambridgeshire, this issue affects financial years preceding 2014/15, but continues to impact the financial statements as those historical values carry-forward into the carrying values of assets in later years.
- 2.3.3 This is a national issue affecting most upper tier authorities, and is being considered by CIPFA who have recommended a statutory override is provided by government to enable councils to move past it. Until the CIPFA code or statute provides relief from this issue, it will continue to impact on our financial statements.
- 2.3.4 As we could not provide sufficient assurance to the auditors around historical values for infrastructure assets, and as no override has yet been provided, the final audit opinion was qualified by reason of limitation of scope. This is set out from page 38 of the final statements, but in summary the auditor concluded that the financial statements did provide a true and fair view of our financial position other than in respect of infrastructure assets where they did not have enough evidence to reach a conclusion. The Council hopes this will be a one-off situation and took comfort from the "information gap" relating to periods before 2014.

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

The external audit provides assurance to the Council and to the public about the use of resources for the relevant financial year.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this priority.

4.3 Statutory, Legal and Risk Implications

The external audit process is a statutory requirement.

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 Environment and Climate Change Implications on Priority Areas

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Status: Neutral

Explanation: No impact expected

4.8.2 Implication 2: Low carbon transport.

Status: Neutral

Explanation: No impact expected

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

Status: Neutral

Explanation: No impact expected

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Status: Neutral

Explanation: No impact expected

4.8.5 Implication 5: Water use, availability and management:

Status: Neutral

Explanation: No impact expected

4.8.6 Implication 6: Air Pollution.

Status: Neutral

Explanation: No impact expected

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Status: Neutral

Explanation: No impact expected

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? No

:

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? No

Have the equality and diversity implications been cleared by your EqlA Super User? No

Have any engagement and communication implications been cleared by Communications? No

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Stephen Howarth

Have any Public Health implications been cleared by Public Health? No

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

N/A

5. Source documents guidance

5.1 Source documents

[Published accounts for 2020/21](#)

[Published draft accounts for 2021/22](#)



Cambridgeshire County Council

Initial Audit Plan

Year ended 31 March 2022

8 September 2022



Audit and Accounts Committee
Cambridgeshire County Council
New Shire Hall
Emery Crescent
Enterprise Campus
Alconbury Weald, Huntingdon
PE28 4YE

8 September 2022

Dear Audit and Accounts Committee Members

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Accounts Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Cambridgeshire County Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 29 September 2022 as well as understand whether there are other matters which you consider may influence our audit.

MARK HODGSON

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

Contents

01 Overview of our 2021/22 audit strategy



02 Audit risks



03 Value for Money risks



04 Audit materiality



05 Scope of our audit



06 Audit team



07 Audit timeline



08 Independence



09 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively (Management Override).
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the accounting adjustments made in the Movement in Reserves Statement as a separate specific risk, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.
Infrastructure Assets	Significant Risk	No change in risk or focus	<p>An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and the Council hold Infrastructure Assets, with a Net Book Value of £953 million at 31 March 2022.</p> <p>This issue was the basis for a 'Limitation of Scope' modification to our auditor opinion for the 2020/21 financial year. We have raised a significant risk in this area, as either the 'Limitation of Scope' will continue, or the accounting treatment will need to be reviewed and applied that takes into account any updated guidance from CIPFA, if the Council has sufficient appropriate evidence to support that the principles of any updated accounting guidance.</p>

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Property, Plant, and Equipment and Investment Property	Significant Risk	No change in risk or focus	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work last year we did not identify any material issues with the work of the external valuer. From planning discussions with management, we have identified that the Council expect to provide revised valuations to us in advance of the audit due to issues identified with the valuations held in the draft financial statements. We have therefore retained this as an area of significant risk.</p>
Recoverability of Long-Term Debtor with This Land Group	Significant Risk	New risk in 2021/22	<p>This Land Limited was incorporated in June 2016. The principal activity of the Company is to act as a holding company and a commercial entity whilst the Group oversee the acquisition and development of land and property for subsequent sale. This Land Limited and the This Land Group are a wholly owned subsidiary of the Council.</p> <p>As at 31 March 2022 the Council holds a Long-term Debtor of £113.9 million in the Balance Sheet in relation to the loan issued to This Land Group. The loans are repayable between 2026 and 2029.</p> <p>The current volatility in the housing market could have an impact on the Council's ability to recover the loan in full. Given the material size of the loan we have considered the recoverability of the loan as a significant risk.</p>
Valuation of Solar Farm Assets	Inherent Risk	New risk in 2021/22	<p>The Council own one operational Solar Farm (Triangle Farm) and one classified as an 'Asset Under Construction' (North Angle). The value of the Solar Farms represent significant balances in the Council's accounts. Given the complex nature of valuing a Solar Farm, our 2019/20 audit raised recommendations around engaging with a specialist valuer to provide support for the valuation estimate.</p> <p>The current volatility in the energy market will have an impact on the power price forecasting, which would be a key judgement used in the valuation of the solar farms. The impact of this judgement will be potentially material. As the Council have not had the Solar Farm asset revalued since the 2019/20 financial year, further consideration is required as to why this asset value is materially correct.</p>

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for COVID-19 related government grants	Inherent Risk	Reduced risk in 2021/22 from prior year	The Council has received a significant level of government funding in relation to COVID-19, including a number of new grants in 2021/22. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions. As there have been new, individually material, grants received during the year we have retained this as a risk area. However, as the Council correctly accounted for COVID related grant income in 2020/21, with only immaterial adjustments, we have downgraded the risk from significant to inherent.
Accounting for City Deal	Inherent Risk	Reduced risk in 2021/22 from prior year	In 2020/21 Greater Cambridge Partnership were awarded the next tranche of funding for the City Deal. This amounts to £200 million over five years. The Council amended the accounting treatment for this grant within the audited 2020/21 accounts following our audit procedures and discussions. Given the accounting treatment has remained the same in 2021/22, we have lowered this risk to an inherent risk in 2021/22, given the material nature and complexity of the funding, to ensure that this approach remains appropriate to the conditions and requirements of the grant.
Pension Valuation and Other Disclosures	Inherent Risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current Pension Liability is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the Pension Fund Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>
Group Accounts	Inherent Risk	No change in risk or focus	The County Council is the sole and ultimate owner of all parts of the subsidiary 'This Land Ltd'. This is consolidated into the group accounts of the Council. Given the material nature of balances within This Land, as well as public interest in the entity, we have raised this as an area of inherent risk, to ensure the consolidation process is robust and because we need to gain a number of assurances from the component auditor (RSM LLP) of This Land Ltd.

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for schools that convert to 'Academy' status	Inherent Risk	No change in risk or focus	Schools continue to convert to academy status, albeit at a lower rate, given previous conversions. However, this continues to have implications for the treatment of the schools' balances in the financial statements, with the most significant relating to Property, Plant and Equipment, which are invariably material given the nature of the asset class.
Private Finance Initiative (PFI)	Inherent Risk	No change in risk or focus	The Council operate three material PFI's which are long term private funded schemes. The Income, Expenditure and Balance Sheet accounting entries in the financial statements are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.
Going concern	Area of focus	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. This requires consideration at both the Council and Group level.

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£19.7m

Materiality has been set at £19.7 million (rounded), for the audit of the Council, which represents 1.8% of the prior year's gross expenditure on provision of services. Note: for the Group audit, this materiality has been calculated on the Group's prior year gross expenditure as £20.2 million (rounded).

Performance
materiality

£9.85m

Performance materiality has been set at £9.85 million, which represents 50% of materiality. Note: for the Group entities we have allocated a performance materiality of £10.1 million.

Audit
differences

£0.99m

We will report all uncorrected misstatements relating to the primary statements including the group (Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, and Cash Flow Statement) greater than £0.99 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2021/22 audit strategy

Audit scope

This Initial Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Cambridgeshire County Council and Group give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Cambridgeshire County Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the Council's arrangements against three reporting criteria:
 - ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22.

In Section 07, we include a provisional timeline for the audit. We will work with the Council to complete the audit to this timeline or ensure that appropriate wording is published by the date set out above.



02

Audit risks



Audit risks

Our response to significant risks

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

Misstatements due to fraud or error *

What is the risk?

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

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

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

What will we do?

In order to address this risk we will carry out a range of procedures including:

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

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

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure (including REFCUS)' and 'Accounting adjustments made in the Movement in Reserves Statement' are required, as set out on the following two pages.

Our response to significant risks (continued)

Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)*

Financial statement impact

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

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

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

What is the risk?

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

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

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

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature; and
- ▶ Sample Test Property, Plant and Equipment additions, and REFCUS additions, if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.

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

Our response to significant risks (continued)

Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement'. *

Financial statement impact

We have identified a specific risk of misstatement due to fraud or error that could affect the Income and Expenditure accounts.

We consider the risk applies to accounting adjustments made in the 'Movement in Reserves Statement' and could result in a misstatement of 'Cost of Services' reported in the Comprehensive Income and Expenditure Statement.

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital grants;
- Depreciation, impairments and revaluation losses;
- Capital expenditure funded by revenue; and
- Minimum Revenue Provision.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the Secretary of State;
- ▶ Reconciling entries for consistency to other audited accounts within the financial statements, for example our work on Property, Plant and Equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- ▶ Reviewing the Council's policy and application of the 'Minimum Revenue Provision'; and
- ▶ Using our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

Our response to significant risks (continued)

Infrastructure Assets

Financial statement impact

We have identified a infrastructure asset misstatement that could affect the Balance Sheet.

We consider the risk applies to the existence of infrastructure assets and could result in a misstatement of 'Property, Plant, and Equipment' reported in the Balance Sheet.

What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter remains under consideration by CIPFA and the Council hold Infrastructure Assets, with a Net Book Value of £953 million at 31 March 2022.

This issue was the basis for a 'Limitation of Scope' modification to our auditor opinion for the 2020/21 financial year. We have raised a significant risk in this area, as either the 'Limitation of Scope' will continue, or the accounting treatment will need to be reviewed and applied that takes into account any updated guidance from CIPFA, if the Council has sufficient appropriate evidence to support that the principles of any updated accounting guidance.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Continue to discuss the matter with the Council as guidance on accounting for Infrastructure Assets is updated by CIPFA or is subject to any other mandatory approach within the sector; and
- ▶ If guidance is not forthcoming in a timely manner, consider a 'Limitation of Scope' modification to our auditor opinion for the 2021/22 financial year, following the basis used for our 2020/21 audit report.

Our response to significant risks (continued)

Valuation of Property, Plant, and Equipment and Investment Property

Financial statement impact

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the statement of financial position.

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet.

As a result of our work last year we did not identify any material issues with the work of the Council's external valuer.

From planning discussions with management, we have identified that the Council expect to provide revised valuations to us in advance of the audit, following the identification of issues within the valuations held in the draft financial statements.

We have therefore retained this as an area of significant risk.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued, as a minimum, within a 5 year rolling programme as required by the Code. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewing assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuation;
- ▶ Consider the need to engage our own EY valuation experts to perform a review of valuation assumptions and methodology;
- ▶ We will stratify the population depending on valuation characteristics and apply the significant risk status as appropriate to that stratification; and
- ▶ Testing that accounting entries have been correctly processed in the financial statements.

Our response to significant risks (continued)

Recoverability of Long-Term Debtor with This Land Group	What is the risk?	What will we do?
<p>Financial statement impact</p> <p>We have identified a specific risk of misstatements due to the valuation of assets that could affect the Balance Sheet.</p> <p>We consider the risk applies to the valuation of the loan to 'This Land Ltd' and could result in a misstatement of assets reported in the Balance Sheet.</p>	<p>This Land Limited was incorporated in June 2016. The principal activity of the Company is to act as a holding company and a commercial entity whilst the Group oversee the acquisition and development of land and property for subsequent sale. This Land Limited and the This Land Group are a wholly owned subsidiary of the Council.</p> <p>As at 31 March 2022 the Council holds a Long-term Debtor of £113.9 million in the Balance Sheet in relation to the loans issued to This Land Ltd. The loans are repayable between 2026 and 2029.</p> <p>The current volatility in the housing market could have an impact on the Council's ability to recover the loan in full from This Land Ltd on the repayment dates. Given the material size of the loan we have considered the recoverability of the loan as a significant risk.</p> <p>We would expect the Council to perform a detailed valuation, in line with IFRS 9 - Financial Instruments, of the loan. Considering the recoverability of the loan and whether any expected credit losses should be recognised.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Reviewing the Avison Young 'Shareholder Review of This Land' report commissioned by the Council and assessing the progress of any recommendations made in the report; ▶ Reviewing the Council's consideration of the valuation and recoverability of the loan to ensure this is reasonable and performed in line with the Code of Practice and the relevant accounting standard (IFRS 9 - Financial Instruments); and ▶ Engaging with EY Specialist Corporate Finance team, if required, to ensure that any judgements or estimates that support the valuation and recoverability have been accounted for in line with the Code of Practice and the relevant accounting standard.

Audit risks

Other areas of audit focus

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

What is the area of focus?

Valuation of Solar Farm Assets (Inherent Risk)

The Council owns one operational Solar Farm (Triangle Farm) and has one classified as an Asset Under Construction (North Angle). The value of the Solar Farms represent significant balances in the Council's financial statements. Given the complex nature of valuing a Solar Farm, our 2019/20 audit raised recommendations around engaging with a specialist valuer to provide support for the valuation estimate.

The current volatility in the energy market will have an impact on the power price forecasting, which would be a key judgements used in the valuation of the solar farms. The impact of this judgement will potentially be material. As the Council have not had the Solar Farm asset revalued since the 2019/20 financial year, further consideration is required as to why this asset is deemed to be held at a materially correct value.

What will we do?

Our approach will focus on:

- ▶ Reviewing management's assessment as to why the Solar Farm assets are considered to be held at a materially correct value;
- ▶ Considering the appropriateness of the valuation and classification of the new Solar Farm asset;
- ▶ Employing our internal valuation specialist to consider any changes since their review in 2019/20 of the solar farm valuation at the Balance Sheet date; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to Solar Farm asset.

Accounting for COVID-19 related government grants (Inherent Risk)

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

Given the volume of these grants, including new grants for 2021/22, with new conditions for the Council to understand the accounting impact of, there is an inherent risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as an agent or a principal; and
- ▶ Obtaining the finance team's detailed assessment of grant conditions to ensure the grants have been accounted for in line with the Code.

Other areas of audit focus (continued)

What is the area of focus?

Accounting for City Deal Funding (inherent Risk)

In 2020/21 Greater Cambridge Partnership were awarded the next tranche of funding for the City Deal. This amounts to £200 million over five years. The Council amended the accounting treatment for this grant within the audited 2020/21 accounts following our audit procedures and discussions.

Given the accounting treatment has remained the same in 2021/22, we have lowered this risk to an inherent risk in 2021/22, given the material nature and complexity of the funding, to ensure that this approach remains appropriate to the conditions and requirements of the grant.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Ensuring the consistency of accounting treatment with the internally consulted upon treatment in 2020/21; and
- ▶ Considering whether there have been any changes to the conditions and/or substance of the funding that would impact on accounting treatment.

Pension Liability Valuation & other pension disclosures (Inherent Risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body and the Fire Fighters Pension Scheme.

The Council's Pension Scheme is a material and sensitive item and the Code requires that the liability be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement.

At 31 March 2022 the Net Pension Liability totalled £547 million. The information disclosed is based on the IAS 19 reports issued to the Council by the actuary to the administering body.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In order to address this risk we will carry out a range of procedures including:

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

Other areas of audit focus (continued)

What is the area of focus?	What will we do?
<p>Group Accounts (Inherent Risk)</p> <p>The County Council is the sole and ultimate owner of all parts of the subsidiary 'This Land Ltd' Group. This is consolidated into the group accounts of the Council. we have raised this as an area of inherent risk, to ensure the consolidation process is robust and because we need to gain a number of assurances from the component auditor (RSM LLP) of This Land Ltd.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Liaise with the auditors of the group entities to obtain assurances over the information supplied in the consolidation pack to Cambridgeshire County Council; ▶ Review the consolidation adjustments made by the Council; and ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to the Group Accounts.
<p>Accounting for schools that convert to 'Academy' status (Inherent Risk)</p> <p>Schools continue to convert to academy status, albeit at a lower rate, given previous conversions. However, this continues to have implications for the treatment of the schools' balances in the financial statements, with the most significant relating to Property, Plant and Equipment, which are invariably material given the nature of the asset class.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Review the arrangements for agreeing with the school assets, liabilities and balances for transfers; and ▶ Review how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.
<p>Private Finance Initiative (PFI) (Inherent Risk)</p> <p>The Council operate three material PFI's which are long term private funded schemes.</p> <p>The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Performing testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; ▶ Confirming consistency of the PFI models to the financial statements; and ▶ Comparing the PFI models to those we reviewed during 2018/19. Where changes have been identified we may be required to engage EY specialists to perform a review of the models.

Other areas of audit focus (continued)

What is the area of focus?	What will we do?
<p>Going Concern</p> <p>The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. This requires consideration at both the Council and Group level.</p>	<p>We will consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Challenging management's identification of events or conditions impacting going concern; ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▶ Reviewing the Council's cash flow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties; and ▶ Ensure the financial position at This Land, including cash flows, budgets and any ongoing support required from the Council has been appropriately considered in the going concern assessment. <p>We will discuss the detailed implications of our review with management and provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.</p>



03

Value for Money Risks





Value for Money

Council's responsibilities for value for money

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

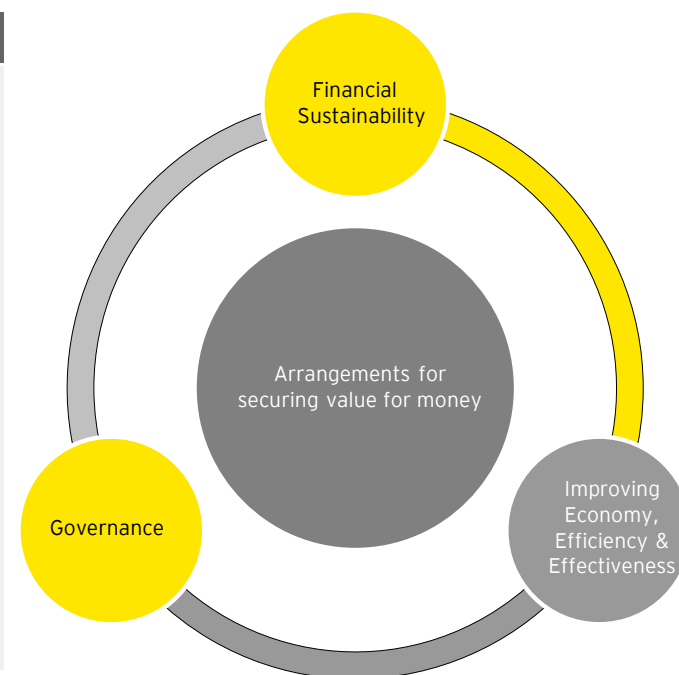
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

Auditor responsibilities

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

The specified reporting criteria are:

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





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

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

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

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

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

We should also be informed by a consideration of:

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



Value for Money

Responding to identified risks of significant weakness

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

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

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

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning.

The predecessor audit has now recently concluded on their 2017/18 Value for Money Conclusion. Whilst we have commenced our 2018/19, 2019/20 and 2020/21 Value for Money work we have not yet concluded on that work.

We have not commenced our VFM risk assessment for 2021/22 at the time of this Provisional Audit Plan.

We are aware of the following issue which we will consider as part of our formal risk assessment:

- The Council has reported an overspend on the 2021/22 Dedicated Schools Grant (DSG) by £12.4 million, taking the cumulative deficit to £39.3 million carried forward to 2022/23. The Council continues to work with the Department for Education (DfE) to manage the deficit and reduce future expenditure.
- The Council is required to develop substantial plans setting out the high needs reforms and savings targets they must follow to eliminate their historic deficits and function sustainably in future. If sufficient progress is not demonstrated, payments may be withheld.

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



04

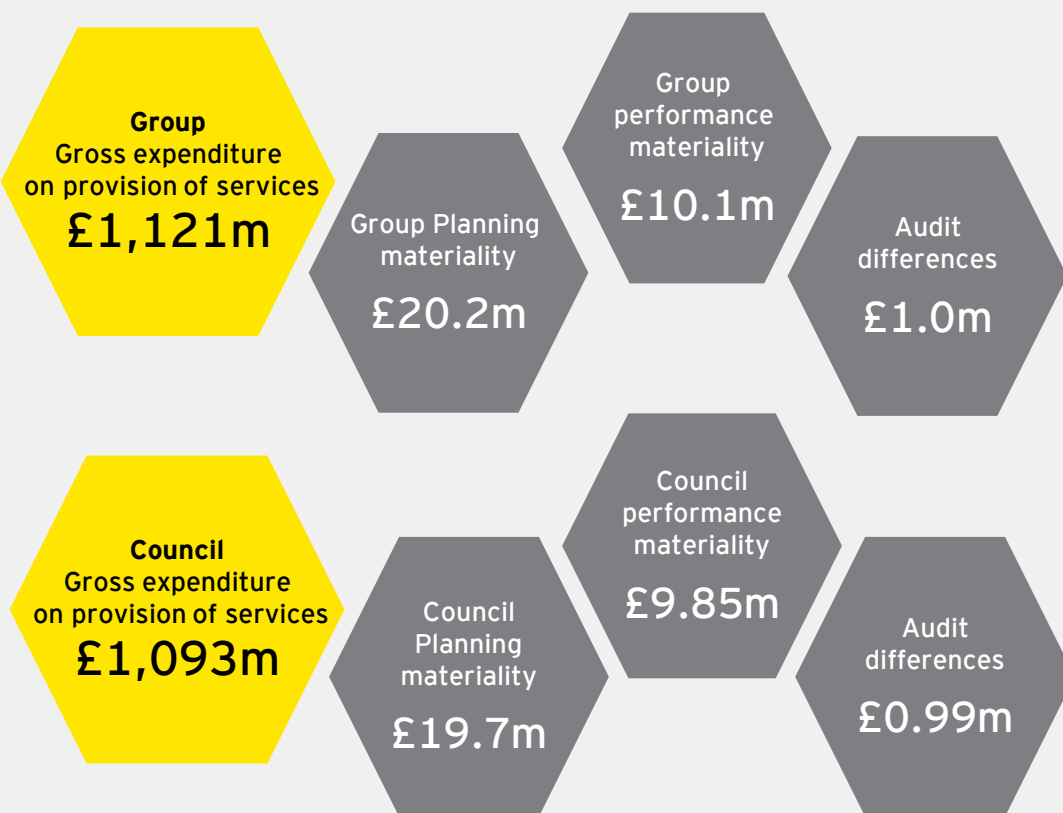
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £20.2 million for the Group, and £19.7 million for the Council. This represents 1.8% of the Council and the Group's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts. We have provided supplemental information about audit materiality in Appendix C.



Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £10.1 million for the group and £9.85 million for the Council which represents 50% of planning materiality. This reflects the lower end of our threshold, due to the level of misstatements identified in prior audits.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below these thresholds (Group and Council) are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

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

Specific materiality - see following slide.

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

Materiality

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

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances and exit packages: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

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

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

Scoping by Entity

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

2	A	Full Scope: Cambridgeshire County Council, This Land Ltd
0	B	Specific scope audit
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

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

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

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

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

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

Scoping the group audit (continued)

Coverage of Expenditure

We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's net cost of service expenditure.

Expenditure

.....

100%

of the Group's expenditure will be covered by the full scope review audit of the Single Entity Council (98.4%) and This Land Ltd (1.6%)

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Key changes in scope from last year

Based on our discussions with management and the provided scope assessment by the Council, and knowledge from the 2021/22 audit we anticipate one change in scope from prior year:

This Land Group: given public interest in the entity, and the risk within the entity we have increased the scope of this component from specific scope to full scope.

Other entities scoping remains unchanged:

The Council, as single entity, remains as a full scope audit.

Details of specific scope and other procedures

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.



06

Audit team



Audit team

Audit team structure:

Mark Hodgson
Audit Partner

Dan Cooke
Senior Audit Manager

Jacob McHugh
Audit Manager

Claire Sulam
Assistant Manager

EY Real
Estates (EYRE)

PwC (consulting
actuary) and EY
Actuaries

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

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

Use of specialists

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

Area	Specialists
Pensions disclosure	EY Pension Team PWC - Consulting Actuary to the NAO Hymans Robertson - Actuary Cambridgeshire Pension Fund
Valuation of Land and Buildings & Investment Properties	Bruton Knowles (Council's PPE valuer) EY Real Estates (if required) EY Strategy & Transactions (for Solar Farm valuation considerations)
Financial Instruments	Link (Council's Treasury Management Adviser)
Private Finance Initiatives (PFI)	EY PFI Specialist

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

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

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

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

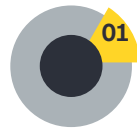


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

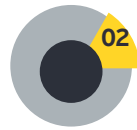
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



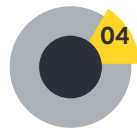
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



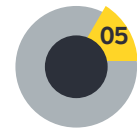
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



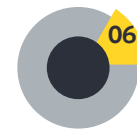
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit and Accounts Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	July - August 2022	Audit and Accounts Committee - September meeting	Initial Audit Plan
Walkthrough of key systems and processes	September 2022		
Year end audit	September - November 2022	Audit and Accounts Committee	Audit Plan Update (if relevant to do so)
Audit Completion procedures	November 2022	Audit and Accounts Committee	Audit Results Report Audit opinion and completion certificates
	By February 2023	Audit and Accounts Committee	Auditor's Annual Report



08

Independence



Introduction

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

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

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

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

Self review threats

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

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

Management threats

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

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

Other communications

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Estimated Fee 2020/21
	£'s	£'s
Scale Fee - Code work	72,427	72,427
Scale Fee Variation (Note 1)	-	TBC
Baseline increase in Scale Fee from 2019/20 (Note 2)	69,783 (Note 2)	69,783 (Note 2)
Additional Audit Procedures specific to 2021/22 (Note 3)	TBC	-
Total audit	TBC	TBC

All fees exclude VAT

Note 1 - A Scale Fee Variation is to be submitted to PSAA Ltd for determination in respect of the 2020/21 audit, which incorporates the baseline increase (Note 2) and other additional audit procedures that were required to be able to issue the audit opinion, as reported in the Audit Results Report. We will notify the Chief Finance Officer of this amount before submitting it to PSAA Ltd for determination.

Note 2 - For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to annual price uplifts.

Note 3 - For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work, including some of those that were present in the prior year - such as the impact of COVID-19 and newly identified audit risks. See Section 2 of this report for further areas that are likely to lead to additional fees.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.



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

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

Appendix B




Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - September 2022 - Audit and Accounts Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - November 2022 - Audit and Accounts Committee; and Auditor's Annual Report - February 2023 - Audit and Accounts Committee



Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - November 2022 - Audit and Accounts Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2022 - Audit and Accounts Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit Results Report - November 2022 - Audit and Accounts Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility 	Audit Results Report - November 2022 - Audit and Accounts Committee

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - November 2022 - Audit and Accounts Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - September 2022 - Audit and Accounts Committee; and</p> <p>Audit Results Report - November 2022 - Audit and Accounts Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - November 2022 - Audit and Accounts Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of 	Audit Results Report - November 2022 - Audit and Accounts Committee

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Audit Results Report - November 2022 - Audit and Accounts Committee
Group audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan - September 2022 - Audit and Accounts Committee; and Audit Results Report - November 2022 - Audit and Accounts Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2022 - Audit and Accounts Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2022 - Audit and Accounts Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - November 2022 - Audit and Accounts Committee Auditor's Annual Report - February 2023
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - September 2022 - Audit and Accounts Committee; and Audit Results Report - November 2022 - Audit and Accounts Committee
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Plan - September 2022 - Audit and Accounts Committee; Audit Results Report - November 2022 - Audit and Accounts Committee Auditor's Annual Report - February 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Accounts Committee. The audit does not relieve management or the Audit and Accounts Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none">▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period (WGA Return).
Other procedures	<ul style="list-style-type: none">▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

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

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://www.ey.com).

© 2019 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://www.ey.com)

Corporate Risk Register

To:	Audit and Accounts Committee
Meeting Date:	29 th September 2022
From:	Service Director: Finance and Procurement (Section 151 Officer)
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	Good risk management - including the identification of risks and triggers as well development of mitigating actions - should inform decision making and areas for improvement; lead to better overall management of the Council's business; and protect the Council's assets, workforce, finances and services.
Recommendation:	The Committee is recommended to note and comment on the corporate risk register.

Officer contact:

Name: Neil Hunter
 Post: Head of Diligence and Best Value
 Email: Neil.Hunter@cambridgeshire.gov.uk
 Tel: 01223 699241

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 706398

1. Background

- 1.1 Risk Management is the process by which the Council understands and proactively considers the principal uncertainties and overall risks facing the organisation. Through effective risk management we aim to optimise success by minimising threats. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control which includes effective arrangements for the management of risk.
- 1.2 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.
- 1.3 Risk is inherent in our delivery of high-quality public services. The volatility, complexity and ambiguity of the Council's operating environment continues to increase, and taxpayers rightly expect transparency and accountability from the Council in managing the impacts of risk. We are committed to managing risk so that we enhance strategic planning and prioritisation and achieve our objectives with agility.
- 1.4 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.
- 1.5 This covering report is provided to the Corporate Risk Register (CRR) attached at appendix 1.

2. Main Issues

- 2.1 At the Corporate Leadership Team (CLT) meeting on the 22nd August 2022, the corporate risks were reviewed, and one, the Council does not have enough budget to deliver agreed short and medium- term corporate objectives, was assessed to be in excess of the Council's risk appetite (rated 'red', in the range 16-25). CLT also agreed that a potential new corporate risk around **Climate Change** would be drafted by the Executive Director of Place and Sustainability for challenge and consideration although it should be noted that this may be appropriately addressed through climate change triggers in the existing corporate risks.
- 2.2 Although Public Health (PH) does have its own risk register it does not have an obvious corporate risk and few existing corporate risks have public health triggers. The PH risk register is presented to Adults and Health Committee for challenge but is not reviewed by either Strategy and Resources Committee or Audit and Accounts Committee which does represent a current gap in risk oversight. CLT agreed that it would receive the PH risk register at the quarterly cycles, alongside the CRR, rather than immediately create a new corporate risk. This would avoid duplication and facilitate escalation of risk to the CRR should CLT feel that appropriate.
- 2.3 CLT also agreed that a focussed and specific meeting covering both assurance and risk issues will, in future, be held quarterly to enable a deeper dive and scrutiny of the corporate

risk register. This meeting will also give CLT collectively the opportunity to review and challenge a sample of directorate risk registers, including the assurances that are being relied upon by individual Executive Directors and risk owners that confirms the recorded key controls are proportionate, effective, and operating well in practice.

- 2.4 The remainder of this section of the report gives a summary of each corporate risk detailing the owner, date last reviewed, a brief overview of the risk, raw and residual risk alongside narrative supporting change in scoring, an impact statement, key controls to manage the risk and actions in progress to further mitigate risk. As can be seen, since the last review cycle the corporate risk that assesses the Council's arrangements for safeguarding vulnerable adults, children and young people has now been split into two corporate risks (risks 1 and 2) and there is a new corporate risk that assesses cybercrime (risk 9).

2.4.1 Corporate risk 1 - The Council's arrangements for safeguarding vulnerable ADULTS fail

Owner: Executive Director of People Services

Last Review: August 2022

Risk Overview

Abuse of adults in the community can occur anywhere and can take many forms. To best mitigate the risk of abuse occurring and to support individuals where abuse has occurred, there are a range of safeguarding measures in place.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	5	5	No Change
Residual Risk	15	15	No Change

Impact Statement

Serious harm, including death; long term mental challenges; legal, financial, and reputational consequences; intervention; loss of trust in Council.

Key controls in place to manage the risk

Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews and safeguarding.

Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions that monitor and instil safeguarding procedures and practice

Multi-agency Safeguarding Boards and Executive Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity

Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance

Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission

Outstanding Actions and dates for implementation

None

2.4.2 Corporate risk 2 - Failure of the Council's arrangements to safeguard vulnerable CHILDREN & YOUNG PEOPLE

Owner: Executive Director of People Services

Last Review: August 2022

Risk Overview

Abuse and harm of children and young people in the community can occur anywhere and can take many forms. To best mitigate the risk occurring and to support individuals where abuse or harm has occurred, there are a range of safeguarding measures in place.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	5	5	No Change
Residual Risk	15	15	No Change

Impact Statement

Serious harm, including death; long term mental challenges; legal, financial, and reputational consequences; intervention.

Key controls in place to manage the risk

Multi-agency Safeguarding Boards and Executive Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity specific safeguarding situation between partners.

Coordinated work between multi-agency partners. In particular Cambridgeshire Police, the County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the Safeguarding Boards.

Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions monitor and instil safeguarding procedures and practice.

Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews.

Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance.

Whistleblowing policy, robust Local Authority Designated Officer (LADO) arrangements and complaints process inform practice.

Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission.

Outstanding Actions and dates for implementation

None

2.4.3 Corporate risk 3 - The Council does not have enough budget to deliver agreed short and medium- term corporate objectives

Owner: Service Director: Finance and Procurement (Section 151 Chief Financial Officer)
Last Review: August 2022

Risk Overview

The financial uncertainties facing the Council may significantly impact upon the ability to fully deliver its strategic objectives. The requirement to deliver a balanced budget in the short and medium term will likely result in increasingly difficult spending decisions that may further impact the delivery of key services.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	4	The 'safety valve' process for DSG (dedicated schools grant) whereby CCC has to fund high needs deficit and economic conditions/ inflationary pressures have increased the likelihood of this risk.
Residual Consequence	4	4	No Change
Residual Risk	12	16	Increased Likelihood

Impact Statement

Council being unable to deliver key services in line with strategic objectives; increased likelihood of other corporate risks occurring; issuing of Section 114 notice and consequential emergency budget; intervention; inability to deliver statutory responsibilities; reputational.

Key controls in place to manage the risk

Robust Business Planning process.

Scheme of Financial Management, including Budget Control Report for the Council as a whole and operational divisions.

Integrated resources and performance reporting (accountable quarterly to S&R), tracking budget, savings, activity and performance.

Operational division Finance and Performance Reports (accountable monthly to Service Committees), tracking budget, savings, activity and performance.

Suite of key corporate policies and procedures, e.g., financial procedure rules, Anti-fraud and corruption, Whistleblowing, codes of conduct.

Procurement processes and controls ensure that best value is achieved through procurement.

Rigorous treasury management system plus tracking of national and international economic factors and Government policy.

Rigorous risk management discipline embedded in services and projects
Adequate reserves.

Outstanding Actions and dates for implementation

None

2.4.4 Corporate risk 4 - A serious incident occurs, preventing services from operating and/or requiring a major incident response

Owner: Executive Director of Strategy and Partnerships

Last Review: August 2022

Risk Overview

Disruption can be caused by a high impact major event or major incident occurring. This could include the effect of climate change, such as flooding or air quality, a pandemic or civil unrest.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	4	4	No Change
Residual Risk	12	12	No Change

Impact Statement

Disruption to key infrastructure and services across the County, potentially over an extended period and involving more than one incident; serious injury or harm to citizens and/or employees; inability to meet legislative or statutory requirements; increase in service demand; reputational damage.

Key controls in place to manage the risk

Multi-agency collaboration through the Cambridgeshire and Peterborough Local Resilience Forum.

Corporate Emergency Plan.

Corporate and service business continuity plans; business continuity testing.

Corporate communication channels in case of emergency.

IT security – data encryption, hardware firewalls, network traffic monitoring, inbound mail monitoring, spam filters, web content filtering, anti-virus software.

Outstanding Actions and dates for implementation

Fire safety. On-line training now in place. All staff required to complete this prior to returning to a workplace (post Covid). Staff followed up who have failed to complete it. Programme of training evacuations have/are taking place, particularly with return to workplaces. Owner, Service Director: Finance and Procurement (Section 151 Chief Financial Officer). ONGOING.

Testing disaster recovery plans. Owner, Executive Director of Strategy and Partnerships. No implementation date set.

2.4.5 Corporate risk 5 - The Council does not deliver its statutory or legislative obligations

Owner: Director of Law and Governance and Monitoring Officer
Last Review: August 2022

Risk Overview

Council decisions and actions are not in compliance with legal and regulatory requirements.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	2	2	No Change
Residual Consequence	5	5	No Change
Residual Risk	10	10	No Change

Impact Statement

Harm to citizens; National government intervention/challenge; criminal or civil action against the Council; reputational.

Key controls in place to manage the risk

Monitoring Officer role Proactive Page 127 of 280
Sign off on all legislative changes.

Code of Corporate Governance.

Community impact assessments required for key decisions.

Business Planning process used to identify and address changes to legislative/regulatory requirements.

Service managers kept up to date with changes by Monitoring Officer / Pathfinder Legal Services, Government Departments, professional bodies, involvement in regional and national networks

Constitutional delegation to Committees and CLT.

External review of democratic structures and committee effectiveness by the Centre for Governance and Scrutiny.

Outstanding Actions and dates for implementation

Currently unable to report on who hasn't completed mandatory training i.e., no exception reporting. System not sufficient. Proposal to be brought by Data Protection Officer. Owner: Director of Law and Governance and Monitoring Officer, no implementation date set.

2.4.6 Corporate risk 6 - The Council's human resources are not able to meet business need

Owner: Assistant Director: Human Resources

Last Review: August 2022

Risk Overview

Insufficient or ineffective resource management could result in the inability to deliver key services or implement council strategy; inability to deliver major projects & programmes; inability to meet stakeholder expectations.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	5	5	No Change
Residual Risk	15	15	No Change

Impact Statement

Failing to comply with statutory and legislative requirements; low morale and negative impact on wellbeing; inability to recruit staff with the necessary knowledge & experience; reputational.

Key controls in place to manage the risk

Fair recruitment policy. Recruitment and Retention Board meets bi-monthly, focused on social care.

3-year People Strategy, endorsed by Members with accompanying action plan to ensure the right focus on recruitment, retention, and talent management.

Regular Employee Engagement Surveys established to identify and respond quickly to emerging issues and concerns.

HR Business Partners - work with service to help anticipate and meet the demands within each area.

Targeted recruitment campaigns.

Appraisal system linked to performance management.

Use of Consultants Policy.

New online learning and development platform (Our Development) now implemented.

Outstanding Actions and dates for implementation

New values and behaviours framework. Owner: Assistant Director: Human Resources, aligned to the refresh of the Council's People Strategy, due for implementation in April 2023.

Work with the service directors to create a comprehensive L&D strategy to support the wider People Strategy. Owner: Assistant Director, Human Resources, aligned to the refresh of the Council's People Strategy, due for implementation in April 2023.

2.4.7 Corporate risk 7 - Insufficient community infrastructure to deliver the Council's services

Owner: Executive Director of Place and Sustainability
Last Review: August 2022

Risk Overview

The Council requires sufficient and appropriately maintained community infrastructure in order to deliver key services. This includes the health and safety of users.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	4	4	No Change
Residual Risk	12	12	No Change

Impact Statement

Negative impact on transport, economic, environmental, and social outcomes; increased borrowing requirements; pressure on maintenance budgets; unsustainable or reduced growth; growth that is not inclusive

Key controls in place to manage the risk

Maximisation of developer contributions through Section 106 negotiations. Policy is to deal with strategic development sites through s106, not including CIL and deferrals.

Capital Programme Board.

Prudential borrowing strategy.

Review, scrutiny, and challenge of design and build costs to ensure maximum value for money.

Co-ordination of requirements across partner organisations to secure viable shared infrastructure.

Annual school capacity return to Department for Education seeks to ensure maximum levels of funding for basic need.

Maximise annual maintenance block funding from Central Government, maintaining band 3 of the incentive fund.

Outstanding Actions and dates for implementation

None

2.4.8 Corporate risk 8 - Failure to Deliver Key Council Services

Joint owners: Executive Director Place and Sustainability and Executive Director: of People Services

Last Review: August 2022

Risk Overview

Inability to deliver key council services, to the required quality, that meets statutory and legislative requirements and citizens expectations.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	2	2	No Change
Residual Consequence	5	5	No Change
Residual Risk	10	10	No Change

Impact Statement

Vulnerable adults, children and young people at increased risk of harm, poor health, and social outcomes and/or not reaching the educational; and independence potential; intervention, reputational.

Key controls in place to manage the risk

Since April 22, the market sustainability and inflation plan has been approved. Officers are mindful of ensuring financial control, especially in light of uplifts and cost of living costs. These are both being monitored through existing contract arrangements and senior management financial monitoring. This is also fed into business planning cycles, to ensure that we have appropriate levels of inflation and demand investment incorporated into budgets to manage uplifts with providers. A wider Fair Cost of Care Review is being undertaken with the market, in line with national requirements, which will inform our future strategy to market sustainability.

Two frameworks have been developed outlining, short, medium and longer-term plans for ensuring future sufficiency for those Children with SEND needs and also for Early Years and Childcare sufficiency which was agreed by CYP Committee on 1 March 2022. Further action plans are now in development.

All P&C service have adequate Business Continuity Plans in place which are reviewed regularly in light of national covid changes.

Family safeguarding model is shown to be more effective in working with families with complex needs and continuing to work closely with key placement providers is ongoing.

Recruitment and retention of skilled staff is good in some areas and less so in others. Recruitment campaigns and agency staff are proving to be beneficial currently.

Outstanding Actions and dates for implementation

None

2.4.9 Corporate risk 9 - The Council is victim of Cyber crime

Owner: Executive Director of Strategy and Partnerships

Last Review: August 2022

Risk Overview

There is increasing and constant threat of attack on the Council's digital & technical infrastructure from malicious sources.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk		25	New Risk
Residual Likelihood		3	New Risk
Residual Consequence		5	New Risk
Residual Risk		15	New Risk

Impact Statement

Regulatory breach subject to Information Commissioner action, reputational harm to the Council and disclosure of private information; liability or degradation in the ability of Council

staff and public; network; credentials and/or data being made available to unauthorised third parties; financial ransom to recover access, reinstallation and restore operations and release of confidential data.

Key controls in place to manage the risk

Staff training on the correct handling of private data, and to use technical controls available to the Council to limit the likelihood of this happening.

Using the automated denial of service mitigation service provided by our wide area network provider MLL. This will inform us of any denial of service attempts and mitigation activities.

Multiple layer of anti-malware protection on Firewalls, email and end-points to prevent malware with frequent signature updates.

Educate users as to the likelihood of Phishing and actions to be taken when encountered. Multiple layers of Phishing detection are in place and these will delete or mark messages as appropriate. External messages are also marked as such as they contain a higher risk of Phishing. Multifactor authentication is used to reduce the likelihood of successfully exploiting Phished credentials.

Technical controls to limit access to the Council VOIP system to the UK only. Normal usage is monitored by the provider and Council staff so that any deviation from normal use patterns can be identified and alerted upon.

Identify and patch vulnerabilities in a timely manner, which should be with 14 days for vulnerabilities rated critical or high on the CVSS scoring system. Firewall, Email, Website access and end-device technical controls will be used to eliminate or reduce the risk on known\unknown vulnerabilities from being exploited. NCSC Early Warning, WARP and other third-part intelligence source will be used to identify vulnerabilities as soon as possible.

Outstanding Actions and dates for implementation

If Disaster Recovery (DR) is invoked systems will be available however performance in that environment has not been tested to ensure all functionality is available. DR test is to be planned in for 2022/23 as the impact of the SAN project will change the configuration and infrastructure and how the environment will work.

2.4.10 Corporate risk 10 - The Council fails to comply with Information Governance legislation and industry standards

Owner: Director of Law and Governance and Monitoring Officer
Last Review: August 2022

Risk Overview

A lack of oversight and control of information management may lead to information being mis-handled.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk		25	New Risk
Residual Likelihood		3	New Risk
Residual Consequence		4	New Risk
Residual Risk		12	New Risk

Impact Statement

Data subjects suffer loss, detriment and distress as result of poor management of data; Legal action/Information Commission Officer involvement.; damage to the reputation of the council and adverse publicity; Complaints.

Key controls in place to manage the risk

Mandatory data protection and security training for all staff.

Use of data protection impact assessments in all projects and procurements.

Regular communications to all staff and at key locations (e.g., printers).

A comprehensive set of information and security policies.

Joint information management board, chaired by senior info risk owner (CLT member), with representative of all directorates along with DPO and both Caldicott Guardians. Board oversees IG and cyber security activity.

Established procedure for notifying, handling, and managing data breaches.

Data breaches, training feedback and performance indicators reported to info management board and CLT.

CLT provided with annual assurance on penetration testing around cyber security A review of the records retention schedule and asset register is underway with CCC.

Outstanding Actions and dates for implementation

None

2.4.11 Corporate risk 11 - Failure of key partnerships or contracts

Owner: Service Director: Finance and Procurement (Section 151 Chief Financial Officer)
Last Review: August 2022

Risk Overview

The failure of key partners/contractors or ineffective contract management arrangements may result in key services and major projects not being delivered or not being delivered within required time and budget envelope.

Residual Risk

	March 2022	August 2022	Narrative
Raw Risk	25	25	No Change
Residual Likelihood	3	3	No Change
Residual Consequence	4	4	No Change
Residual Risk	12	12	No Change

Impact Statement

Best value not being achieved; loss of monies; negative impact on capital/revenue budget; interruption to outcomes and service delivery; reduced quality, health & safety concerns; reputational.

Key controls in place to manage the risk

Contract Procedure Rules and associated guidance and training, Partnerships Advice and Guidance Document, Grants to Voluntary Organisations Policy.

Contracts Register.

Procurement Governance Board.

Head of Diligence and Best Value role.

Business Continuity Planning processes.

Corporate due diligence processes.

Declarations of Interest processes within the Codes of Conduct for officers and members

Corporate process for identifying key partnerships and contracts.

Budget monitoring and forecasting processes.

Outstanding Actions and dates for implementation

Implementation of This Land Ltd action plan. Owner: Service Director: Finance and Procurement (Section 151 Chief Financial Officer) Due Date: 1st December 2022.

Review and update Partnerships Advice and Guidance document linking into the Appointments to Outside Bodies Process. Owner: Executive Director of Strategy and Partnerships, 30th November 2022.

Develop and implement Contract Management toolkit and guidance. Service Director: Finance and Procurement (Section 151 Chief Financial Officer) implementation date of 30th November 2022.

Implementation of mandatory Procurement eLearning module for budget managers and contract managers. Owner: Head of Procurement and Commercial, 30th September 2022.

Update guidance for Members to clarify how interests should be declared when Members are involved in procurements. Owner: Director: Law and Governance and Monitoring Officer, 30th November 2022.

Procurement Guide Update Procurement Guide to provide more detailed information on how to ensure that the form of contract drives desired deliverables/outcomes through appropriate penalties/rewards. Owner: Head of Procurement and Commercial, 1st October 2022.

Procurement Governance Board Review the possibility of adding the following areas to the remit of the Procurement Governance Board: - Monitoring and enforcing compliance - Monitoring security of critical supplies - Contract management - Ensuring diverse supply chains. Owner: Service Director: Finance and Procurement (Section 151 Chief Financial Officer) 1st October 2022.

Amend Business Continuity Plan templates to ensure all BCPs require services to identify critical contracts/partnerships and include or link to planning for the risk of supplier failure or collapse. Executive Director of Strategy and Partnerships, implementation date of 30th November 2022.

Implement the new Sustainable Procurement Strategy. Owner: Head of Procurement and Commercial, 1st November 2022 (due for Strategy and Resources Committee in October 2022).

2.5 The benefits of risk management include:

- Taking timely and proportionate action to prevent risks occurring or to manage effectively
- Development and delivery of robust and effective action plans and enhancements to the governance of the organisation
- Ensuring that decision makers are fully aware of any key risk issues associated with proposals being considered at the point of decision making
- Demonstrating openness and accountability

2.6 The Council has regard to HM Government's Orange Book (Management of Risk) and assesses local application of the five principles as follows:

- **Governance and leadership** - The Chief Executive, supported by the Corporate Leadership Team, periodically assess the leadership style and policies of the Council. We acknowledge that human behaviour and culture significantly influence all aspects of risk management at each level. The Corporate Leadership Team undertook a periodic, detailed, collective review of the risk register on 26 January 2022.
- **Integral to organisational activities to support decision making.** The assessment and management of risk is an embedded part of setting strategy and prioritising resources. It is integral to appraising options, evaluating alternatives and making informed decisions. All Committee reports to Members include a risk implications section. For example, elsewhere on this Committee's agenda today there is consideration of risk appetite in relation to insurance policy deductibles, This Land's commercial versus social outcomes, and treasury management given current economic uncertainties.
- **Collaborative and informed by information and expertise.** The risk register reflects the broad range of risks facing the Council. Communication and consultation

are essential to ensuring an informed position, and the Audit & Accounts Committee plays an important role in challenging and reviewing the scope of risk management activity. Recent revisions to the register reflect the heightened risk perceived from organisations beyond the Council's institutional boundary, such as suppliers and subsidiary companies.

- **Processes** – processes are in place for the identification and assessment of risk as well as the selection of risk treatment options. Transition from the shared service arrangements (previously known as LGSS) mean that we are in the process of changing our systems for recording risk and the way that corporate resource is deployed to support frontline services with risk management.
- **Continual improvement** – there is continual monitoring of the risk environment and improvement through learning and experience. The annual governance statement, published alongside the Statement of Accounts, provides a yearly formal mechanism for identifying significant gaps or areas for improvement within the Council's governance framework.

2.7 The risk management team will continue to deliver a programme of work which challenges and assesses each of the Council's Corporate Risks. This will include an evaluation of the extent to which the controls documented in the risk register are being complied with. The intention is that for each risk three levels of assurance are given:

- **Governance controls** (are the planned controls proportionate and effective in mitigating the identified risk and triggers;
- **Compliance** (are those controls being routinely complied with in practice);
- **Substantive** (are the controls being effective in mitigating the risk in practice).

During the last quarter, Internal Audit has reviewed and reported on Risk 11 – Failure of key partnerships or contracts.

3. Alignment with corporate priorities

- 3.1 Environment and Sustainability
- 3.2 Health and Care
- 3.3 Places and Communities
- 3.4 Children and Young People
- 3.5 Transport

Good risk management - including the identification of risks and triggers as well development of mitigating actions - should inform decision making and areas for improvement; lead to better overall management of the Council's business, and protect the Council's assets, workforce, finances and services.

4. Significant Implications

4.1 Resource Implications

All of the risks listed in the corporate risk register could potentially lead to significant financial implications if realised. There are direct impacts on our resources in relation to the partnership/contractual risks and the risk about sufficiency of budget.

4.2 Procurement/Contractual/Council Governance Procedure Rules Implications

There are no significant implications within this category

4.3 Statutory, Legal and Risk Implications

This report overviews the Council's risk management arrangements. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control which includes effective arrangements for the management of risk.

4.4 Equality and Diversity Implications

There are no significant implications within this category

4.5 Engagement and Communications Implications

There are no significant implications within this category

4.6 Localism and Local Member Involvement

There are no significant implications within this category

4.7 Public Health Implications

There are no significant implications in this category.

4.8 Environment and Climate Change Implications on Priority Areas

There are no significant implications in this category

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: T Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes

Name of Officer: C Ellis

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

Name of Legal Officer: F McMillan

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

Yes

Name of Officer: T. Kelly

Have any engagement and communication implications been cleared by Communications?

Not applicable

Have any localism and Local Member involvement issues been cleared by your Service

Contact? Not applicable

Have any Public Health implications been cleared by Public Health?

Not applicable

5. Source documents

5.1 Annual Governance Statement

[Statement of accounts - Cambridgeshire County Council](#)

Risk		01. ASC - Council's arrangements for safeguarding vulnerable adults fail														
Likelihood	5															
	4															
	3															
	2															
	1															
		1	2	3	4	5										
	Consequence															
Risk Owners		Charlotte Black					Current Score		15		Last Review		05/08/2022			
							Target Score		15		Next Review		03/11/2022			
							Previous Score		15							
Triggers							Likelihood Factors (Vulnerability)					Potential Consequences				
01. Inherent weaknesses in safeguarding governance arrangements 02. Poor quality of practice in the delivery of responsibilities 03. Ineffective Management Oversight 04. High Caseloads 05. Poor CQC							1. Decrease in government funding 2. Failure/handback from third party providers 3. Increased expectations on local government 4. increase in demand for services					1.Vulnerable adult is seriously harmed 2. People lose trust in Council services 3. Council is judged to have failed in statutory duties				

Risk		02. CSC - Failure of the council's arrangements to safeguard vulnerable children & young people									
Likelihood	5										
	4										
	3										X/T
	2										
	1										
		1	2	3	4	5					
		Consequence									
		Risk Owners					Current Score		15	Last Review	
		Charlotte Black					Target Score		15	Next Review	
							Previous Score		15		
		Triggers					Likelihood Factors (Vulnerability)			Potential Consequences	
		COVID Related: 1. Lack of staff in safeguarding - due to an increase of those unwell with Covid-19 & vacancies 2. Latent demand begins which increases workload and leads to potential capacity issues								1. Harm to child or you person awaiting or receiving services from the Council 2. Reputational damage to the Council	
		BAU RISKS: 1. Children's social care case loads are too high in some areas (due to vacant positions & demand on services) 2. Inaccurate assessment of risk in relation to children & the family circumstances 3. Serious case review is triggered 4. latent demand begins which increases workload and leads to potential capacity issues due to the economic demand on families caused by the cost of living increase									

Controls	Adequacy	Critical Success	Assurance
Caseloads & Demand 2. Move to non-caseloading team Managers has increased oversight and challenge. Skilled and experienced safeguarding leads and their managers. 10. Caseloads have increased due to difficulty in recruiting qualified roles. Oversight & challenge from QA Service and the Local Safeguarding Board 11. Family Safeguarding to keep families together and ensure children and adults services work jointly for the best outcome for the family 12. Managing demand and ensuring adults and children receive right intervention at the right time	Good		
COVID RELATED COVID RELATED: 1) *To seek agency SW cover as a last resort to ensure safeguarding is prioritised *Ongoing monitoring of staff sickness to intervene prior to rates increasing COVID RELATED: 2) * Business cases to increase social work capacity being applied for (Social work agreed) & new recruitment campaign launched	Good		
Governance 1. Multi-agency Safeguarding Boards and Executive Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity specific safeguarding situation between partners. 9. Coordinated work between multi-agency partners. In particular Police, County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the Safeguarding Boards	Good		
Quality Assurance and Practice 3. Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions monitor and instil safeguarding procedures and practice. 4. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews 5. Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance 6. Whistleblowing policy, robust Local Authority Designated Officer (LADO) arrangements and complaints process inform practice. 7. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission	Good		

Action Plans	Assurance	Responsibility	Target Date
--------------	-----------	----------------	-------------

Risk Path:

Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		03. The Council does not have enough budget to deliver agreed short and medium term corporate objectives									
Likelihood	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5					
		Consequence									

Risk		04. A serious incident occurs, preventing services from operating and /or requiring a major/critical incident response.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
Likelihood	5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														

Controls	Adequacy	Critical Success	Assurance
1. Corporate and service business continuity plans	Reasonable	Up to date business continuity plans available across the Council	"Experience through Covid, has demonstrated the agility of the workforce in delivering services with regular review of BC plans which have been tested and stressed. The radical change in our operating environment, e.g. majority of staff working remotely, helps with business continuity. We have demonstrated that we can develop options in exceptional circumstances. Active engagement in reviewing BC Plans to take account of learning from Covid"
2. Relationships with trade unions including agreed exemptions	Good		"Engagement is good with regular meetings undertaken. More frequent engagement and contact with TU's throughout Covid demonstrates ability to step up engagement when required".
3. Corporate communication channels in case of emergency	Good	Responsive media strategy	"Media, community engagement, working with and through comms leaders, social media campaigns, internal comms. Updating with partners, shared comms. Comms for Members, district and city as well as county. Regular comms with MP's. Frequency and intensity accelerated. "
4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum	Good		"Tactical and strategic are a part of BAU. Setting up of a range of specific sub groups with reporting up to gold strategic group. Tackle with partners specific issues. Frequency and intensity and range and nature accelerated significantly during Covid which demonstrates responsiveness"
6. Resilient Internet feed	Good		"Considerable work undertaken to strengthen and improve resilience of network, high proportion of WFH for staff and Members can be sustained. Regular monitoring process and escalation"
7. Business continuity testing	Good	Regular testing undertaken	"Constantly having to reposition the delivery of the business. Constantly revised and re-written and tested, particularly those in response mode.
8. Corporate Emergency Plan	Good		Corporate Emergency Plans put into operation through recent incidents (2020/21 and 2021/22) including Flooding and Severe Weather. All stepped up alongside delivering our Covid Response/Recovery Plans
9. IT security – data encryption, hardware firewalls, network traffic monitoring, inbound mail monitoring, spam filters, web content filtering, anti-virus software (Moved From previous risk 3)	Good		Regular monitoring of cyber security through cyber security board and dashboards tracking internal protections and external threats. Effectively dealt with threats (range of incidents in 2021/22) adopting best practice methodology for investigation/remedial action/learning. Regular liaison with the National Cyber Security Centre to keep up to date with threats/best practice.

Action Plans	Assurance	Responsibility	Target Date
Testing disaster recovery plans		Sue Grace	31/12/2022

Risk Path:

Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		05. The Council does not deliver its statutory or legislative obligations																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Likelihood	5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		

Risk		06. The Council's human resources are not able to meet business need																	
Likelihood	5											Risk Owners	Janet Atkin	Current Score	15	Last Review	02/09/2022		
	4													Target Score	15	Next Review	01/12/2022		
	3										X/T			Previous Score	15				
	2																		
	1																		
		1	2	3	4	5													
	Consequence																		
											Triggers		Likelihood Factors (Vulnerability)				Potential Consequences		
											1. Skills shortage in key areas including partners. 2. Employee retention and engagement is inadequate 3. failure to achieve a healthy organisational culture and environment 4. ineffective or inadequate workforce planning		1. Cost of living is increasing at a rate that is causing major concern for many of our workforce. 2. Acute skills shortage in key areas including partners 3. EU exit impact on employment market 4. Increased challenges across all areas of the council's functions in recruiting.				1. The Council is unable to recruit staff with the right skills and experience 2. Failure to deliver effective services 3. Reputational damage to the Council 4. Low morale and negative impact on staff wellbeing.		

Controls	Adequacy	Critical Success	Assurance
1. Fair recruitment policy. Recruitment and Retention Board meets bi-monthly, focused on social care.	Good	Staffing levels support service delivery	This meeting continues to focus on key areas of challenge and concern, engaging with our providers of agency workers as well around hard to fill posts to identify opportunities to improve candidate attraction.
2. Regular Employee Engagement Surveys established to identify and respond quickly to emerging issues and concerns	Good	Employee Engagement is demonstrated through employees seeing the value of and therefore contributing to these opportunities to shape the organisation as an employer.	A number of key topics have been covered and going forward will be revisited annually including Wellbeing; Equality, Diversity and Inclusion, and How We Work. The results of these engagement surveys are discussed with CLT for an action plan to be signed off and published on Camweb clearly setting out the organisational commitment to matters raised.
3. 3 year People Strategy, endorsed by Members with accompanying action plan to ensure the right focus on recruitment, retention and talent management.	Good		Work is underway on the next iteration of the People Strategy which will be presented to Full Council in Spring 2023 and will have a clear focus on the shifting employment market and employment challenges that the Council faces, to establish clear plans for the workforce.
4. Targeted recruitment campaigns.	Good		The Council has a central recruitment team who are dedicated to supporting Children's and Adults services – they engage with the services to understand the specific and differing challenges that they face and target recruitment campaigns accordingly, as well as maximising usage of social media channels. This is currently being expanded to provide professional guidance to all areas of the Council from October 2022.
5. Appraisal system linked to performance management	Good		New Our Conversations process was embedded in 2021. Feedback on the first year has been gathered and work is underway to consider refinements to the process regarding it's application in practice so that any adaptations can be made in conjunction with CLT.
6. HR Business Partners - work with service to help anticipate and meet the demands within each area	Good		HR Business Partners attend management team meetings and meet regularly with Service Directors to discuss workforce matters.
7. Annual report to staffing and appeals committee	Good		Reports are delivered to Staffing and Appeals Committee in February each year setting out a clear review of the workforce profile and activity during the year as well as key policy changes, employee engagement activity and an update around employee wellbeing.
8. Report on quarterly basis to management teams on workforce and performance	Good		Quarterly dashboard reports on workforce matters including absence and turnover are provided to Directorate Management Teams for them to keep a focus on their workforce profile and any emerging or potential concerns.
9. Use of Consultants Policy	Good		A clear policy on the use of consultants, interim and agency workers is in place to give clarity to hiring managers about when it is appropriate to use these options, and the appropriate and compliant way to do so.
9B. Well established consultative framework with trade unions, including fortnightly meetings throughout the Covid period	Good		These well established and positive relationships enable constructive discussions with trade union colleagues around any challenging workforce related matters, as well as an opportunity to gain valuable insights and contributions to help shape policy development.

Action Plans	Assurance	Responsibility	Target Date
Development of own learning platform	Action Completed Janet Atkin - 2/9/22	Janet Atkin	14/06/2022
The values and behaviours framework will be reviewed in line with the next iteration of the People Strategy to make sure		Janet Atkin	31/03/2023
Work with the service directors to create a comprehensive L&D strategy to support the wider People Strategy.		Janet Atkin	31/03/2023

Risk Path:

Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		07. Insufficient infrastructure to deliver the Council's services														
Likelihood	5															
	4															
	3															
	2															
	1															
		1	2	3	4	5										
	Consequence															
Risk Owners		Steve Cox					Current Score		12		Last Review		02/09/2022			
							Target Score		15		Next Review		02/12/2022			
							Previous Score		12							
Triggers							Likelihood Factors (Vulnerability)					Potential Consequences				
1. Insufficient funding to meet needs received from: •Growth funds •Section 106 •Community infrastructure levy •School infrastructure funding •Highways Active Travel funding 2. Partnerships do not deliver new infrastructure / services to meet needs of population 3. Infrastructure undermined due to inability to adequately maintain 4. Infrastructure delivery planning not tied to business planning process							Willingness of stakeholders to embrace development Changes in grant funding Failure of a key supplier Reduced funding from devolution deals End of the Greater Cambridge City Deal programme Insufficient staffing resource and expertise to deliver key infrastructure					1. Impacts on transport, economic, environmental and social outcomes 2. Greater borrowing requirement to deliver infrastructure which is unsustainable financially 3. Increased pressure on already stretched maintenance budgets 4. Unsustainable or reduced growth 5. Growth that is not inclusive				

Controls	Adequacy	Critical Success	Assurance
1. Maximisation of developer contributions through Section 106 negotiations. Policy is to deal with strategic development sites through s106, not including CIL	Good		
2. Section 106 deferrals policy is in place.	Good	Agreed and adopted by the Council	
3. Capital Programme Board	Good	Regular reporting	
4. Prudential borrowing strategy	Good		
5. Review, scrutiny and challenge of design and build costs to ensure maximum value for money	Good		
6. Co-ordination of requirements across partner organisations to secure viable shared infrastructure	Good		
7. Annual school capacity return to Department for Education seeks to ensure maximum levels of funding for basic need	Good		
8. Maximise annual maintenance block funding from Central Government, maintaining band 3 of the incentive fund.	Good		

Action Plans	Assurance	Responsibility	Target Date
--------------	-----------	----------------	-------------

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		08. Failure to Deliver Key Council Services											
Likelihood	5							Risk Owners	Charlotte Black; Steve Cox	Current Score	10	Last Review	02/09/2022
	4									Target Score	15	Next Review	01/12/2022
	3							Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
	2							01. Placement sufficiency – schools, independent sector CIC and adult placements 02. Workforce sufficiency – council and independent sector and partners 03. Skills sufficiency 04. Lack of Business Continuity Plans for Key Services 05. Poor Contract Management 06. Poor Project Management 07. Poor Governance around Partnership working 08. Capacity issues 09. Poor Demand Management 10. Poor escalation process for concerns 11. Insufficient budget setting and management 12. Non-compliance with Corporate policies and procedures		01. Failure of Key Supplier 02. Change in government funding 03. Pandemic 04. Long-term Brexit implications 05. Local Elections 06. Increased Demand on key services 07. Industrial Emissions Directive and the Best Available Techniques conclusions (BATc)		01. Children and adults inappropriately placed leading to increased risk of harm, poor health and social outcomes 02. Children and adults do not receive services they need to reduce the risk of harm, reach their educational and independence potential	
	1												
		1	2	3	4	5							
	Consequence												

Controls	Adequacy	Critical Success	Assurance
01. Market sustainability Since April 22, the market sustainability and inflation plan has been approved. Officers are mindful of ensuring financial control, especially in light of uplifts and cost of living costs. These are both being monitored through existing contract arrangements and senior management financial monitoring. 'This is also fed into business planning cycles, to ensure that we have appropriate levels of inflation and demand investment incorporated into budgets to manage uplifts with providers. A wider Fair Cost of Care Review is being undertaken with the market, in line with national requirements, which will inform our future strategy to market sustainability	Good		
02. Two frameworks have been developed outlining, short, medium and longer-term plans for ensuring future sufficiency for those Children with SEND needs and also for Early Years and Childcare sufficiency which was agreed by CYP Committee on 1 March 2022. Further action plans are now in development.	Good		
03. All P&C service have adequate Business Continuity Plans in place which are reviewed regularly in light of national covid changes	Good		
04. Family safeguarding model is shown to be more effective in working with families with complex needs and continuing to work closely with key placement providers is ongoing	Reasonable		
05. Recruitment and retention of skilled staff is good in some areas and less so in others. Recruitment campaigns and agency staff are proving to be beneficial currently	Reasonable	An independent sector workforce which can expand in line with the demographic and complex needs growth of Cambridgeshire.	Workforce strategy which reflects the needs of the local workforce pressures, creates a pipeline for recruitment, establishes a standardised approach to recruitment and starts across the care sector. Supported by public sector partners and tackling the skills agenda in line with the Combined Authority.

Action Plans	Assurance	Responsibility	Target Date
--------------	-----------	----------------	-------------

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		09. The Council is a victim of Cyber crime														
Likelihood	5			X												
	4															
	3										T					
	2															
	1															
		1	2	3	4	5										
	Consequence															
Risk Owners		Sue Grace					Current Score		15		Last Review		02/09/2022			
							Target Score		15		Next Review		01/12/2022			
							Previous Score		15							
Triggers							Likelihood Factors (Vulnerability)					Potential Consequences				
01. Data loss 02. Denial of IT services 03. Malware attack 04. Phishing attack 05. Ransomware attack 06. Telephone Toll Fraud 07. Major vulnerability 08. DR for IT Services							01. Increasing malicious attempts from various sources 02. Malicious Emails to staff increasing					01. Regulatory breach subject to ICO action, reputational harm to the Council and disclosure of private information. 02. Inability or degradation in the ability of Council staff to access any computer based service hosted outside of the Council network. It will most likely also impact any services that the council hosts for access by the public. Finally it would also impact any VOIP services operated by the council. 03. Infection of Council systems by malware, causing a degradation of Council systems. 04. Credentials and/or data being made available to unauthorised third parties. This could result in ICO action, reputational damage to the Council and the unauthorised release of confidential information. 05. Loss of access to Council data, a financial ransom to recover access, reinstallation and restore operations to recover access, release of confidential data, reputational harm and ICO action. The exact impact will depend on how well mitigation reduce the impact of the attack. 06. Financial loss for the Council. The Council may also suffer reputational damage or information loss risks if the breacher of the system attempts to impersonate the Council. 07. Systems are exploited by using known/unknown vulnerabilities. 08. There is a risk that the functionality of the new DR solution has not taken place since implementation in August 2021. The consequence is that if there is an incident which requires DR to be invoked it will be testing the solution during a live event.				

Controls	Adequacy	Critical Success	Assurance
01. Educate users as to the likelihood of Phishing and actions to be taken when encountered. Multiple layers of Phishing detection are in place and these will delete or mark messages as appropriate. External messages are also marked as such as they contain a higher risk of Phishing. Multifactor authentication is used to reduce the likelihood of successfully exploiting Phished credentials.	Good		
02. Identify and patch vulnerabilities in a timely manner, which should be with 14 days for vulnerabilities rated critical or high on the CVSS scoring system. Firewall, Email, Website access and end-device technical controls will be used to eliminate or reduce the risk on known\unknown vulnerabilities from being exploited. NCSC Early Warning, WARP and other third-part intelligence source will be used to identify vulnerabilities as soon as possible.	Good		
03. If DR is invoked systems will be available however performance in that environment has not been tested to ensure all functionality is available. DR test is to be planned in for 2022/23 as the impact of the SAN project will change the configuration and infrastructure and how the environment will work.	Good		
04. Robust policies and procedures	Good		
05. Staff training on the correct handling of private data, and to use technical controls available to the Council to limit the likelihood of this happening.	Good		
06. Use multiple layer of anti-malware protection on Firewalls, email and end-points to prevent malware with frequent signature updates.	Good		
07. Use technical controls to limit access to the Council VOIP system to the UK only. Normal usage is monitored by the provider and Council staff so that any deviation from normal use patterns can be identified and alerted upon.	Good		
08. Use the automated denial of service mitigation service provided by our wide area network provider MLL. This will inform us of any denial of service attempts and mitigation activities.	Good		

Action Plans	Assurance	Responsibility	Target Date
--------------	-----------	----------------	-------------

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		10. The Council fails to comply with Information Governance legislation and industry standards															
Likelihood	5											Risk Owners	Fiona McMillan	Current Score	12	Last Review	02/09/2022
	4													Target Score	15	Next Review	01/12/2022
	3											Triggers	Likelihood Factors (Vulnerability)	Potential Consequences			
	2											There is a risk that a lack of oversight and control of information management leads to information being mis-handled, which would expose the organisation to: * Legal action/Information Commission Officer involvement. * Damage to the reputation of the council and adverse publicity. * Complaints. This will include records management, contractual obligations, case management, training and awareness		Data subjects suffer loss, detriment and distress as result of poor management of data			
	1																
		1	2	3	4	5											
	Consequence																

Controls	Adequacy	Critical Success	Assurance
01. Mandatory data protection and security training for all staff	Good		
02. Use of data protection impact assessments in all projects and procurements	Good		
03. Regular communications to all staff and at key locations (e.g. printers)	Good		
04. Joint information management board, chaired by senior info risk owner (CLT member), with representative of all directorates along with DPO and both Caldicott Guardians. Board oversees IG and cyber security activity	Good		
05. A comprehensive set of information and security policies	Good		
06. Established procedure for notifying, handling and managing data breaches	Good		
07. data breaches, training feedback and performance indicators reported to info management board and CL	Good		
08. CLT provided with annual assurance on penetration testing around cyber security A review of the records retention schedule and asset register is underway with CCC.	Good		

Action Plans	Assurance	Responsibility	Target Date
--------------	-----------	----------------	-------------

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk		11. Failure of key partnerships or contracts												
Likelihood	5													
	4													
	3													
	2													
	1													
		1	2	3	4	5								
Consequence														
		Risk Owners					Tom Kelly		Current Score		12	Last Review		16/08/2022
									Target Score		15	Next Review		01/12/2022
									Previous Score		12			
		Triggers					Likelihood Factors (Vulnerability)					Potential Consequences		
		01. Different partnership arrangements and/or contracts have conflicting aims or priorities. 02. Large scale handback / collapse of major suppliers for economic/profitability reasons 03. Supply chain failure and/or significant cost increases in supply chain or CPI. 04. The Council fails to identify key/business-critical partnerships. 05. Lack of robust, formally agreed contracts or equivalent to set scope, deliverables and governance arrangements for all key partnerships and contracts. 06. Failure to compliantly procure key contracts leads to legal challenge. 07. Contracts and partnerships lack clear corporate owners; or contract/partnership owners have a conflict of interest between their CCC role and external interests. 08. Contracts or partnership agreements fail to drive desired deliverables/outcomes through appropriate penalties/rewards. 09. Lack of in-house contract management expertise. 10. Third party fraud committed by or against suppliers or partners and/or internal fraud or corruption in collusion with suppliers or partners. 11. Relationship breakdown with key partners/contractors, potentially leading to a legal dispute. 12. Heavy reliance on single suppliers leading to lack of a diversified supply chain. 13. Policy or leadership changes in central government or local partnership organisations 14. This Land unable to adhere to business plan: - timescales and programme slippage, assumptions about further land acquisition & promotion - assumptions and expectations, housing downturn/economics/inflation reduce profitability					1. This Land - arms length/commercial risk. Planning delays to date. Loan to value depleting but improved cashflows 2. Uncertainty and major change programmes underway at partner Councils, restricted budgets across sector. 3. Significant economic and inflationary volatility. 4. Industrial Emissions Directive and the Best Available Techniques conclusions (BATc)					1. Financial impact of credit loss or default on monies owed 2. Revenue impact of increased costs or reduced income returns 3. Interruption to outcomes and service delivery 4. Construction quality and health & safety matters 5. Reputational harms 6. Failure to fulfil statutory duties.		

Controls	Adequacy	Critical Success	Assurance
01. Contract Procedure Rules and associated guidance and training.	Good		
02. Partnerships Advice & Guidance Document.	Poor		
03. Grants to Voluntary Organisations Policy.	Good		
04. Contracts Register.	Good		
05. Procurement Governance Board.	Reasonable		
06. Head of Diligence & Best Value role.	Reasonable		
07. Business Continuity Planning processes.	Poor		
08. Corporate due diligence processes.	Good		
09. Declarations of Interest processes within the Codes of Conduct for officers and members	Reasonable		
10. Corporate process for identifying key partnerships and contracts.	Reasonable		
11. Budget monitoring and forecasting processes.	Good		

Action Plans	Assurance	Responsibility	Target Date
01. Implementation of This Land Ltd action plan in response to AY Report		Tom Kelly	01/12/2022
02. Review and update Partnerships Advice & Guidance document linking in to the Appointments to Outside Bodies Process.		Paul Fox	30/11/2022
03. Develop and implement Contract Management toolkit and guidance.			30/11/2022
04. Implementation of mandatory Procurement eLearning module for budget managers and contract managers.		Clare Ellis	30/09/2022
05. Update guidance for Members to clarify how interests should be declared when Members are involved in procurements.		Fiona McMillan	30/11/2022
06. Procurement Guide Update Procurement Guide to provide more detailed information on how to ensure that the form of contract drives desired deliverables/outcomes through appropriate penalties/rewards.		Clare Ellis	01/10/2022
07. Procurement Governance Board Review the possibility of adding the following areas to the remit of the Procurement Governance Board: -Monitoring and enforcing compliance -Monitoring security of critical supplies -Contract management -Ensuring diverse supply chains		Tom Kelly	01/10/2022
08. Business Continuity Plan templates Amend Business Continuity Plan templates to ensure all BCPs require services to identify critical contracts/partnerships and include or link to planning for the risk of supplier failure or collapse.			30/11/2022
09. Implement the new Sustainable Procurement Strategy		Clare Ellis	01/11/2022

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council
Risk Category:
Linked Objective(s):

Internal Audit Progress Report

To: Audit & Accounts Committee
Date: 29th September 2022
From: Mairead Claydon, Acting Head of Internal Audit and Risk Management

Officer contact:

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

1. Purpose

- 1.1 To report on the main areas of audit coverage for the period to 14th September 2022.
- 1.2 Audit & Accounts Committee is requested to review and comment on the proposed plan of Internal Audit work for the next four quarters, outlined at Section 6 of the report.

2. Background

- 2.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The annual Audit Plan is split out into two elements: the 'core' plan, comprising key areas of assurance that are reviewed every year and audit support work (e.g. to working parties or panels) which is ongoing throughout the year; i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process. More information on this approach is available at Section 6 of the main report, which presents the proposed flexible audit plan for the next four quarters.

3. Outstanding Audit actions

- 3.1 Annex B details all 50 outstanding audit recommendations as at 14th September 2022 when this report was produced. Narrative updates on actions

where the current target date is after 14th September have not been followed-up by Internal Audit in this reporting cycle, and will be reported in the next Progress Report.

- 3.2 There is only one current outstanding 'Essential' recommendation. This recommendation relates to the Council re-obtaining its Public Services Network (PSN) certification. The IT service has completed two external IT Health Checks (ITHC), penetration testing, and developed a Remedial Action Plan setting out the remediation works identified as being required by the ITHC. This was submitted as part of the CCC PSN application on 2nd August 2022 in the hope of acquiring re-certification. The action plan was rejected by the Cabinet Office as having too many high severity vulnerabilities, meaning that the Council has not yet re-achieved PSN certification. The IT service have worked to reduce the number of high severity vulnerabilities from 58 to 31 as of the 12th September, and have plans in place to close a further 24 high severity vulnerabilities before the next re-submission for PSN certification. The action therefore remains open and is being progressed as a matter of priority by the IT service.

4. Investigations Caseload

- 4.1 Section 9 of the Progress Report summarises the open whistleblowing cases currently under review by the Internal Audit Team, as well as updates on other counter-fraud work.
- 4.2 See also the accompanying Annual Whistleblowing Report which gives a retrospective review of whistleblowing cases in 2021/22 as well as information on the outcomes of the Council's annual whistleblowing survey.

5. Audit Forward Planning

- 5.1 Section 6 of the Progress Report provides the current proposed Internal Audit Plan for the next four quarters, for comment and challenge by the Committee.
- 5.2 As usual, the Plan has been updated to reflect changing risk priorities, however there have not been any major adjustments to the Plan since the previous report in July 2022, with most changes reflecting minor amendments to the timing of planned reviews.

Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 14th September 2022

Section 1

1 INTRODUCTION

- 1.1 A summary of the content of the key sections of this report is provided below, for reference:

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

SECTION 4: Summaries of Completed Audits with Limited or No Assurance

SECTION 5: Internal Audit Activity

SECTION 6: Audit Forward Planning: Next Four Quarters

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2022/23

ANNEX B: Outstanding Agreed Actions

2 INTERNAL AUDIT REPORTING PROCESS

2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CCLT, with a summary of internal audit activity for the second quarter of the 2022/23 financial year.

2.2 HOW INTERNAL CONTROL IS REVIEWED

2.2.1 There are three elements to each Internal Audit review. 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.

2.2.2 However, controls are not always complied with, which in itself will 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 element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

2.2.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.2.4 At the conclusion of each audit, Internal Audit assigns three opinions. The opinions will be:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

	Compliance Assurance	Control Environment Assurance
Substantial Assurance	The control environment has substantially operated as intended although some minor errors may have been detected.	There are minimal control weaknesses that present very low risk to the control environment

Good Assurance	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
Moderate Assurance	The control environment has mainly operated as intended although errors have been detected.	There are control weaknesses that present a medium risk to the control environment.
Limited Assurance	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment OR it has not been possible for Internal Audit to provide an assurance due to lack of available evidence.

2.2.6 Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to CLT, along with the appropriate Directorate's agreed action plan.

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

3 FINALISED ASSIGNMENTS

- 3.1 Since the last Internal Audit Report in July 2022, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Resources	Invoice Raising & Aged Debt	Moderate	Moderate	Minor
2.	Public Health	Adults Weight Management Grant	Grant certification provided		
3.	Public Health	Universal Drug Treatment Grant	Grant certification provided		
4.	Place & Economy	Local Transport Capital Block Funding	Grant certification provided		
5.	Place & Economy	Pothole Funding	Grant certification provided		
6.	Cross-cutting	Risk Assurance report	Risk assurance report provided for Risk 11 'Failure of Key Partnerships & Contracts'		
7.	People & Communities	Early Years Provider allegation	Briefing note style report provided		

- 3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) are provided in Section 4.
- 3.3 The following audit assignments have reached draft report stage, as set out below in Table 2:

Table 2: Draft Reports

No	Directorate	Assignment
1.	Public Health	Drug & Alcohol Treatment Contract
2.	Cross-Cutting	Related Parties Assurance

3.4 Further information on work in progress may be found in the Audit Plan, attached as Annex A.

4 *SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE*

4.1 N/A – no reports have been issued with limited or no assurance in this period.

5 *INTERNAL AUDIT ACTIVITY*

5.1 GRANT CERTIFICATIONS

- 5.1.1 In the first quarter of 2022/23, a particular focus for the Internal Audit team has been certification of central government grants. The exact audit requirements vary from grant to grant; in general, where central government requires Internal Audit review of grant expenditure, the Chief Internal Auditor is required to provide assurance that grant monies have been spent in line with the terms and conditions of the funding and accurate expenditure has been declared by the Council.
- 5.1.2 Internal Audit has provided assurance over the Local Transport Capital Block Funding and Pothole grants as required to the Cambridgeshire and Peterborough Combined Authority as part of the agreed audit plan. The team also reviewed two Public Health related grants where grant conditions required the Head of Internal Audit to provide an opinion to the Chief Executive that grant expenditure was eligible and compliant with the terms and conditions.
- 5.1.3 Internal Audit's work on one of these grants, the Adult Weight Management Grant, identified some wider issues with the related Lifestyle Services contract. As a result of these findings, it has been agreed that Internal Audit will undertake an audit of the procurement and contract management of this contract. The issues noted during the review did not prevent Internal Audit from signing off the grant, as all expenditure was compliant with grant terms and conditions.

5.2 SCHOOL AUDITS

- 5.2.1 To provide assurance regarding the efficacy of financial management in schools, Internal Audit are planning to undertake a programme of visits to 12 local schools to review the operation and compliance with local financial management and governance controls in these settings, including payroll and purchasing processes. Schools are selected for audit on the basis of identified risk factors, which includes schools where there are existing concerns about finance or governance, or schools where there has been a change of leadership or finance personnel.
- 5.2.2 Visits to schools will be taking place throughout the autumn term. Individual reports will be provided for each school, making recommendations to improve governance, procedures and compliance where relevant. An overarching report will also be produced to summarise common findings and themes from the schools visits, which will then be used to inform communications with schools in the spring term.

5.3 ADVICE & GUIDANCE:

5.3.1 Internal Audit also provide advice, guidance and support to the organisation on governance, assurance and related issues. This work is undertaken on an ad-hoc basis as when required. Some of the key areas of support provided since the previous Progress Report include:

- Providing advice on the administration of a social fund in Adults Social Care;
- Providing advice on arrangements for recording time and costs spent on delivering future drug treatment grants.

6. AUDIT FORWARD PLANNING: NEXT FOUR QUARTERS

- 6.1 Core audit work is progressing in line with the agreed Audit Plan 2022/23. Progress on work underway is detailed at Annex A to this report.
- 6.2 The proposed 'flexible' Internal Audit Plan for the next four quarters (Q3 2022/23 – Q2 2023/24) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.
- 6.3 This programme of work is indicative only, and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. The Audit Plan has been rebalanced since it was last presented to Committee in July 2022, with mostly minor changes to reflect changing risk prioritisation and team resourcing.
- 6.4 The team will continue to progress each quarter's work as outlined below, assuming a full team structure from Q3 onwards; any shortfall will be re-profiled in future quarters. This is one of the advantages of the new flexible planning approach.

Audit:	Days:	Description:
Proposed Flexible Audit Plan for Q3:	200	(Oct – Dec 2022)
ICT Strategy	20	The ICT service is in the process of a major refresh of strategy and governance. This review will aim to work collaboratively with the service to consider progress to date and suggestions for ongoing strategy development.
Climate Change & Environment Strategy	20	Review of the Council's Climate Change and Environment Strategy, how the aims of this strategy are reflected in broader corporate policies and governance processes, and progress with action plans within the strategy.
Capital Project Management Processes	20	Review of implementation of new project management processes within the Major Infrastructure Delivery team, to verify implementation of key Internal Audit recommendations and management of key risks. This will give assurance that the Project Assurance Group has implemented the key actions agreed.
Direct Awards Approval Compliance	10	Review of compliance with the new requirement for directly-awarded contracts to be approved by the Central Procurement Team.
Transparency Code Compliance	20	Review to verify that the Council is compliant with the provisions of the Local Government Transparency Code 2015.

Contract Management - Residential & Short Break Care for Children and Young People with a Disability	30	Review of this key contract with an annual value of £2.35m.
Mosaic System Uploads, Data Integrity and Key Controls	20	A review of key controls in the Mosaic system with regards to security and payment controls, and how data integrity is maintained from feeder systems and uploads.
Adult Social Care Finance	20	Assurance over the policies and processes in place within the Adults Social Care Finance team, with a particular focus on reviewing invoicing , cost recovery and the link to debt management.
Statutory Health & Safety Property Inspections	20	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.
Budget Setting and Demand Forecasting	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and budget setting is accurate.
Proposed Flexible Audit Plan for Q4:	180	(Jan – Mar 2023)
Project Management Framework and Project Assurance	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.
Projects Assurance (Non-Capital)	40	Provision of assurance over a sample of key non-capital projects and review of the efficacy of extant assurance processes.
Supplier Resilience Reviews	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.
Business Planning	30	Review of governance, compliance, management and monitoring, and benefits realisation.
Demand management strategies	20	Review how the Council is working to reduce demand for high-cost services and whether plans to manage demand in one area end up increasing demand in another area.
ICT Security	20	Review of ICT security strategy and compliance with key measures such as PSN etc.

Information Security	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
Management of Consultants and Interims	20	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.
Proposed Flexible Audit Plan for Q1:	225	(Apr – Jun 2023)
ICT Procurement	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Adult's Social Care Commissioning Strategies	20	Review of strategic planning for commissioning and contracting across Adults Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.
Investment Properties	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.
Capital Programme Projects Assurance	40	Review of a sample of individual capital programme projects, to provide assurance over compliance with the project management controls agreed by the MID Project Assurance Group.
Decentralised Corporate Controls	15	A review looking at key corporate controls which are delegated to individual managers (such as declarations of interest, vehicle and driver license checks, corporate induction completion etc), to identify which controls are delegated to budget managers and the extent of corporate oversight and control over compliance and completion.
Rental Income	20	Ensuring that the Council maximises the value of its property, including farms and other properties. Deferred to the first quarter of 2022/23 due to staff vacancies in the service.
Client-side Review of Pathfinder Legal Services	20	Client-side review of Cambridgeshire's Pathfinder Legal Services contract for legal provision.
Contract Management	20	Noted as a risk area. This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes. High impact area.

Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	30	Review of this contract with an annual value of £3m.
Contract Management - Supported Living	20	Review of the Supported Living framework contract with an annual estimated value of £22.6m
Proposed Flexible Audit Plan for Q2:	220	(Jul – Sept 2023)
Children's Social Care Commissioning Strategies	30	Review of strategic planning for commissioning and contracting across Children's Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.
Contract Management - Connecting Cambridgeshire Superfast Broadband	20	Review of this key contract with an annual value of £7.5m.
Financial Regulations Monitoring & Compliance, including Delegated Authorities	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.
Most Economically Advantageous Tenders	20	Review MEAT where the lowest price was not successful, to assess the cost of additional quality. Review the appropriateness of specification, evaluation criteria (and compliance), including rationale for award.
ICT Asset Inventory	20	Review of how physical ICT assets are inventoried and managed throughout the Council, especially with the move to increased remote working.
Direct Payments Support Service	20	Review of the contract with CCC's DPSS and other DPSS currently in use by service users in receipt of Direct Payments, to ensure that appropriate controls are in place to allow CCC to take assurance from the monitoring carried out by DPSS.
Less Than Best Property Awards	20	Review of process to control property awards made at less than best value and compliance with the process.
Contract Management - Minor Works Framework	20	Review of Minor Works Framework contract with an estimated annual value of £8m.
Safe Recruitment	20	Review of Council-wide safer recruitment policies and compliance with the policies in practice.
Grants to Voluntary Organisations Policy & Compliance	20	Review of the Grants to Voluntary Organisations Policy and compliance with the policy in practice.

7. FOLLOW UP OF AGREED AUDIT ACTIONS

- 7.1 The outstanding management actions from Internal Audit reports as at 14th September 2022 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 7.2 In line with the new rolling audit plan, implemented recommendations only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

Table 4: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Implemented	1 (2)	0.67% (1.47%)	9 (8)	6% (5.88%)	90 (79)	60.00% (58.09%)	100 (89)	66.67% (64.39%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	6 (3)	4% (2.21%)	6 (1)	4.00% (0.74%)	12 (4)	8.00% (2.94%)
Actions due over 3 months ago, but not implemented	1 (1)	0.67% (0.76%)	0 (1)	0% (0.74%)	11 (14)	7.33% (10.29%)	12 (16)	8.00% (11.76%)
Capital Programme Actions¹ due over 3 months ago, but not implemented	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	26 (26)	17.33% (19.85%)	26 (26)	17.33% (19.85%)
Totals	2		15		133		150	

R

¹ These 27 actions related to a review of capital project management. Audit & Accounts Committee received a full update on implementation of these actions on 31st May 2022 from the Place & Economy service. It has been agreed that Internal Audit will conduct a full follow-up audit of these actions in Q3 2022/23 to assess their implementation; as such further updates on implementation will not be provided until the audit is complete.

- 7.3 There are currently 50 management actions outstanding. Further detail on outstanding actions is provided at Annex B.
- 7.4 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the obtainment of Public Services Network (PSN) certification. The CCC PSN application was submitted 2nd August 2022 and this application contained a Remediation Action Plan (RAP) containing a list of High and Medium severity vulnerabilities. The CCC PSN application failed the validation stage and was therefore rejected by the Cabinet Office on 23rd August 2022 for containing more than 10 high risk vulnerabilities. As of September 2022, the IT service have reduced the number of high severity vulnerabilities from 58 to 31 and plans are in place to close a further 24 high severity vulnerabilities before the next PSN submission. In order to meet the Cabinet Office validation criteria for the next PSN submission, a plan to dovetail the resolution of outstanding vulnerabilities is being formulated with a new IT Health Check to be carried out for confirmation. This work will continue to be progressed as a matter of priority and its progress carefully monitored.
- 7.5 Seven outstanding actions relate to the Internal Audit review of the Dedicated Schools Grant High Needs Block Funding. Implementation of some agreed actions from this review has been delayed by work to develop the Safety Valve intervention programme, and in some cases the actions identified by the audit are now being progressed as part of the Safety Valve work. Internal Audit is currently working closely with the Education service to review the outstanding actions and identify where actions can be closed on the basis of work undertaken.
- 7.6 Table 5, below shows the number of outstanding recommendations in each directorate:

Table 5: Outstanding Actions By Directorate

Directorate		Outstanding recommendations
Customer and Digital		4
Business Improvement & Development		2
People and Communities	<i>DSG High Needs</i>	7
	<i>Other</i>	1
Place and Economy	<i>Capital Programme</i>	26
	<i>Other</i>	1
Resources		6
Public Health		2

8.0 *RISK MANAGEMENT*

- 8.1 The Council's Corporate Risk Register (CRR) was reviewed by CLT on the 22nd August 2022. This resulted in a significant update to the CRR including the addition of several new risks and splitting others. The updated Risk Register was to be presented to the postponed Strategy & Resources (S&R) Committee on 20th September 2022 alongside a report on risk management. If the rescheduled S&R Committee pre-dates the Audit & Accounts Committee meeting then the report to S&R Committee and the updated CRR will be circulated to Audit & Accounts Committee members immediately after.
- 8.2 The Internal Audit team have introduced a new process to formally challenge and assure individual risks on the Corporate Risk Register (CRR). The first risk to be reviewed in this way was Risk 11. "Failure of Key Partnerships or Contracts" (formerly Risk 08). This risk was selected for review over the summer for the first risk assurance review, as it was the newest addition to the CRR.
- 8.3 The risk assurance process is a subjective piece of consultancy work, designed to facilitate scrutiny and challenge of Risk 08 by the corporate risk owner. A report was produced reflecting the outcomes of the risk assurance process and provided to the Service Director: Finance & Procurement, as the risk owner. As a result, Risk 11 has been updated with additional information on risk triggers and controls in place, and the action plan for the risk has been reviewed and updated.

9 FRAUD AND CORRUPTION UPDATE

9.1 FRAUD INVESTIGATIONS

- 9.1. The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 1st September 2022, Internal Audit has received 9 whistleblowing referrals in the 2022/23 financial year, similar to the number of referrals received by the same point in 2021/22 (8 cases).

Table 7. Current Internal Audit Investigations Caseload

Open Cases from 2021/22 <i>Carried forward</i>		Open	Closed	Total
Governance	Conflict of Interest	1	0	1
Total		1	0	1
All Cases in 2022/23 <i>To Date</i>				
Fraud and Theft	Conflict of Interest	1	0	1
	Theft	0	1	1
	Third Party Fraud	3	1	4
Governance	Internal Governance Issue	2	0	2
Health & Safety	Health & Safety	0	1	1
Total		6	3	9

- 9.1.2 It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond.

- 9.1.3 Summaries of the current open whistleblowing and investigation cases are provided below:

- **Conflict of Interest (2 open cases)** – Internal Audit has been asked to provide assurance over the management of a possible conflict-of-interest. This investigation is close to concluding. Another possible conflict-of-interest case has been identified via the National Fraud Initiative and is currently being investigated.
- **Third Party Fraud (3 open cases)** – Internal Audit are currently reviewing three separate allegations of possible third party fraud. One case involves an Early Years provider; one involves an allegation of fraud in a framework contract; and one involves an alleged fraud by an interim worker.

- **Internal Governance Issue (2 open cases)** – Internal Audit are reviewing two separate concerns raised about financial governance.

9.2 NATIONAL FRAUD INITIATIVE (NFI)

- 9.2.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud.
- 9.2.2 The next NFI exercise will commence in October 2022, when data will be uploaded onto the NFI portal by Cambridgeshire County Council. The matches identified from this data will then be released by the NFI in January 2023 for the Council to review.
- 9.2.3 The NFI exercise at Cambridgeshire County Council is co-ordinated by the Internal Audit team and work has commenced on confirming the datasets to be submitted. This includes ensuring that services will be ready to extract data in line with the NFI specifications and to submit these in line with timelines.

10 *KEY FINANCIAL SYSTEMS UPDATE*

- 10.1 At the time of writing, the 2021/22 Payroll Transactions report remains outstanding. The payroll audit is being conducted by colleagues in the Internal Audit team at West Northamptonshire Council (WNC), as the payroll service is delivered by WNC under the Lead Authority model. The Head of Internal Audit at WNC has confirmed that they have received all the information required for the audit from the Payroll team, and at the time of writing this report were completing the final testing. The Head of Internal Audit at WNC expects to issue the report no later than 30th September.
- 10.2 Work has been underway planning the reviews of key financial systems with the other Internal Audit teams in the Lead Authority model. A paper was taken to the Lead Authority Board meeting on the 24th August to confirm the general approach to the audits, with specific proposals to be presented at the following meeting on the 21st September.
- 10.3 The Lead Authority Board agreed on the 24th August that for the 2022/23 financial year, Cambridgeshire's Internal Audit team will continue to deliver the Accounts Payable, Income Processing and Debt Recovery audits for the Lead Authority partners. West Northamptonshire's Internal Audit team will deliver the Payroll and Pensions audits.
- 10.4 The Board decided that from 2023/24 onwards, the key financial systems audits will be allocated on a rotating basis across the four partner authority audit teams (Cambridgeshire, West Northamptonshire, North Northamptonshire and Milton Keynes). This reverses a previous decision to continue with the established process that where services are delivered by a 'host' authority, the Internal Audit team of that authority will conduct the annual review.

Annex A

Internal Audit Plan Progress

2022/23

Progress to 12th September 2022 with the core Internal Audit Plan 2022/23 and the agreed Q1 – 4 ‘flexible’ plan, on the basis of individual reviews completed, is summarised as follows:

Audit Plan 22/23 Progress In-Year		
Total Completed & Closed Reviews	21	20%
Ongoing Work (i.e. which will not 'close' until the end of the financial year)	18	17%
Draft Report Issued	4	4%
Fieldwork In Progress	12	11%
Reviews at Terms of Reference (ToR) stage and before	8	8%
22/23 Planned reviews yet to start	42	40%
Reviews on hold/paused at Director request	0	0%

Detail of the agreed Core and Q1 - 4 ‘flexible’ Internal Audit Plan 2022/23, including progress to 9th 2022, is provided below:

AUDIT TITLE	Directorate	TYPE OF WORK	PROGRESS
Financial Assessments	P&C	Audit	Fieldwork
Fostering Payments	P&C	Audit	Fieldwork
Budgetary Control	Resources	Audit	Fieldwork
Contract Management - Healthy Child (Section 75)	P&C	Audit	Complete
Procurement Compliance	CCC	Audit	Complete
Street Lighting PFI	P&E	Audit	Fieldwork
Schools Finance Audits 2021 - 22	P&C	Audit	Complete
Bank Reconciliation	CCC	Audit	Fieldwork
Accounts Receivable (21/22)	CCC	Audit	Complete
Purchase to Pay (21/22)	CCC	Audit	Complete
Debt Recovery (21/22)	CCC	Audit	Complete
Aged Debt & Income Raising	CCC	Audit	Complete
Annual Key Policies & Procedures Review	CCC	Audit	Complete
VAT	CCC	Audit	Fieldwork
ICT Change Management	C&D	Audit	Fieldwork
Client Funds & Deputyships	P&C	Audit	Fieldwork
Fire Safety Checks	Resources	Audit	Fieldwork
FOI and SAR	C&D	Audit	Fieldwork
Early Years Funding Process	P&C	Audit	Fieldwork
Accuracy of Coding on the Ledger	CCC	Audit	Fieldwork
Purchase Cards	CCC	Audit	Fieldwork
Transparency Code Policy & Compliance	CCC	Audit	Fieldwork
Integrated Drug and Alcohol Treatment System Contract	PH	Audit	Draft report
Schools Capital Programme	P&C	Audit	Fieldwork

Highways Contract	P&E	Audit	Complete
Lifestyle Services Contract	PH	Audit	Fieldwork
Troubled Families	P&C	Grant claim	N/A
Local Transport Capital Block Funding	P&E	Grant claim	Complete
Pothole and Challenge Fund	P&E	Grant claim	Complete
Disabled Facilities Grant	P&C	Grant claim	Fieldwork
Test Track and Trace Grant	PH	Grant claim	Complete
Contain Outbreak Management Fund	PH	Grant claim	Complete
Adult Weight Management Grant	PH	Grant claim	Complete
Universal Drug Treatment Grant	PH	Grant claim	Complete
National Fraud Initiative	CCC	Support	N/A
Fraud Investigations Review Process	CCC	Support	N/A
Related Parties Assurance	P&C	Investigation	Draft report
Direct Payments Suspected Fraud Case 083	CCC	Investigation	Complete
Direct Payments Suspected Fraud Case 087	CCC	Investigation	Complete
Contractors Appointment Assurance	CCC	Investigation	Complete
Early Years Funding Investigation	P&C	Investigation	Complete
FACT/HACT Follow Up	CCC	Support	N/A
Council Tax NFI Project	CCC	Support	N/A
Anti-Fraud & Corruption Policy Review	CCC	Support	Draft Report
Anti-Money Laundering Policy Review	CCC	Support	Draft Report
Direct Payments Fraud Policies	CCC	Support	N/A
Annual Governance Statement/Code of Corporate Governance	CCC	Support	Complete
Whistleblowing Policy Annual Review	CCC	Audit	N/A
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Support	N/A
Sustainability Panel	CCC	Support	N/A
Information Management Board	CCC	Support	N/A
Strategic Risk Management Assurances	CCC	Risk Management	N/A
Risk Management	CCC	Risk Management	N/A
Compliance - Corporate and Key Directorate Risks	CCC	Risk Management	N/A
Advice & Guidance	CCC	Support	N/A
Freedom of Information Requests	CCC	Support	N/A
Follow-Ups of Agreed Actions	CCC	Support	N/A
Committee Reporting	CCC	Support	N/A
Management Reporting	CCC	Support	N/A
Audit Plan	CCC	Support	N/A

ANNEX B *Summary of Outstanding Recommendations*

(Recommendation status as at 14.09.2022).

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.</p> <p>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>The CCC PSN application was submitted 2nd August 2022 and this application contained a Remediation Action Plan (RAP) containing a list of High and Medium severity vulnerabilities. The CCC PSN application failed the validation stage and was therefore rejected by the Cabinet Office on 23rd August 2022 for containing too many high risk vulnerabilities. As of September 2022, the IT service have reduced the number of high severity vulnerabilities from 58 to 31 and plans are in place to close a further 24 high severity vulnerabilities before the next PSN submission.</p> <p>In order to meet the Cabinet Office validation criteria for the next PSN submission, a plan to dovetail the resolution of outstanding vulnerabilities is being formulated with a new IT Health Check to be carried out for confirmation. This work will continue to be progressed as a matter of priority and its progress carefully monitored.</p> <p>Revised target date: 01/03/2023</p>

Recommendations overdue – under 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
DSG - High Needs Block Demand Management	I	The service has indicated that they plan to address this concern by developing a fair and consistent banded funding system linked to revised descriptors of need. This should be developed and implemented as soon as possible, and should link to guidance setting out when EHCP's are necessary (see Recommendation 4, below). Existing EHCP funding allocations should be reviewed and re-awarded using the new funding system at Annual Review; if capacity to implement this is an issue, the service should focus on reviewing the most costly EHCP's first.	01/04/2022	The service has indicated this action is complete. Internal Audit are awaiting the receipt of supporting evidence before final closure of this action.
DSG - High Needs Block Demand Management	I	Alongside the new Post Assessment Panel, written guidance should be introduced that will help officers make a decision on whether an EHCP is necessary. In particular, this should include detailed guidance on the types of support that should initially be offered by the school as standard for all children with identified special educational needs, before additional funding via an	01/09/2022	Internal Audit is currently working with the service to review this action.

		EHCP is required. Guidance should link to the funding matrix used to award funding based on finalised EHCPs (see Recommendation 3, above). Given the need to ensure that support is tailored to the individual, the guidance should also include a clear process for additional approval of any exceptional individual cases where there may be recommendation to award an EHCP outside of the normal parameters set by the guidelines.		
DSG - High Needs Block Demand Management	1	Key Performance Indicators should be developed to monitor the effectiveness of the Post Assessment Panel once it is implemented; in particular, tracking changes in the percentage of children assessed where the decision is made not to issue an EHCP.	01/09/2022	The service has indicated this action is complete. Internal Audit are awaiting the receipt of supporting evidence before final closure of this action.
DSG - High Needs Block Demand Management	1	<p>Compliance with the 12-month timescale for annual reviews should be measured and monitored to provide understanding of the baseline position of the service and the impact of current resource issues. The monitoring processes for annual reviews needs to be reviewed in order to ensure that</p> <ul style="list-style-type: none"> • Reviews are completed within the statutory timescale; • The authority receives a written report setting out any recommendations or any amendments to be made to the EHCP within two weeks of the annual review meeting; • The local authority informs the child's parent or the young person and the school attended the decision within four weeks of the review meeting; • A final EHCP is issued within 8 weeks of the original amendment notice. 	01/09/2022	The service has indicated this action is complete. Internal Audit are awaiting the receipt of supporting evidence before final closure of this action.

		This monitoring process will also aid with the recently introduced requirement for local authorities to monitor annual reviews as part of the data submission for SEN2 return.		
DSG - High Needs Block Demand Management	I	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>A new temporary training post is being created. Alongside managers the postholder will develop an Annual Review plan and also train Schools/SENCO's on how to complete Annual Reviews. The service hope this will make reviews more consistent and also inform Schools on the importance of meeting the deadlines. The Training Officer role is currently awaiting job evaluation; it is planned to advertise the role on 30th September and the role will commence in the Autumn term 2022. Awaiting revised target date.</p> <p>Revised target date: TBC</p>
Fees and Charges	H	<p>The Director of Resources should commission a piece of work to reconcile from the fees and charges income code (J100) in ERP against the published schedules to ensure that all statutory and discretionary charges are published accurately. In addition, the following types of reduced charge/free services should be identified:</p> <ul style="list-style-type: none"> • Subsidised fees, • Charging exemptions, • Concessions, • Statutory prohibition. 	30/06/2022	<p>Head of Commercial is in discussions with Head of Finance regarding collaboration and ownership between teams to fully complete action. Head of Finance has some reasonable concerns as to whether the completion of the exercise will garner any improvements to the current schedules.</p> <p>Revised target date: 01/12/2022</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 Commercial confirmed 'these are very much underway since we are knee deep in Business Planning. The note for CLT has been completed however due to summer leave and the consultation, it was felt more appropriate to wait until September so that those in the roles going forward will lead. On that note, I shall be handing responsibility for this over to Clare Ellis from 1st September and will handover all background and current work. The ultimate deadlines for these actions I suggest should align to the BP work which gets full sign-off in February therefore December as a final officer deadline makes sense to me - this work isn't isolated as forms part of an overall suite of policies and strategies (as it should) to aid delivery of a coherent and robust business plan.'</p> <p>Revised target date: 01/12/2022</p>
Consultancy Contracts Assurance	H	A system of formal reporting on the award of procurement waivers and approvals of direct awards should be introduced, with exemptions awarded reported to Internal Audit and CLT in addition to the Head of Procurement. Consideration should also be given to sending the reporting to Strategy and Resources Committee. This will enable greater scrutiny and challenge of the award of waivers, in addition to the above measure.	30/06/2022	<p>The Head of Procurement has confirmed that the process for formal reporting of procurement waivers and approvals of direct awards will go to the new Procurement Governance Board, which had its first meeting in July. The first report on direct awards and waivers will be taken to the next meeting of the Board on the 28th of September, and this action will be closed once the report is completed and circulated to Internal Audit.</p> <p>Revised target date: 28/09/2022</p>

Consultancy Contracts Assurance	H	Reporting on consultancy expenditure to Committee should include whether or not an approved Approval To Engage a Consultant form (or the new equivalent e-form) has been completed for each separate consultancy assignment.	31/07/2022	<p>The next report on Consultancy Spend will be going to Audit & Accounts Committee on the 24th of November. This will include stating for each consultancy engagement whether there is an Approval To Engage A Consultant form in place.</p> <p>Revised target date: 24/11/2022</p>
Consultancy Contracts Assurance	H	When the new recruitment panel process for consultancy expenditure is implemented, HR should conduct a communications campaign to ensure staff are aware of the process for correctly procuring consultancy resource. This should include targeted communications to Procurement officers and Finance officers, to ensure they are also able to signpost colleagues to the correct process if they are made aware of plans to procure consultants.	31/07/2022	<p>CLT took the decision to implement an eform, rather than a time-consuming approvals panel. This has been developed for managers to seek approval to engage an interim, and will be rolled out as soon as recent senior management structural changes have been updated. Once it is launched, communications will take place.</p> <p>HR are continuing to work on updating the approval process for consultants – work is being undertaken jointly by Procurement, Finance and HR. Once the approval route is finalised, communications will take place.</p> <p>Revised target date: 30/11/2022</p>
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	31/08/2022	The service report that work to scrutinise non-staffing costs has been underway from the Provider side, specifically focussing on the highest cost estate in Huntingdon, where they have negotiated a new lease price. The provider is now in a state to review expenditure by each service operating out of the site and wider work is underway to explore opportunities for shared

		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).		<p>use of estates across a broader range of partners. The service note that the Provider has flagged the increased associated costs with Estates Management, linked to the inflation and higher energy costs, which will impact on buildings across Cambridgeshire & Peterborough.</p> <p>Revised target date: 31/12/2022</p>
Healthy Child Programme	M	Include greater detail on forecast outturn projections in the quarterly financial reporting with information on the assumptions underlying the forecast.	31/08/2022	<p>In the Q1 Contract Meeting, commissioners flagged that information submitted on forecast outturns was in the same format of previous submissions. This will be the focus of the Finance Meeting scheduled in October and is part of the work on contract finance that the service is progressing with the Head of Diligence & Best Value. This is closely linked to wider work around developing robust open book reporting, which is a complex action and there is significant work required with the provider to develop this. The Provider has agreed to start forecasting outturn projections earlier than previous years, with a detailed forecast to be prepared for the 6m finance meeting on the 6th of October.</p> <p>Revised target date: 31/10/2022</p>

Summary of Outstanding Recommendations – over 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
DSG - High Needs Block Demand Management	I	The Statutory Assessment Team should evaluate the annual review process and ensure that there is a control implemented (i.e. a checklist) within the annual review process that prompts the casework officers to check whether the details of the EHCP and particularly the funding allocated is still appropriate to meet the child/young person's needs.	31/12/2021	As part of the Safety Valve Project the team are reviewing 2000 EHCP allocations currently in place. The intention is to use this work to develop the checklist indicating good practice. It was intended that the checklist would be developed by the end of August but this has not been completed. Awaiting a revised target date for this action. Revised target date: TBC
DSG - High Needs Block Demand Management	I	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 arrangements for any direct payments for education, health and social care.	01/04/2022	A new Personal Budgets Officer has been appointed and is currently reviewing all Personal Budgets. The Personal Budget Policy will be updated after this review. Awaiting a revised target date for this action. Revised target date: TBC
Interim Team Leader MID Investigation	I	The service should review all current contracts with interim workers and ensure that contracts include complete mechanisms for the Council to withhold payment in the event of late or absent delivery of expected services.	31/01/2022	Internal Audit met with the service to discuss this action. The service agreed to implement the action for new interim contracts going forwards, but felt that it would risk relationships with interims to attempt to implement this retrospectively for existing contracts. Instead the aim will be to implement this for existing contracts at the point of contract renewal or

				<p>negotiation. The service have committed to update their internal recruitment guidance to reflect this and carry out communications with staff recruiting interims for the service to ensure they are aware of this requirement.</p> <p>Revised target date: 30th September 2022</p>
DR 20/21	I	<p>Detailed best practice procedures should be developed, communicated, and embedded to govern effective debt recovery activity across all three clients. These best practice procedures should be continually assessed to ensure they are proportionate, efficient, and effective. The procedures should be documented and cover:</p> <ul style="list-style-type: none"> • Recovery activities and associated timescales (including timescales for DCA to recover debts and timescales for sending back to the client if debts are not recovered) • Guidance on how to undertake recovery activities • How activity should be evidenced and recorded to maintain complete and consistent case notes • All recovery strategies and guidance on decision making, specifically on criteria for unrecoverable debt • Procedures in relation to dealing with services over disputed debt/debt managed outside of the debt teams • Write off processes • How debts are allocated to Recovery Officers and how these should be prioritised • How ERP Gold workflows and functionality will be best utilised • Use of complaint codes 	30/09/21	<p>The Income Policy has been reviewed and updated for all clients and came into effect from April / May 2022. The policies set out the key principles in respect of billing and income recovery. Additionally to support staff responsible for debt recovery there are a number of working documents and crib sheets that are provided to staff as part of their induction or following training.</p> <p>It is recognised however that it would be good for the individual documents to be incorporated into a single guidance document that all staff can make reference to as part of their role. Bearing this in mind an Income notes of guidance document for staff is planned to be produced during 2022/23.</p> <p>Revised target date: 30th September 2022</p>

		<ul style="list-style-type: none"> Deceased cases recovery processes 		
Soham Library Preschool Investigation	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 Sector Development and Funding Manager confirmed that this complex proposal is currently being discussed with colleagues in Finance and Education to identify how it could be progressed. As this is a notional accounting entry it is technically complex, and the specific staff from Finance who are needed to progress this action are currently working full time on preparing the draft accounts, so there has not been capacity to progress this further.</p> <p>Revised target date: 30th September 2022</p>
Key Policies and Procedures	I	<p>Policy Framework: A policy framework document should be drafted which includes:</p> <ul style="list-style-type: none"> A definitive list of CCC's key policies links to each policy or where to find them The update schedules for each Whether any particular legislation must be taken into account when updating Whether legal advice is needed on updating (to prevent misinterpretation of legislation) Who is responsible for updating each policy Who needs to approve changes to the policy (e.g. JMT or service committees) Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment needed)" 	30/04/21	<p>Service has provisional date of 17th October to return to CLT. Draft policy making rounds at DMT for comment.</p> <p>Service are developing a short training course for Policy Officers and will be asking the Services to nominate colleagues to attend. It will be 2 sessions split over 2 hours where they will be introduced to the framework and library and will have a couple of exercises to work on. These are planned to run in September.</p> <p>Policy & Strategy Manager confirmed 'We have also started to have conversations about a more sophisticated library. The current excel</p>

				<p>spreadsheet is a good starting point, but what we really want is something housed on Camweb that is easy for Officers to use and access. This will (hopefully) be in place by the new financial year. We are also exploring the appetite for a Policy Officer Community of Practice – this is one of the things we will canvas at the training session.'</p> <p>Revised target date: 31st October 2022</p>
Complaints	I	<p>Complaints Monitoring:</p> <p>The current complaints processes do not include any corporate monitoring or reporting mechanisms. Without these it is difficult to assess whether complaints are being acknowledged investigated, escalated, or responded to in line with procedures and timescales. It is also difficult to assess the number, nature and type of complaints received by the Council. This is important to support the identification of thematic issues and drive service improvement.</p> <p>The introduction of the corporate Feedback Policy and the new digital complaints solution provides a timely opportunity to introduce monitoring and reporting arrangements.</p>	01/10/20	<p>Reporting of corporate complaints will proceed as planned to achieve this audit recommendation using the existing systems and processes.</p> <p>This report will note the incoming volumes through the current system and will track which complaints subsequently move through all 3 stages of the corporate complaints process – by definition these are the complaints that CCC struggles to resolve.</p> <p>From this the service can see how complaints that come through to Stage 3 have been responded to, including the timeliness of our response, the nature and quality of the investigation and how these complaints have been escalated. We will categorise these complaints according to service, noting the nature of the complaint, the themes emerging through these complaints, the actions we have committed to and the learning we need to take from these complaints.</p>

				<p>We will produce a 6 monthly report, the first one being by 30 Sept 2022 for the first 6 months of 2022/23.</p> <p>Revised Target Date: 30th September 2022</p>
This Land	I	<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>Director of Resources confirmed:</p> <ul style="list-style-type: none"> • Annual submission of business plan is due at Sept 2022 S&R Committee. • A new chairman of This Land and company secretary have recently come into role, providing a timely opportunity, alongside the AY recommendations, to refresh these arrangements. • The external solicitors, Freeths, have been appointed to advise the Council on refresh of the governance documents, taking account of the recommendations raised here, and service are currently in liaison with This Land around this and expect to be able to advise Sept 2022 S&R Committee on the outcome of that advice and enhancements/changes that result from it. <p>Revised target date: 21st September 2022</p>

AP 20/21	I	<p>Supplier Review:</p> <p>A review of suppliers in ERP should be undertaken to identify any further instances where the same company is set up as both a commercial and non-commercial supplier. Each case should be reviewed to establish if the existence as both supplier types is appropriate and if not if should be determined which supplier instances should be deleted or disabled.</p>	30/06/21	<p>To mitigate this risk the New Supplier Request form advises the user to check that a supplier record does not exist in ERP and the Suppliers team is required to complete further checks to prevent duplicate supplier records being set up in ERP.</p> <p>A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites and this will be used to undertake an exercise to identify and review any existing suppliers that are set up as both commercial and non-commercial types.</p> <p>Requirement will form part of procurement of new duplicate payment checker solution to be procured during 2022/23, thereby ensuring that the solution implemented manages and reports such duplicate to facilitate data cleansing across all clients.</p> <p>Revised target date: 31st December 2022</p>
Capital Programme Governance Review	I	<p>There are 27 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.</p>	30/06/21	<p>Work to establish progress with these recommendations is being progressed as a separate exercise by the Service.</p> <p>As agreed with the Chair of the Audit & Accounts Committee, a further progress report was provided by the Service to the Audit & Accounts Committee's May 2022 meeting.</p>

				<p>This progress report summarised the extent to which the suite of recommendations have been implemented and are routinely complied with.</p> <p>The implementation of these will be verified by an audit in Q3 2022/23.</p>
	I	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>The Lead Authority Board meeting on 24th August was presented with an update on the Payroll and HR Transaction Service Improvement Plan. Although the service has had some success in recruiting, vacancy is still an issue for the team; however, meetings have taken place with all the partner finance teams as part of the work to clear control accounts. There is a known issue with the Teacher's Pensions control account, and until this is rectified this control account cannot be reviewed; further information on the length of time it will take to rectify this issue has been requested. The Service Director for Finance & Procurement has requested an update on timelines for reviewing the overpayments control accountant Cambridgeshire and detail regarding the division of responsibilities for clearing this payroll account between Payroll, Finance and Business Systems. A further update will be provided at the next Lead Authority Board meeting at the end of September.</p> <p>Revised target date: 30th September 2022</p>

Draft Anti-Fraud & Corruption Policy and Draft Anti-Money Laundering Policy

To: Audit & Accounts Committee

Meeting Date: 29th September 2022

From: Acting Head of Internal Audit & Risk Management

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: The Internal Audit team have reviewed and updated the Council's Anti-Fraud & Corruption Policy and Anti-Money Laundering Policy. The draft policies have previously been reviewed and approved by the Corporate Leadership Team on the 5th September. They were then presented to the Council's unions on the 12th September, where they were endorsed with no changes.

Following review by Audit & Accounts Committee, as the designated Committee for monitoring anti-fraud and corruption policies, the draft policies will be taken to Strategy & Resources Committee on the 20th October for final approval.

Recommendation: As the Committee with responsibility for monitoring the Council's anti-fraud and corruption policies, Audit & Accounts Committee are asked to review and comment on the draft Anti-Fraud & Corruption Policy and draft Anti-Money Laundering Policy.

Officer contact:

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

Member contacts:

Names: Councillor Wilson
Post: Chair of Audit & Accounts Committee
Email: Graham.Wilson@cambridgeshire.gov.uk

1. Background

- 1.1 The Council's Anti-Fraud & Corruption Policy and Anti-Money Laundering Policy were last reviewed and approved by Audit & Accounts Committee on 30th May 2017.
- 1.2 Following the Internal Audit team's disaggregation from LGSS, responsibility for counter fraud and corruption work has returned to the in-house audit team. This has prompted a review of internal counter fraud processes, including the Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy. Both policies have been completely redrafted and refreshed, with the aim of improving accessibility as well as reflecting changing legislative requirements and best practice recommendations. Updates have also been made to the relevant officer contact information.
- 1.3 As both policies have been fully rewritten, it is not possible to show individual changes from the old to the new policies. Key elements of the changes are summarised below, and copies of the old policies are provided for comparison.

2. Anti-Fraud & Corruption Policy

- 2.1 The redraft of the Anti-Fraud & Corruption Policy has aimed to reduce the length of the policy and move some information into appendices, where it isn't likely to be relevant to all staff. The main body of the policy document has reduced from 16 to 11 pages. A flowchart has been introduced to show the process followed when a concern about fraud, theft or corruption is raised (see Section 4.3). This aims to clarify the various possible outcomes for staff.
- 2.2 Other changes include giving a wider set of examples of 'warning signs' staff can look out for that may indicate internal or external fraud or corruption, and specific provisions around preventing the risk of contractors or partners committing bribery offences when on behalf of the Council. There is also a new appendix (3) setting out how the Council meets the requirements of the Bribery Act 2010 guidance on bribery prevention.
- 2.3 In order to ensure that the updated policy is simpler and more intelligible to all members of staff and the public, the text in the body of the policy has been checked against an online Flesch-Kincaid readability checker to ensure it is accessible. The body of the new draft policy scores a Grade 9 for readability, meaning should be accessible to readers with a US Grade 9 education (c. 14 – 15 years old). For comparison, the old policy was scored as US Grade 12 (c. 17 – 18 years old).
- 2.4 The draft new Anti-Fraud & Corruption Policy is provided at Annex A to this report. For comparison, the current Anti-Fraud & Corruption Policy is provided at Annex B.

3. Anti-Money Laundering Policy

- 3.1 The Anti-Money Laundering Policy has been redrafted with the aim of making the policy simpler and more accessible to all members of staff and the public. There have been updates in some areas to reflect changing legislative requirements; in particular the

maximum limit for cash payments has been reduced to £7,500. The new policy also gives greater detail on how the Council complies with CIPFA recommendations on reducing the risk of money laundering.

- 3.2 The redraft has included a greater focus on risks of money laundering which are specific to CCC as a local authority, including the types of warning signs staff should look out for and areas of CCC services which represent a higher risk for money laundering. The redraft identifies the risk of service users being targeted by money launderers and the risk of Direct Payments and reloadable cash cards issued by the Council being used by for money laundering purposes.
- 3.3 The Customer Due Diligence procedure set out in the old policy has been revised with the aim of making it easier for staff to understand and complete, and clarifying that full customer due diligence is only required in certain circumstances when the Council is undertaking specific types of activity. The requirement for staff to fill in a lengthy form to report money laundering has been removed, and instead the new policy encourages more informal reporting; this is in line with the latest guidance from CIPFA on Combating Financial Crime for local authorities.
- 3.4 The policy update has included checking the text in the body of the policy against an online Flesch-Kincaid readability checker to ensure it is accessible. The body of the new draft policy scores a Grade 9 for readability, meaning should be accessible to readers with a US Grade 9 education (c. 14 – 15 years old). For comparison, the old policy was scored as requiring a post-graduate level of education to understand.
- 3.5 In addition to updating and revising the policy, Internal Audit is in the process of documenting a risk assessment of the Council's current money laundering controls, in line with CIPFA recommended practice.
- 3.6 The draft new Anti-Money Laundering Policy is provided at Annex C to this report. For comparison, the current Anti-Money Laundering Policy is provided at Annex D.

4. Approval and Publicity

- 4.1 Once the final versions of the draft policies are approved by Strategy & Resources Committee, then pending any final changes agreed in the meeting they will be published on the Council's external website and staff intranet. The Internal Audit service will also arrange a publicity campaign to increase officer awareness of the re-launched policies, as well as the Fraud Prevention eLearning module which is available to all staff.

5. Alignment with corporate priorities

5.1 Environment and Sustainability

There are no significant implications for this priority.

5.2 Health and Care

There are no significant implications for this priority.

5.3 Places and Communities

There are no significant implications for this priority.

5.4 Children and Young People

There are no significant implications for this priority.

5.5 Transport

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

Although money laundering legislation does not specifically cover local authorities, it is best practice for local authorities to comply with the spirit of the legislation. CIPFA recommended practice is for all public authorities to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation.

The Council and its employees do have responsibilities under the Proceeds of Crime Act 2002 and the Terrorism Act 2006. The Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy seek to ensure these responsibilities are clear to all employees and implemented in practice.

These policy documents have been developed with reference to the relevant legislation and the CIPFA best practice guidance on *Combating Financial Crime* (2020).

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

4.8 Environment and Climate Change Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral status

4.8.2 Implication 2: Low carbon transport.

Neutral status

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

Neutral status

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Neutral status

4.8.5 Implication 5: Water use, availability and management:

Neutral status

4.8.6 Implication 6: Air Pollution.

Neutral status

4.8.7 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? No

Name of Financial Officer:

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No

Name of Officer:

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

Name of Legal Officer: Fiona McMillan

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

No

Name of Officer:

Have any engagement and communication implications been cleared by Communications? No

Name of Officer:

Have any localism and Local Member involvement issues been cleared by your Service Contact? No

Name of Officer:

Have any Public Health implications been cleared by Public Health?

No

Name of Officer:

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

No

Name of Officer:

5. Source documents

5.1 Source documents

5.1.1 All source documents are provided as annexes to this report, as follows:

- Annex A – Draft new Anti-Fraud & Corruption policy
- Annex B – Current Anti-Fraud & Corruption Policy
- Annex C – Draft new Anti-Money Laundering Policy
- Annex D – Current Anti-Money Laundering Policy

Anti-Fraud and Corruption Policy

Overview

CAMBRIDGESHIRE COUNTY COUNCIL IS COMMITTED TO A ZERO-TOLERANCE STANCE ON FRAUD AND CORRUPTION.

The aims of this policy are to:

- Help Council staff identify when there are reasons to suspect fraud or corruption.
- Enable and encourage everyone to raise concerns relating to fraud, corruption, bribery, or theft by contacting: whistleblowing@cambridgeshire.gov.uk
- Provide a variety of alternative contacts with whom concerns can be raised.
- Give confidence to anybody raising concerns that they will be investigated seriously and in line with this policy.
- Show how concerns raised will be dealt with and escalated.
- Set out the Council's commitment to a zero-tolerance stance on fraud and corruption.
- Reinforce an anti-fraud culture across its employees and members.
- Outline measures already in place to prevent and detect fraud.

This policy has been developed in line with to the Council's core values, CIPFA best practice, and the statutory requirements set out by the Fraud Act 2006 and the Bribery Act 2010. The Council expects all its employees, members and associated persons to act legally, with integrity, and in accordance with the Council's values and policies at all times. Any concerns raised regarding possible instances of fraud or corruption will be investigated seriously.

Policy Owner
Name: Mairead Claydon
Post: Acting Head of Internal Audit & Risk Management
Email: Mairead.Claydon@cambridgeshire.gov.uk

Anti-Fraud and Corruption Policy

Table of Contents:

1.	Introduction	3
2.	What is fraud and corruption?	3
2.1	What does fraud and corruption look like?	
2.2	What are the warning signs of possible fraud and corruption?	
2.3.	What should I do to prevent fraud and corruption?	
3.	How can I raise concerns?	5
4.	How will my concerns be dealt with?	6
4.3	Fraud Investigation Flowchart	
5.	How does the Council prevent fraud and corruption from occurring?	9
5.1	Zero tolerance for fraud and corruption	
5.2	How the Council tries to prevent fraud and corruption	
6.	How is this policy reviewed and monitored?	10

Appendices:

A1.	Roles and Responsibilities for Countering Fraud	11
A2.	Legal Definitions of Relevant Offences	16
A3.	The Six Principles of Anti-Bribery	19

Anti-Fraud and Corruption Policy

1. Introduction

- 1.1. This Anti-Fraud and Corruption Policy sets out Cambridgeshire County Council's corporate approach to suspected fraud, theft, corruption and bribery. It explains how the Council seeks to maintain an anti-fraud culture, with zero tolerance for fraud and corruption.
- 1.2. The Council recognises that most people are honest and would never intentionally defraud the Council. This policy provides a safeguard against the risk of fraud as well as guiding staff, Members and service users on what to do if fraud or corruption is suspected.
- 1.3. This policy covers both internal and external fraud against the Council. As such, it applies to:
 - All members and employees of Cambridgeshire County Council;
 - Any person working for, or on behalf of, the Council. This includes contractors, consultants, or subsidiary agents who work for the Council;
 - All users of Cambridgeshire County Council services. This includes Cambridgeshire residents; those in receipt of money, goods or services from the Council; and those who communicate with the Council.
- 1.3 Please see Appendix 1 for a detailed breakdown of how this policy is relevant to different roles across the Council. This includes Council officers and members, staff at maintained schools, and contractors.

2. What is fraud and corruption?

2.1. What does fraud and corruption look like?

- 2.1.1 Fraud, corruption, and bribery can appear in many forms. These offences may be committed by individuals external to the Council, such as suppliers. Or they could be committed by individuals internal to the Council, such as Council staff. Technical legal definitions of these offences are included in Appendix 2. This policy covers:

- **Theft** of Council assets, including money;
- **Bribery** i.e. offering or accepting money (or other forms of advantage) to influence the actions of someone in charge of a public duty. Bribery can include inappropriate gifts and hospitality;
- **Fraud** i.e. a deception committed for financial or personal gain. For example, internal fraud could include a member of staff falsifying timesheets in order to get paid for overtime that was not worked. External fraud could involve an organisation submitting false information in order to get a grant payment;
- **Corruption** i.e. someone abusing their position to obtain any type of financial or personal advantage for themselves or others.

2.2. What are the warning signs of possible fraud or corruption?

2.2.1 To identify fraud and corruption taking place, staff and members should be alert for suspicious behaviour. This could include anything that just 'doesn't seem right'.

2.2.2 In the context of Cambridgeshire County Council, examples of some warning signs that might suggest possible internal fraud or corruption include:

- Individuals who refuse to follow Council policies and procedures. This is especially concerning with regards to policies which require financial approval, or where multiple people are supposed to be involved in a process, but one person insists on doing everything instead.
- Individuals applying pressure to staff to make decisions they would not normally make, or to cut corners.
- Individuals who have a very close relationship with a particular supplier or partner.
- Senior staff members becoming involved in low-level operational decision making.
- Cash or IT equipment going missing.
- Individuals submitting false information or documentation with the intent to gain from this. For example, this could include submitting false overtime or expenses claims. It would also include individuals lying about or falsifying their qualifications.
- Officers who repeatedly request to work extra hours or to work in the office outside normal business hours. Individuals who refuse to take holiday.

- Individuals who deliberately conceal information required by the Council. For example, staff who do not disclose convictions or outside interests which conflict with their role at the Council.

2.2.2 Examples of some warning signs to look out for that might suggest possible external fraud or corruption include:

- Contractors submitting false performance or financial information. This might be done to obtain payments or keep a contract.
- Service users, grant recipients or suppliers who refuse to engage with the Council. This could manifest as refusing or avoiding providing documentation when it is requested.
- Individuals providing false or misleading documentation in order to access services or advantages to which they are not entitled. For example, obtaining a direct payment, school place, or a disabled blue badge when they are not really eligible.
- Cyber crime such as 'phishing'. For example, officers may receive fake emails which appear to be from real suppliers requesting payment.

2.3. What should I do to prevent fraud and corruption?

- 2.3.1** Everyone can play a vital role in identifying and reporting any possible instances of theft, fraud or corruption. If you suspect theft, fraud or corruption, you must report it via the procedure set out at Section 3, below.
- 2.3.2** It's important to ensure you are familiar with the Council's policies and procedures, and that you follow them in the course of your work. Many different Council policies include requirements which are there to prevent fraud and corruption. You should also ensure that other staff you work with are following policies and procedures as well. If you work with contractors or partners who deliver services on behalf of the Council, you should ensure that they meet the same high standards of ethical conduct expected of Council staff.
- 2.3.3** Appendix 1 gives full details of the roles and responsibilities placed on different groups of staff, Members and partners in preventing and detecting fraud and corruption.

3. How can I raise concerns?

- 3.1. All staff and Members of the council **must** report concerns if they have any suspicion that theft, fraud or corruption may have occurred. If fraud or corruption is suspected, staff must not undertake an investigation themselves. This is because ad-hoc investigations risk accidentally compromising evidence (and making it inadmissible if the case did go to court). They also run the risk of tipping off the individual(s) under suspicion.
- 3.2. Concerns about theft, fraud or corruption should be reported to the Council's Internal Audit team. Alternatively, you can use the corporate Whistleblowing service.

Internal Audit	Whistleblowing Service
Internal.Audit@Cambridgeshire.gov.uk	Whistleblowing@Cambridgeshire.gov.uk
You can also contact the Head of Internal Audit & Risk Management directly: Mairead.Claydon@Cambridgeshire.gov.uk	More information on reporting concerns via the Whistleblowing service can be found in the CCC Whistleblowing Policy.

- 3.3. If you do not feel able to raise concerns through either of these routes, any of the named contacts in the Council's Whistleblowing Policy can be contacted instead. Members of the public can also report any concerns they have via the Internal Audit department or Whistleblowing service.
- 3.4. Internal Audit lead the corporate response to all whistleblowing referrals relating to theft, fraud, corruption and financial impropriety. They can ensure that an appropriate investigation will be undertaken. This reduces the risk of evidence being compromised or destroyed. Internal Audit also maintain records of suspected theft and fraud for the Council's transparency data.
- 3.5. Anybody who suspects that a crime is being committed can contact the police. The Internal Audit service will also refer reports to the police themselves when required. If theft is suspected, officers should also alert the Council's Insurance team.

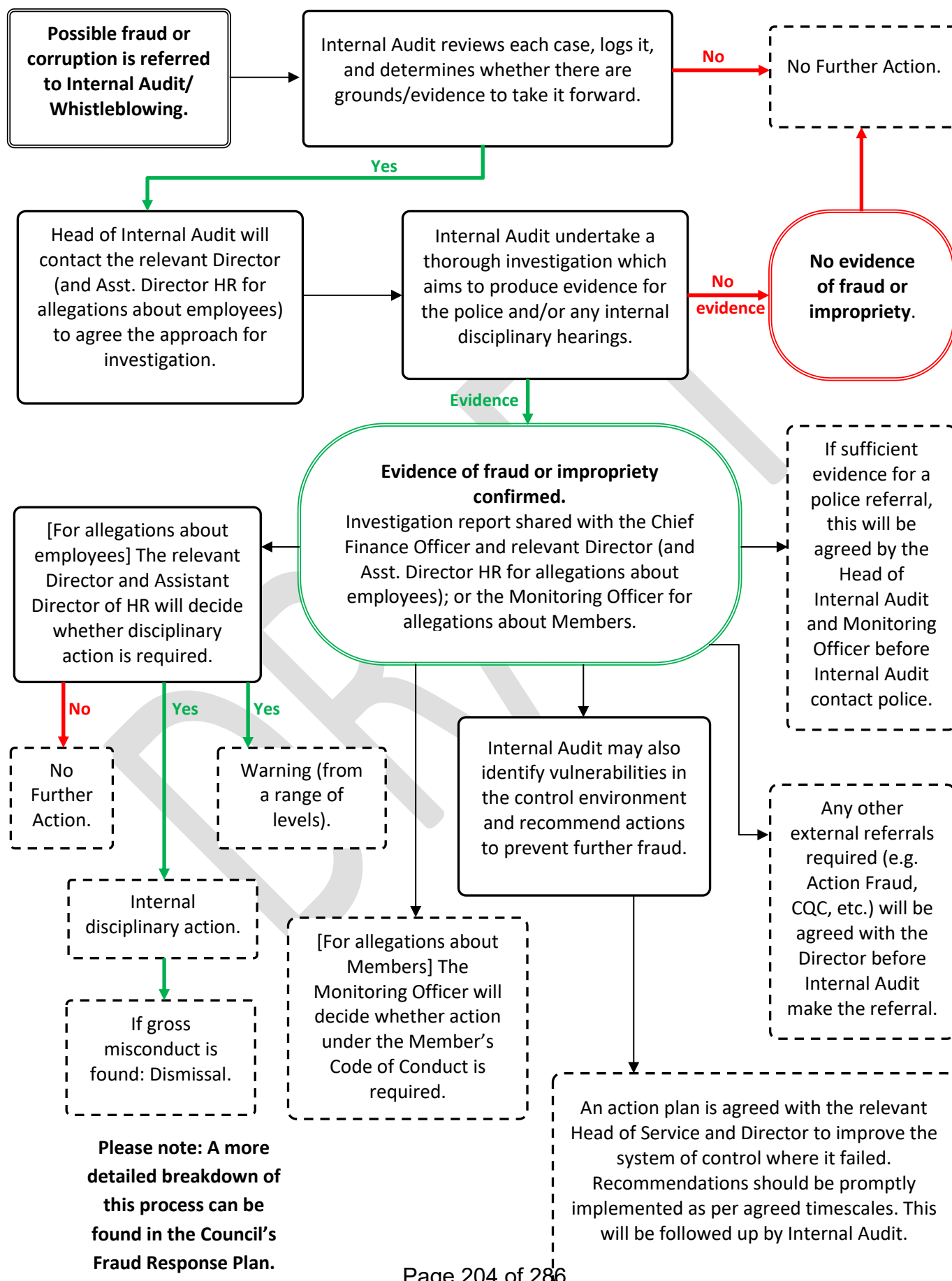
4. How will my concerns be dealt with?

- 4.1 The Fraud Investigation Flowchart at Section 4.4 below sets out how allegations of theft, fraud and corruption will be dealt with once a concern is raised. A more detailed breakdown of the process can be found in the Council's Fraud Response Plan. This is maintained by Internal Audit.

- 4.2 Investigations may be carried out solely by Internal Audit, or by management with support and guidance from Audit. In some instances, if a concern about theft, fraud or corruption is closely linked to other allegations (such as safeguarding or Respect At Work concerns) it may be agreed on a case-by-case basis that another service, such as HR, will take the lead on the investigation with Internal Audit supporting and contributing to the process. Suspicions of fraud, corruption or bribery relating to elected Members will be referred for investigation under the Member's Code of Conduct.
- 4.3 Concerns raised in good faith that turn out to be unfounded or cannot be proved will never result in any negative consequences for those who reported them. However, unfounded allegations made by Council officers for malicious purposes may be referred to HR. Malicious allegations may constitute misconduct and have potential disciplinary consequences.

DRAFT

4.4 High-Level Fraud Investigation Flowchart



5. How does the Council prevent fraud and corruption from occurring?

5.1. Zero-tolerance for fraud and corruption:

5.1.1 Cambridgeshire County Council is committed to taking a zero-tolerance stand against theft, fraud, bribery and corruption. The Council commits to the following key principles in responding to fraud and corruption:

- Police referral wherever appropriate.
- Prosecution, including prosecution through civil and criminal courts in the Council's name or through the police.
- Seeking full recovery of stolen or fraudulently-obtained public funds by all legal means.
- Disciplinary action and termination of employment where employees are proven to have defrauded or to have attempted to defraud the Council. This includes where employees are complicit with another person's attempts to defraud the Council., or any involvement in bribery or corruption.
- Referring concerns about fraud, corruption, theft or bribery relating to an elected Member for investigation in line with the Member's Code of Conduct.
- Taking action against Members or employees shown to be involved in fraud, theft or corruption under the relevant Code of Conduct, even if the incident does not involve the Council or its finances.
- Termination of contracts with partners and contractors.
- Referring the case to other external agencies, partners or licensing bodies.
- Settlements between the Council and employees/contractors may be deemed necessary as a way of dealing with a case of alleged fraud or corruption. This will only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Counsel.

5.2 How the Council tries to prevent fraud and corruption:

5.2.1 The Council seeks to maintain a culture of high ethical standards, probity and openness. The authority's culture supports its zero-tolerance stance on theft, fraud, bribery and corruption. The Council seeks to engage all staff, members, contractors and members of the public to raise concerns about fraud and corruption, in the knowledge that such concerns will be dealt with appropriately.

5.2.2 Internal control measures are embedded throughout all the Council's procedures and systems which aim to prevent or detect theft, fraud and corruption. The Council's computer systems enforce many of these controls. This means staff cannot bypass controls, especially in relation to high-risk functions such as treasury management and payment of funds. Examples of the key internal controls within the Council include:

- Internal policies and procedures (including this Anti-Fraud & Corruption Policy, the Whistleblowing Policy, the authority's Financial Procedures and Contract Procedure Rules, the Anti-Money Laundering Policy, and Officer/Member Codes of Conduct).
- Declarations of Interest, Gifts & Hospitality and Related Parties processes. These require members and staff to declare their outside interests.
- Separation of duties and access controls in financial functions.
- Clear roles and responsibilities for all staff, Members, partners and contractors in preventing and detecting fraud, bribery and corruption (see Appendix 1).
- The role of the Audit & Accounts Committee. The Committee has oversight of the Council's governance arrangements and control systems to prevent and detect fraud.
- External audit of the Council's financial statements.
- Anti-Fraud and Corruption e-learning is available to all Council staff.
- Regular awareness-raising exercises about the risk of fraud and corruption, led by Internal Audit.

5.2.3 Internal Audit conduct regular reviews across the Council's system of internal control. These aim to highlight weaknesses in the control environment and identify any instances where the system of internal control has been breached. If an audit investigation concludes that fraud or corruption has occurred, the Council will identify the vulnerabilities in the system of internal control which allowed the misconduct to occur and rectify them.

6 How is this policy reviewed and monitored?

6.1 CCC Internal Audit is responsible for oversight and maintenance of this Anti-Fraud and Corruption Policy. The Strategy and Resources Committee is the body responsible for approving any changes made to the policy, while the Audit and Accounts Committee is responsible for monitoring the policy.

6.2 Outcomes of individual cases of alleged theft, fraud, corruption or bribery are reported to the Audit & Accounts Committee on an ongoing basis as part of the Internal Audit

Progress Reports. An annual overview of all cases and their outcomes is also provided to Committee in the Annual Whistleblowing Report.

- 6.3 Internal Audit will review and update this policy at least every three years to ensure it remains up to date. More frequent updates will be undertaken if required by a change in legislation or the risk environment. Outcomes of reviews will be reported to the Audit and Accounts Committee.

DRAFT

Appendix 1**Roles and Responsibilities for Countering Fraud****1. All employees (including maintained school staff):**

- 1.1 All employees are responsible for complying with this policy, the Authority's Constitution and Financial Regulations, the Anti-Money Laundering Policy and other Codes of Conduct and policies pertaining to their job role. These include guidance on personal conduct, declaring any possible conflicts of interest, and receiving gifts or hospitality. In addition, all employees must follow instructions given to them by management, particularly surrounding the safekeeping of Council assets.
- 1.2 All employees must ensure that they avoid situations where there is a potential for a conflict of interest, and disclose any possible conflicts of interest via the procedure set out in the Code of Conduct.
- 1.3 Employees should always be vigilant to the possibility of fraud, theft or corruption occurring in their workplace and be able to share their concerns with management. Employees may raise concerns with their line manager, who should report concerns on to Internal Audit, or they can raise concerns directly with Internal Audit at Internal.Audit@Cambridgeshire.gov.uk. Employees can also raise concerns via the Whistleblowing Service, which can be used to make reports anonymously.

2. Elected Members:

- 2.1 As elected representatives, all members of the authority have a duty to protect the Council from all forms of abuse, including fraud and financial impropriety. Members must comply with core Council policies which seek to prevent fraud and corruption, including the Code of Conduct for Members, the Council's Financial Regulations, Constitution, and the relevant legislation.
- 2.2 In addition, Members must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout Cambridgeshire County Council. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of pecuniary and non-pecuniary interests, declaring the potential for a conflict of interest, and recording the receipt of all gifts and hospitality. The Monitoring Officer advises members of new legislative or procedural requirements.

3. Audit and Accounts Committee:

- 3.1 The Audit and Accounts Committee and its members have specific responsibility regarding the oversight of the Council's governance arrangements and the adequacy of control systems to prevent and detect fraud. The Audit and Accounts Committee receives periodic reports from Internal Audit on suspected and proven incidents of theft, fraud and corruption.

4. CLT and Directors:

- 4.1 CLT and Directors must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout Cambridgeshire County Council. They are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.
- 4.2 CLT and Directors are responsible for the communication and implementation of this policy in their work area, ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities. They are also responsible for ensuring that the Council's expectations around the ethical conduct of contractors, partners and anyone else acting on behalf of the Council is communicated and the conduct of contractors and partners is monitored.
- 4.3 CLT and Directors also have the responsibility for ensuring that effective systems of control are in place corporately and within their directorate to prevent and detect fraud, and that those systems operate properly. CLT and Directors submit an annual self-assessment of these processes, to be included in the Council's Annual Governance Statement.

5. Heads of Service/Managers/Headteachers:

- 5.1 All managers (including Heads of Service and Headteachers) are responsible for the communication and implementation of this policy in their work area, ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities. Managers must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout Cambridgeshire County Council. They are expected to strive to create an

environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.

- 5.2 A key preventative measure against fraud and corruption relies on managers taking effective steps during recruitment processes to establish, as far as possible, the honesty and integrity of all employees. Managers must comply with the Authority's formal recruitment procedures during this process. After employment, managers are responsible for ensuring that relevant training is provided and special arrangements implemented when necessary, where staff are dealing with cash or financial systems that generate payments. Checks must be carried out at least annually to ensure that proper procedures are being followed, in order to inform the directorate annual self-assessment.
- 5.3 Similarly, managers must ensure that any contractors, partners or other organisations or individuals acting on behalf of the Council commit to the Council's requirement to act with honesty and integrity at all times. Managers must ensure that contractors, partners and anyone else working on behalf of the Council do not give or offer any inducement, advantage or bribe to any other individual or organisation with the intention of using this to obtain or retain business, or to obtain or retain an advantage in the conduct of business. This applies whether the intention is to obtain or retain business/advantage for themselves, or on behalf of the Council.
- 5.4 Managers must report any suspicions of possible fraud or corruption to Internal Audit at internal.audit@cambridgeshire.gov.uk. No action should be taken which may alert those suspected of involvement. The handling of evidence at the early stages of an investigation can be critical to the outcome, so managers should seek advice from Internal Audit before trying to investigate any allegations.

6. Internal Audit and Risk Management:

- 6.1 The Head of Internal Audit (in consultation with the Assistant Director of HR) shall determine whether a concern or suspicion regarding fraud requires investigation by Internal Audit as opposed to management or HR. This is undertaken as part of the Internal Audit Fraud Referral Assessment process. In all cases where employees are involved, Audit will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy and the Council's Fraud Response Plan are adhered to.
- 6.2 Internal Audit shall ensure all cases of suspected irregularity are investigated in accordance with the requirements of the Police and Criminal Evidence Act 1984,

Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. Internal Audit also plays a vital preventative role in ensuring that effective systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit liaise with management to recommend changes in procedures to prevent losses to the Authority.

- 6.3 Internal Audit shall report to CLT and the Audit and Accounts Committee regarding the application of the zero-tolerance statement within this policy. Additionally, Internal Audit maintains records of all reported cases of suspected theft, fraud, corruption or irregularity and report on these as required by the Transparency Code, central government and external audit.

7. External Audit:

- 7.1 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through carrying out specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is always a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.

8. Contractors and Partners:

- 8.1 Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities including fraud and corruption or other whistleblowing concerns. Where they are unsure of the procedures, they should refer to the relevant Director for that area, or may approach the Head of Internal Audit & Risk Management directly on any Whistleblowing issue.
- 8.2 Contractors, partners and anyone else working on behalf of the Council must operate to the same standards of ethical conduct expected from Council staff. Contractors, partners and anyone else working on behalf of the Council must not give or offer any inducement, advantage or bribe to any other individual or organisation with the intention of using this to obtain or retain business, or to obtain or retain an advantage in the conduct of business. This applies whether the intention is to obtain or retain business/advantage for themselves, or on behalf of the Council.

9. External Bodies:

- 9.1 Internal Audit has arranged, and will keep under review, procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity, in relation to Local Authorities with external agencies such as: police, county, unitary and district council groups, the external audit service, Department of Work and Pensions and other government departments.

10. Stakeholders and Customers:

- 10.1 Whilst this policy is primarily aimed at implementing an anti-fraud culture and processes within the Council, its stakeholders and customers may become aware of issues that they feel may indicate fraud or corruption. All stakeholders and customers can report any concerns about theft, fraud or irregularity involving the Council via the Whistleblowing Policy or via whistleblowing@cambridgeshire.gov.uk.

Appendix 2

Legal Definitions of Relevant Offences

This appendix seeks to provide a summary of the main criminal offences relating to fraud, theft, bribery and/or corruption which are likely to be relevant to a public authority such as Cambridgeshire County Council.

1. Fraud:

1.0.1 The Fraud Act 2006 introduced one general offence of fraud, which could be committed in three ways, as set out below:

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

1.1 Fraud by false representation:

1.1.1 A person commits fraud by false representation if they dishonestly make a false representation and intend in doing so to make a gain for themselves, cause loss to another, or expose another to a risk of loss.

1.1.2 Representations may be express or implied. A representation is false if it is either untrue or misleading, and the person making the representation knows it might be untrue or misleading. Under the Fraud Act 2006, a representation may be regarded as made if it (or anything implying it) is submitted in any form to any system or device designed to receive, convey or respond to communications (with or without human intervention).

1.2 Fraud by failing to disclose information:

1.2.1 A person commits fraud by failing to disclose information if they dishonestly fail to disclose information which they are under a legal duty to disclose, and intend in doing so to make a gain for themselves, cause a loss to another, or expose another to a risk of loss.

1.3 Fraud by abuse of position:

1.3.1 A person commits fraud by abuse of position if they occupy a position in which they are expected to safeguard, or not to act against, the financial interests of another person; they dishonestly abuse that position, and intend in abusing that position to make a gain for themselves, cause a loss to another, or expose another to a risk of

loss. A person can be regarded as having abused their position where their conduct consisted of an omission rather than an act.

2. Theft:

- 2.1 The Theft Act 1968 outlines that a person is guilty of theft if they dishonestly appropriate property belonging to another, with the intention of permanently depriving the other of it.

3. Bribery:

- 3.0.1 The Bribery Act 2010 provides offences for bribing another person and offences relating to being bribed:

3.1 Offences of bribing another person:

- 3.1.1 A person is guilty of an offence if they offer, promise, or give a financial or other type of advantage to another person, and:

- The person providing the advantage intends it to either induce or reward any person for the improper performance of a relevant function or activity; or
- The person providing the advantage knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

3.2 Offences relating to being bribed:

- 3.2.1 A person is guilty of an offence if they request, agree to receive or accept a financial or other type of advantage, and:

- The person on the receiving end of the advantage intends that, in consequence, a relevant function or activity should be performed improperly (whether by them or another person); or
- The request, agreement or acceptance itself constitutes the improper performance of a relevant function or activity.

- 3.2.2 Similarly, an offence is committed if a person requests, agrees to receive or accepts a financial or other type of advantage as a reward for the improper performance of a relevant function or activity, or if a relevant function or activity is performed improperly by anybody in anticipation of a person requesting, agreeing to receive or accepting a financial or other type of advantage.

3.3 Offences relating to failure to prevent bribery:

- 3.3.1 The Bribery Act created the offence, under Section 7, which can be committed by commercial organisations failing to prevent persons associated with them from bribing another person on their behalf. Note that it is not an offence for an organisation to fail to prevent persons associated with them from receiving bribes.
- 3.3.2 The definition of a commercial organisation may include public organisations involved solely or jointly in commercial activities. In 2015, CIPFA and the NCA issued an alert stating that “a local authority may be liable to prosecution under Section 7 of the Act if a person ‘associated’ with it bribes another person, intending to obtain or retain business or a business advantage for the local authority. An ‘associated’ person may be an employee, agent or subsidiary of the local authority”. (Local Authorities and the UK Bribery Act, National Crime Agency Amber Alert Reference A0186-ECC.)
- 3.3.3 This broad scope means that contractors could be seen as associated persons if they are performing services for, or on behalf of, a local authority. A supplier may also be an associated person if they are performing services for a local authority rather than simply acting as a seller of goods. See Appendix 3 for a summary of how the Council demonstrates that it has adequate procedures in place to prevent bribery taking place.

4. Corruption:

- 4.1 Corruption is the abuse of entrusted power for private gain. The UK Government’s 2017-2022 Anti-Corruption Strategy states that corruption involves “the abuse of office and position to benefit a third party (an individual, business or other organisation), in return for payment or other reward”. Offences in the UK relating to corruption are contained across multiple pieces of legislation, including but not limited to the Fraud Act 2006 and the Bribery Act 2010.

5. Money Laundering and Terrorist Financing:

- 5.1 See Cambridgeshire County Council’s Anti-Money Laundering Policy, Appendix 1 for details of these offences.

Appendix 3**The Six Principles of Anti-Bribery**

Secretary of State guidance around the Bribery Act 2010 advises that organisations wishing to prevent bribery being committed on their behalf should build their anti-bribery procedures based on six principles. These are listed below, along with high-level summaries of how Cambridgeshire County Council ensures that it has met the requirements of each principle.

Please note that while the guidance refers to ‘commercial organisations’, CIPFA and NCA guidance confirms that in this context the definition of a commercial organisation may include public organisations involved solely or jointly in commercial activities.

- 1) Proportionate procedures** – *An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.*

This Anti-Fraud and Corruption Policy sets out Cambridgeshire County Council’s corporate anti-fraud policy framework, which seeks to prevent bribery along with other forms of corruption and fraud. The policy framework includes a range of key policies such as the Council’s procedures for gifts and hospitality, declaration of interests, and the Financial Regulations.

- 2) Top-level commitment** – *The top-level management of a commercial organisation (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it.*

Cambridgeshire County Council’s Anti-Fraud and Corruption Policy sets out this commitment of zero tolerance to all forms of fraud, bribery and corruption.

- 3) Risk assessment** – *The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.*

Cambridgeshire County Council conducts regular reviews of its exposure to the risk of internal and external bribery, fraud, corruption and theft, and the risk of money laundering, as part of its ongoing risk management process.

- 4) Due diligence** – *The commercial organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.*

Cambridgeshire County Council's corporate due diligence procedure is set out in Section 6 of its Anti Money Laundering Policy.

- 5) Communication (including training)** – *The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training, that is proportionate to the risks it faces.*

Cambridgeshire County Council's Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy and Whistleblowing Policy are available to staff on the Council's intranet, and periodic awareness-raising campaigns are conducted by the Internal Audit and Risk Management team. The Council's Fraud Prevention e-learning module is also available to all staff and includes training on identifying and responding to bribery and corruption, fraud and money laundering.

- 6) Monitoring and review** – *The commercial organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.*

The Council's Anti-Fraud and Corruption policy and associated policies and procedures are owned by the Internal Audit service. These policies will be reviewed and updated at least every three years by Internal Audit, or more frequently if required.



ANTI-FRAUD AND CORRUPTION POLICY

Policy Owner	
Name:	Duncan Wilkinson
Post:	LGSS Chief Internal Auditor
Email:	Duncan.Wilkinson@Milton-keynes.gov.uk
Tel:	01908 252089

Foreword

Cambridgeshire County Council is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously.

This is Cambridgeshire County Council's Anti-Fraud Policy. It provides a clear framework for the Council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action and seek recovery of defrauded monies through all possible legal means. This policy also applies to the Bribery Act 2010.

The Council administers significant public funds and is sometimes targeted by persons wishing to defraud the public purse. This policy, and the structures maintained by the Council, demonstrate that we will make every effort to identify attempts to defraud the public purse and will robustly pursue individuals responsible.

The Council, through this policy, has adopted a zero tolerance towards fraud including:

- The referral of matters to the Police for investigation wherever appropriate and the full recovery of fraudulently obtained public funds by all legal means
- The prosecution of persons responsible for defrauding the Council including prosecution through civil and criminal courts in the Council's own name or through the Police etc.
- The termination of contracts with partners and contractors
- The dismissal of employees proven to have defrauded or who have attempted to defraud the Council, including where an employee is complicit with another person's attempts to defraud the Council

The Council requires all partners and contractors to assist in this role and cooperate with any fraud investigation undertaken by authorised officers. This policy also applies to schools staff.

Cllr. Mike Shellens
Audit and Accounts Committee Chair

Gillian Beasley
Chief Executive

1. **INTRODUCTION**

- 1.1 The authority aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the authority has always adopted a culture of openness and fairness. It has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority (eg suppliers/contractors).
- 1.3 However, in light of the Nolan Report, several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the authority has formalised these accepted standards and practices and developed an anti-fraud and corruption policy.
- 1.4 The authority demonstrates clearly (through this policy) that it is firmly committed to dealing with fraud and corruption and no distinction will be made for perpetrators inside (members/governors and employees) or outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.5 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into the following sections:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as its external auditors, inspection bodies, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.7 Fraud is defined by the Audit Commission as:

FRAUD – “The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.

In addition, fraud can also be defined as:

“The use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.”

1.8 Bribery and Corruption may be defined as:

“A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity.”

1.8.1 The Bribery Act is now in force, and places responsibilities and powers on organisations such as Local Authorities.

1.8.2 There are 3 key sections of the Act which need to be considered for the purposes of this document, which are:

Section 1, which deals with bribing another person by money, payment in kind, or goods and services.

Section 2, the act of being bribed. This relates to individual officers and could lead to prosecution.

Section 7, failure of a commercial organisation to prevent bribery. For this section, a “relevant commercial organisation” means an entity that carries on a business and current indications are that this includes Local Authorities. This section also includes persons associated with the organisation, such as agency workers, suppliers and contractors.

1.8.3 Under the legislation, an organisation has a defence if it can show that it has adequate bribery prevention procedures in place, which are informed by the following 6 principles:

- 1) Proportionality – the action an organisation takes should be proportionate to the risks it faces and the size of the business.
- 2) Top Level Commitment – A culture needs to be evident in which bribery is never acceptable. This can be shown via leadership statements, training and procurement expectations.
- 3) Risk Assessment – to include proportionate risk management perhaps via training, newsletters, procurement controls and inclusion within organisational policies such as this one.
- 4) Due Diligence – ie knowing who the organisation is dealing with.
- 5) Communication – communicating policies and procedures by training and general awareness including how occurrences should be investigated and by whom.
- 6) Monitoring and Review – to ensure policies, training and awareness are relevant and updated and by nominating a responsible officer.

1.8.4 Defence against bribery charges under the act, therefore, should be considered adequate if the organisation has the following in place:

Risk awareness and preparation

Adequate communication and senior management buy-in

A zero-tolerance culture

Adequate education and training

1.8.5 The penalties for individuals under this legislation can, on conviction on indictment, be as high as a prison term of 10 years, or a fine or both (although under section 7 a guilty person is only liable to a fine). The organisational consequences may include disbarment from contract tenders, reputational and financial risk exposure, and adverse publicity.

1.9 Other risk areas which need to be considered and are covered by this policy include:

- **Facilitation payments** – i.e. payments designed to make things happen but which do not secure agreement.
- **Gifts and Hospitality** – genuine low-level hospitality is deemed acceptable, but it is imperative that corporate registers are kept up to date and all staff must make declarations of interest.
- **Disclosures of Interests** – and “the failure to disclose an interest in order to gain financial or other pecuniary gain.”

2. CULTURE

2.1 The culture of the authority has always been one of the highest ethical standards, probity, openness and the core values of fairness, trust and value support this. The authority’s culture therefore supports the opposition to fraud and corruption.

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

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

2.4 The definitions of Fraud and Corruption are by their nature technical and have their basis in the Fraud Act which became law on 15th January 2007. A more practical definition is where the Council’s assets, including money, are dishonestly obtained by someone not entitled to them. Examples include:

- theft of cash or assets:
- obtaining access to services to which the person is not entitled e.g. obtaining a Council house or disabled blue badge;
- falsifying information or documentation e.g. timesheets, overtime, expenses, qualifications etc.;

- dishonesty between officers and management/head teachers;
- the deliberate concealment of information required by the Council e.g. convictions or activities inconsistent with the Council's duties and responsibilities;
- Defrauding welfare payments, such as Housing Benefit, Council Tax benefit and Council Tax Single Person Discounts etc.

- 2.5 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions.
- 2.6 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 2.7 When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, Executive or Service Directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 2.8 In certain circumstances, and where appropriate, a commercial settlement between the Council and an employee may be deemed necessary as a way of disposing of a case. This should only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Council.

ROLES	
<u>Elected Members and School Governors</u>	<p>As elected representatives, all members of the authority have a duty to citizens to protect the authority from all forms of abuse. This is done through this anti-fraud and corruption policy and compliance with the national code of conduct for members, the authority's Financial Regulations, Constitution and the relevant legislation.</p> <p>Elected members sign to the effect that they have read and understood the national code of conduct when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Director of Law, Property and Governance advises members of new legislative or procedural requirements.</p> <p>Members and Governors are required to apply the principles of good governance regarding their own affairs and when acting for the Council, including: declaring pecuniary or non-pecuniary interests; declaring the potential for a conflict of interest; and recording the receipt of all gifts and hospitality. Members and governors must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council.</p>
<u>Audit and Accounts Committee</u>	<p>The Audit and Accounts Committee and its members have specific responsibility re: the oversight of the Council's governance arrangements, in respect of the adequacy of control systems to prevent and detect fraud.</p> <p>The Audit & Accounts Committee receives periodic reports from Internal Audit on suspected and proven frauds, and monitors those systems of control applicable to that area, making recommendation to Council where improvement is required.</p>

<p><u>SMT / Directors :</u></p>	<p>SMT / Directors are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>SMT / Directors have responsibility to ensure that effective systems of control are in place corporately and within their directorate to both prevent and detect fraud, and that those systems operate properly.</p> <p>SMT / Directors are required to submit an annual self-assessment of those processes for inclusion within the Council's Annual Governance Statement.</p> <p>SMT / Directors must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council. SMT / Directors are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p>
--	--

<p><u>Heads of Service/Managers / Head Teachers</u></p>	<p>Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Managers of all levels must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council. Managers of all levels are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p> <p>Heads of Service, Managers and Head Teachers must ensure that special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed, in order to inform the directorate annual self-assessment.</p> <p>The authority recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The authority's formal recruitment procedures (which contain appropriate safeguards on matters such as written references, verifying qualifications held, and DBS checks undertaken on employees working in regulated activity with children and vulnerable adults) will be adhered to during this process. In line with the Council's Fraud Response Plan, management investigations into disciplinary matters must liaise with Internal Audit regarding any potential fraud or corruption implications of the conduct / investigation. If a member of staff raises concerns regarding suspected fraud, the line manager must inform the Chief Internal Auditor or contact Internal Audit immediately. Line managers should only undertake discreet preliminary enquiries which should be restricted to the basic facts required to determine whether there are any grounds to the allegation. The handling of evidence at the early stages of an investigation can be critical to the outcome of the investigation and advice must be sought from the Chief Internal Auditor to ensure evidence is safeguarded and not compromised. No action should be taken which may alert those suspected of involvement.</p>
--	--

<p><u>Internal Audit and Risk Management</u></p>	<p>The Head of Audit (in consultation with the Director of HR) shall determine whether a concern / suspicion regarding fraud requires investigation by the Internal Audit Investigators as opposed to management, in line with the Council's Fraud Response Plan.</p> <p>Audit & Risk Management Services plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Internal Audit Investigators liaise with management to recommend changes in procedures to prevent further losses to the authority.</p> <p>The Internal Audit service shall report to SMT and the Audit and Accounts Committee regarding the application of the zero tolerance statement within this policy. Furthermore, the Internal Audit Investigators shall investigate all cases of suspected irregularity in accordance with the requirements of the Police and Criminal Evidence Act 1984, Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. In all cases where employees are involved, they will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy and the Council's Fraud Response Plan are adhered to.</p>
---	--

<p><u>Employees, including school staff</u></p>	<p>Each employee is governed in their work by the authority's Constitution and Financial Regulations and other codes of conduct and policies (Code of Conduct; Health and Safety; IT security and so on). Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager.</p> <p>In addition to the above, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the authority. These will be included in induction training and procedure manuals.</p> <p>Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns should be raised, in the first instance, directly with the supervisor/business unit manager. Employees who feel unable to report to their line management should contact the Chief Internal Auditor directly, telephone the Whistleblowing Hotline or email stop.fraud@cambridgeshire.gov.uk. Should there be a preference to make an anonymous notification, then they should refer to the Council's (or school's) Whistleblowing Policy which gives details of independent persons with whom they can discuss their concerns.</p> <p>All employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.</p>
<p><u>External Audit</u></p>	<p>Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.</p>

<p><u>External Bodies</u></p>	<p>Internal Audit has arranged, and will keep under review, procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity, in relation to local authorities with external agencies such as: police, county, unitary and district council groups, the external audit service, Department of Work and Pensions and other government departments.</p>
<p><u>Contractors and Partners</u></p>	<p>Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation. They are also responsible for ensuring that their employees are aware of the Council's Financial Regulations, Whistleblowing and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the relevant Executive or Service Director for that area or may approach the Head of Audit directly on any Whistleblowing issue.</p>
<p><u>Stakeholders and Customers</u></p>	<p>Whilst this policy is primarily aimed at implementing the necessary culture and processes within the Council, its stakeholders and customers may become aware of issues that they feel may indicate fraud. They should refer to the Council's complaints procedure, or they can contact the Head of Audit to discuss their concerns directly.</p>

4. DETERRENCE

4.1 Prosecution

Each case will be considered on its merits.

4.2 Disciplinary Action

- 4.2.1 Theft, fraud and bribery and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken, if appropriate, in addition to criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the relevant Executive or Service Director, Head Teacher, and if appropriate the Director of HR.
- 4.2.2 Disciplinary action will be undertaken in accordance with the Council's disciplinary policy and procedure with each case considered on its merits.
- 4.2.3 Members will face appropriate action under this policy if they are found to have been involved in theft, fraud or corruption against the authority. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. As per the Council's Fraud Response Plan, if fraud concerns relate to an elected Member, the Chief Internal Auditor will inform the Council's Monitoring Officer and Chief Executive and matters, if not referred to the police, will be referred to the Constitution and Ethics committee or appropriate group leader.
- 4.2.4 Members or employees involved in fraud, theft or corruption that does not involve the Council or its finances may still be subject to the above action, if it is considered to undermine the Council and its reputation.

4.3 Publicity

- 4.3.1 The Council recognises the key role that publicity of fraud cases plays in deterring other attempts to defraud the Council. To that effect, a Publicity Policy is attached at Annex A of this policy which sets out these measures in detail.
- 4.3.2 The authority's Communications Service will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Communications will also try to ensure that the results of any action taken, including prosecutions, are reported in the media. The service will maintain close working relationships with all areas involved in anti-fraud work, but particularly Legal Services and Internal Audit.
- 4.3.3 In all cases where financial loss to the authority has occurred, the authority will seek to recover the loss and advertise this fact.

- 4.3.4 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.
- 4.3.5 Regular reports will be made to the Audit and Accounts Committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 All staff, Members and any other stakeholders in Council services have a vital role in identifying potential fraud or corruption. It is not the responsibility of those groups to investigate their suspicions, as this may undermine a case to be pursued, but all parties play a key role in bringing such concerns to the Council's attention for a proper and thorough investigation to be undertaken.
- 5.2 Management, including Head Teachers, are in the best position to become aware of any problems that could indicate fraud or theft etc. Management are also best placed to ensure that systems of internal control are in place and operating and thus are ideally placed to identify weaknesses or failures that may be exploited. Internal Audit can provide advice and assistance in this area.
- 5.3 Employees are also ideally placed to detect fraud, theft or corruption. Employees are encouraged to discuss concerns with their line manager but the Fraud Response Plan also provides mechanisms to raise concerns corporately.
- 5.4 The Fraud Response Plan provides a process to enable the Council to demonstrate :
- Proper investigations for all referrals
 - Proper action taken in relation to findings from investigations
 - Feedback is provided to anyone making a referral
 - Appropriate protection for anyone making or having made a referral.
- 5.5 Internal Audit plays an important role in the detection of fraud and corruption. Included in the Audit Plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. Internal Audit operates in accordance with best practice, including the adoption of a formal Audit Manual in line with CIPFA best practice. This includes suitable processes to provide assurance to management on the adequacy of systems of internal control including the completion of follow ups for previous recommendations.
- 5.6 In addition to Internal Audit, there are numerous system controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection. In particular, the Council's Corporate Anti-Fraud Team are involved in the reactive and proactive investigation of specialised areas, such as transport-related fraud.

- 5.7 In some cases frauds are discovered by chance or ‘tip-off’ and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.8 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the policy, and:
- ensures the consistent treatment of information regarding fraud and corruption;
 - facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.
- 5.9 This process will apply to all the following areas:
- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by authority employees
 - d) fraud by contractors’ employees
 - e) external fraud (the public).
- 5.10 Cases under a) will be referred to the Council’s External Auditor and the Director for Law and Governance for consideration of action via the Police or the Cambridgeshire County Council Constitution and Ethics Committee.
- 5.11 In accordance with basic legal concepts any person who witnesses or discovers a criminal act has the right to refer concerns directly to the Police.
- 5.12 Any decision to refer a matter to the police will be taken by the Head of Internal Audit in consultation with the Director of HR and/or Chief Executive and relevant Executive or Service Director or Head Teacher. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.
- 5.13 Depending on the nature of an allegation under b) to e), the Head of Audit will normally work closely with the Director or Head Teacher concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 5.14 The authority’s Fraud Response Plan and disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.2.3 will cover members.

6. AWARENESS AND TRAINING

- 6.1 The authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the authority.
- 6.2 To facilitate this, it is intended that a programme of anti-fraud awareness training in the form of workshops, possibly incorporating interactive means, will be rolled out across the Council. There will still be specialist training for certain elected members and employees.
- 6.3 A poster to raise awareness of the means to report fraud has been distributed across the Council's officers, and full copies of the anti-fraud and corruption policy are on the Council's intranet.
- 6.4 Key to effective awareness (and deterrence) is a formal and comprehensive system of feedback to provide outcome information to the person who originally referred concerns. Whilst confidentiality must be respected (including the Data Protection Act and Human Rights Act provisions) every referral should be concluded and the outcome communicated to the person making the original referral.
- 6.5 Anti-fraud services should also maintain management information to show:
- How frauds are identified
 - Which type of frauds were affected
 - Any patterns or themes detected
 - New fraud issues highlighted
 - Prevention measures

Publicity

1. Introduction

- 1.1 Cambridgeshire County Council has adopted this policy to address anti-fraud and corruption issues enhancing public confidence in the administration of taxpayers' money.
- 1.2 The Anti-Fraud & Corruption Policy, and particularly this Publicity section, aims to:
 - 1.2.1 Make clear the connection between saving public monies and the fraud work that achieves this;
 - 1.2.2 Dispel the belief held in some quarters that fraud is a victimless crime;
 - 1.2.3 Demonstrate consistent action is taken for both complex frauds and the perceived lower-level frauds;
 - 1.2.4 Ensure that tough action taken against persons who commit fraud is utilised as an effective deterrent to others;
 - 1.2.5 Alter perceptions of this area of work to move from an image of petty bureaucracy or snoopers to one of professional public funds watchdog;
 - 1.2.6 Ensure that action taken is consistent with Cambridgeshire County Council policies and legislative provisions as well as being in the public interest.
- 1.3 This policy covers the methods by which the work of the Anti-Fraud services within Cambridgeshire County Council will be promoted, including the publicity associated with specific cases.

2 Publicity Categories

- 2.1 Publicity takes many forms, including:
 - Leaflets
 - Posters
 - Press Releases / Articles
 - Advertisements
 - Intranet or Internet media
- 2.2 It is imperative that all available forms are optimised to promote an anti-fraud culture throughout the organisation and to the public. However, great care is needed to ensure that publicity in relation to anti-fraud work is positive and does not undermine the service or reinforce the negative perceptions of this area of work.
- 2.3 Thus publicity needs to focus on 3 key areas :
 - 2.3.1 Proactive work of Anti-Fraud services, e.g. a day in the life of a Fraud Investigator;
 - 2.3.2 Specific Cases pursued by Anti-Fraud services, e.g. specific prosecutions /

convictions sought;

2.3.3 Reactive responses to Media enquiries.

3 Proactive Publicity – Work of Anti-Fraud Services

- 3.1 This area of work is essential to promote the work of the services and ensure that others are aware of this work, and thus deterred from attempting fraud. The aim of this publicity is to increase the profile of anti-fraud work across Cambridgeshire County Council and the wider community, in order to promote the referral processes and deter fraud.
- 3.2 Intranet pages are maintained which set out details as to how to contact the Internal Audit Investigators and how to report fraud. The site also provides links to relevant policies.
- 3.3 Any leaflets and posters used for Fraud Awareness purposes shall be reviewed annually to reflect any necessary changes.
- 3.4 It is intended that Fraud Awareness training shall be part of the Council's Corporate Training/Induction system.
- 3.5 In addition to the above, the work of Anti-Fraud services shall be promoted periodically both within the Council and to the general community.
- 3.6 For high profile cases prosecuted, the publicity shall consider whether the work of Anti-Fraud services shall be promoted e.g. volumes of cases referred; investigated; prosecuted; convicted etc.

4 Specific Cases

- 4.1 Great care must be taken when publicising any specific case of fraud, theft or corruption. Data Protection Act and Human Rights Act provisions are key legal protections provided to those suspected of committing such offences, and must not be breached by the Council's attempts to promote anti-fraud work.
- 4.2 However, the publicity attached to any specific case is a necessary element of promoting the deterrent effect of anti-fraud work, as it demonstrates actual instances and consequences to individuals.
- 4.3 Any decision that the Council should prosecute an individual, individuals or organisation(s) must be taken following the formal quality assurance procedure set out in the Council's Fraud Response Plan.¹
- 4.4 Any decision to pursue prosecution will be taken on the basis of professional advice, the merits of the case itself and any applicable guidelines relevant.

¹ The decision to refer a matter to the Police will be taken by the LGSS Head of Internal Audit and the appropriate Director (Cambridgeshire County Council) of the Council, in consultation with the Monitoring Officer and the relevant Head of Human Resources. This will follow agreed protocols for Police referral which have been established with the Police Authority. Findings from any fraud investigation undertaken by Internal Audit will be shared with the Police. (*Fraud Response Plan, 10.2*)

- 4.5 All prosecutions should include a consideration of publicity issues and ensure that the Council's Communications Service are involved / aware of the issue so that the Council can adopt a proactive publicity strategy and avoid the need to react to press enquiries.
- 4.6 A specific decision will be taken and recorded by the Head of Service to issue a press release for any specific case. In all other cases, a press statement / position shall be prepared to address any potential press enquiry.
- 4.7 Press releases shall be prepared that promote the Council's Anti-Fraud policy and maximise the deterrent effect of prosecutions.

5 Reactive Responses to Media Enquiries

- 5.1 Ideally the above measures aim to minimise the need for this, where the Council proactively provides relevant information to promote anti-fraud through local (and possibly national) media.
- 5.2 Press queries will arise on some occasions and it is essential that they are responded to in such a way as to promote the anti-fraud policy of the Council.
- 5.3 Responses to Press queries regarding specific individuals must not breach Data Protection or Human Rights legislation.

Anti-Money Laundering Policy

Overview

‘Money laundering’ is something criminals do to hide the cash they make from crime. This money may come from any criminal activity. This could include terrorism, drugs trafficking, corruption, tax evasion and theft. Money laundering tries to make this money look like it has a legitimate origin. This is usually done by passing the money through different organisations.

Any organisation which processes large volumes of financial transactions could, in theory, be used by criminals to launder money. Additionally, some Council service users may be vulnerable to being targeted by individuals seeking to use them as part of money laundering networks.

The aims of this policy are to:

- Help staff understand what money laundering is and how to recognise the warning signs.
- Require everyone to report suspicions about money laundering or terrorist financing. Reports should be made to the Head of Internal Audit & Risk Management (see Section 5).
- Explain Cambridgeshire County Council’s approach to identifying and reducing the risk of money laundering. Demonstrate how this aligns with best practice.
- Safeguard the Council and its service users from the risk of involvement in money laundering or terrorist financing networks.

This policy applies to all employees (including agency staff), staff at maintained schools, contractors, Members and agents of the Council. The Council expects all its employees, members and associated persons to act legally, with integrity, and in accordance with the Council’s values and policies at all times.

Policy Owner
Name: Mairead Claydon
Post: Acting Head of Internal Audit & Risk Management
Email: Mairead.Claydon@cambridgeshire.gov.uk

Anti-Money Laundering Policy

Table of Contents:

- 1. Introduction**
- 2. What is money laundering?**
 - 2.1 Understanding 'money laundering'
 - 2.2 How does money laundering affect the Council?
- 3. What are the warning signs of money laundering?**
 - 3.1 Warning signs for possible money laundering
 - 3.2 Council activities which are more high-risk for money laundering
- 4. What steps does Cambridgeshire County Council take to address potential money laundering?**
 - 4.1 Money Laundering Reporting Officer
 - 4.2 Internal Procedures
 - 4.3 Guidance & Training for Key Staff
- 5. How can you report any concerns about money laundering?**
 - 5.1 How to report concerns
 - 5.2 What happens after you report possible money laundering?
- 6. Customer Due Dilligence**
 - 6.1 What is Customer Due Diligence?
 - 6.2 When must the Customer Due Diligence process be followed?
- 7. How is this policy reviewed and monitored?**

Appendices:

- 1 Overview of Money Laundering Offences**

Anti-Money Laundering Policy

1. Introduction

- 1.1 This Anti-Money Laundering Policy shows how Cambridgeshire County Council seeks to reduce the risk of money laundering in Council systems .
- 1.2 The Council recognises that most people are honest and would never intentionally allow money laundering to take place using Council systems. This policy provides a safeguard against the risk of money laundering as well as guiding staff, Members and service users on how to identify and report possible money laundering activity.
- 1.3 This policy applies to all employees (including agency staff), contractors, Members and agents of the Council. It is part of the Council's anti-fraud policy framework.

2 What is money laundering?

2.1 Understanding 'money laundering'

- 2.1.1 'Money Laundering' is something criminals do to hide the cash they make from crimes or political corruption. Usually this involves making lots of different financial transactions with the cash. This makes it difficult for the police to find out where the criminal got the money. The criminals can then deposit the money into a bank account and use the money without suspicion.
- 2.1.2 There are lots of different ways that criminals can try to hide the origins of their money. For example:
 - Criminals put fake transactions into the books of a business which receives a lot of cash payments (such as a takeaway or launderette). Then the cash they have made from crime can be treated as proceeds of the business.
 - Criminals pass the money through a third party bank account or business. This makes it difficult for anyone to see where the money originally came from.
 - Criminals buy property or assets using cash, then sell it. The money they get from this will then be treated as legitimate proceeds from the sale.

2.2 How does money laundering affect the Council?

- 2.2.1 This might not sound like something that is likely to affect Cambridgeshire County Council. However, there are several specific criminal offences relating to money

laundering which may apply to public authorities and their staff, including Cambridgeshire County Council. Full details of these offences are set out in Appendix 1, below.

- 2.2.2 Anyone who has enabled a transaction linked to money laundering could be held liable and charged with money laundering offences. This could affect Council officers who are making financial transactions as part of their job.
- 2.2.3 However, if you report any suspicions about money laundering, you won't be charged with a crime. That's why it's important for Council employees to be aware of the warning signs of possible money-laundering, and to know how to report any concerns. See Section 3.2 for some areas of the Council that may be at higher-risk for money laundering

3 What are the warning signs of money laundering?

- 3.0.1 Money laundering is so complicated that it isn't possible to give a complete list of ways to identify money laundering. We've set out some risk factors which may suggest possible money laundering activity, and areas within the Council that are more high-risk.
- 3.0.2 Remember: if you're not sure, you can always contact Internal Audit at internal.audit@cambridgeshire.gov.uk for further advice.

3.2 Warning signs for possible money laundering:

- 3.1.1 The below warning signs could be an indication of possible money laundering:
- If an individual or a business wants to make a large payment in cash, and/or insists on paying in cash when this isn't normal.
 - If an individual or business over-pays the Council and then asks for the money to be 'paid back'. This is especially concerning if they request repayment by cheque or to a different bank account.
 - Where a third party is involved in a transaction for no obvious reason. For instance, if the Council is purchasing an item from Company A, but it is requested that payment is made to Company B.
 - Unusual transactions or ways of conducting business, without reasonable explanation.
- 3.1.2 Council officers should also be mindful that vulnerable individuals may be targeted by criminals as a way of laundering money. Individuals may think they have a 'job'

handling 'money transfers'. Or they may be asked to receive a money transfer (often from abroad) and then withdraw it in cash, as a favour for a friend. If you suspect that a vulnerable individual is being targeted in this way, please report it. Even if there is no financial impact on the Council's funds, it may be a safeguarding issue.

3.2 Council activities which are more high-risk for money laundering:

3.2.1 In theory, money laundering could take place wherever money is moving in and out of the organisation. However, there are some activities that are more high-risk than others.

3.2.2 Many of these activities are likely to involve third party suppliers (such as banks, estate agents or solicitors). These organisations should have their own anti-money laundering arrangements in place. Equally, it is important not to rely on external organisations to identify possible issues. You should always report any concerns you have about money laundering, even if you think that they're likely to be identified elsewhere.

3.2.3 The areas of Council activity that have been identified as being higher risk for money laundering are:

- **Cash transactions:** Cash transactions (including notes, coins and travellers cheques) are higher risk for money laundering. The Council has a policy not to accept cash payments above £7,500. However, large or unusual cash payments below this amount may still be suspicious. All such payments should be reported to the Council's Money Laundering Reporting Officer (see Section 4.1).
- **Sales and purchases of property:** Purchasing and selling property is popular with money launderers. Property sales provide an opportunity to launder a large sum of money in a single transaction. Solicitors handling property transactions are legally required to undertake money laundering checks. Staff involved in property transactions should still be aware of possible warning signs for money laundering and know how to report concerns. Warning signs of possible money laundering when purchasing or selling property include:
 - Transactions taking place in cash, especially if the price seems unusually low (or high).
 - Transactions taking place via an intermediary.
 - Transactions on behalf of minors, trusts, or individuals without capacity.

- Transactions with anyone who seems to lack the financial means to make the purchase or own the property.
- Properties which are owned by overseas individuals or companies.
- Transactions for the same property that happen in quick succession. For example: a purchase, then immediate sale. This is especially a risk if there is a large change in price.
- Purchases made from 'off market' agents who are not required by law to be registered for money laundering supervision. This includes house builders and some construction companies.
- **Direct Payments and Prepaid Cards:** Service users who have a Direct Payments bank account and/or a reloadable prepaid card they can use to spend their direct payment or other money may be targeted by criminals seeking to use these accounts to launder money via 'money muling'. Money muling occurs when an individual receives money into their bank account and transfers it elsewhere or withdraws it as cash. The individual is often promised that they can keep some of the cash. They may not be aware that the money is criminal in origin. Warning signs of this type of activity in Direct Payment accounts or prepaid cards include:
 - Money going into the account and then quickly being transferred or withdrawn, especially if the amounts are significant.
 - A third party loading money onto the card or transferring into the account.

4. What steps does Cambridgeshire County Council take to address the risk of money laundering?

4.0.1 Public sector organisations are not regulated by the Money Laundering Regulations. However, CIPFA recommends that local authorities operate in the spirit of these regulations. CIPFA's guidance on Combating Financial Crime states that all public authorities that have not already done so need to use a risk-based approach in deciding the extent to which their activities are exposed to the dangers of money laundering, and to take proportionate steps to address these dangers.

4.0.2 As a minimum, CIPFA recommends public authorities should:

- Arrange for a nominated officer to receive, review and pass on any concerns about suspicious activity or possible money-laundering (see Section 4.1).

- Establish proportionate and cost-effective internal procedures to prevent and detect money laundering and terrorist financing (see Section 4.2).
- Identify staff most likely to encounter money laundering or terrorist financing and:
 - Ensure they are aware of any requirements and obligations placed on the authority, its staff, and on them as individuals, by the Proceeds of Crime Act (POCA) and the Terrorism Act (TACT);
 - Give targeted training to these staff (see Section 4.3).

4.0.3 This section shows how the Council has ensured it is compliant with these recommendations.

4.1 Money Laundering Reporting Officer:

4.1.1 CIPFA recommend that public authorities appoint a Money Laundering Reporting Officer (MLRO). The MLRO is responsible for receiving internal reports about possible money laundering. They then report any suspicious money laundering activities to the National Crime Agency.

4.1.2 At Cambridgeshire County Council, the Head of Internal Audit & Risk Management is the MLRO. In the absence of the MLRO, the Monitoring Officer stands in as the Deputy MLRO.

Money Laundering Reporting Officer	Deputy Money Laundering Reporting Officer
Mairead Claydon, Acting Head of Internal Audit & Risk Management	Fiona McMillan, CCC Director of Legal and Governance (Monitoring Officer)
Email address: mairead.claydon@cambridgeshire.gov.uk	Email address: Fiona.mcmillan@cambridgeshire.gov.uk
Phone: 01223 715542	Phone: 01733 452409

4.1.3 The procedure for reporting to the Money Laundering Reporting Officer is in Section 5, below. You can report any form of suspicious financial activity to the MLRO. Staff must get in touch with the MLRO whenever they have reasonable grounds to suspect money laundering may be taking place, or has taken place.

4.1.4 The MLRO will keep a record of all referrals received. They will also record any action taken to report concerns on to the National Crime Agency.

4.1.5 The MLRO also has ownership of this Anti-Money Laundering Policy. They also own the Council's money laundering and terrorist financing risk assessment. The MLRO supports and co-ordinates the response to money laundering risk across the organisation.

4.2 Internal Procedures:

- 4.2.1 This Anti-Money Laundering Policy is part of a wider anti-fraud framework at Cambridgeshire County Council. This includes our Whistleblowing Policy and Anti-Fraud & Corruption Policy.
- 4.2.2 As part of the development of this policy, the Council has conducted a risk assessment. This looks at money laundering and terrorist financing risks across different service areas. It confirms the key corporate controls in place to prevent money laundering. It also identifies any further actions to be undertaken by the Council to further reduce these risks. The risk assessment and policy are reviewed regularly.
- 4.2.3 Cambridgeshire County Council has implemented a reporting procedure (see Section 5 for more details). This enables staff with any concerns about money laundering to report them.
- 4.2.4 Cash payments do not represent a large proportion of the Council's financial transactions. However, they do represent a higher risk for money laundering and terrorist financing. To reduce this risk, the Scheme of Financial Management confirms that the Council will not accept cash payments above £7,500. Only the Chief Finance Officer may approve higher cash payments, in exceptional circumstances. Officers are required to report any large and/or unusual cash transactions to the MLRO. This ensures any such transactions are subject to appropriate scrutiny.
- 4.2.5 Cambridgeshire County Council has implemented customer due diligence procedures (see Section 6). This is in line with CIPFA best practice. It aims to verify the identity of the people and organisations CCC trades with, in situations that are more high-risk for money laundering.
- 4.2.6 The Council's Treasury Management function has its own due diligence processes. The Council will only lend money or invest with counterparties who meet certain requirements. Treasury Management activities are subject to CIPFA's Code of Practice. For more information, see the Council's Treasury Management Strategy.

4.3 Guidance & Training for Key Staff:

- 4.3.1 This Anti-Money Laundering Policy provides guidance for all Cambridgeshire County Council staff. It explains how to identify possible money laundering concerns and report them.

- 4.3.2 The Money Laundering Reporting Officer runs annual awareness-raising campaigns. This includes work to raise awareness of this policy among all staff. Targeted communications are shared with staff in teams which may be higher-risk for money laundering.
- 4.3.3 Counter fraud e-learning, which covers money laundering risks, is available to all staff. Additionally, the Council periodically provides targeted money laundering training. This is focused on members of staff in key services which are more likely to be exposed to the risk of money laundering.

5. How can you report concerns about money laundering?

- 5.0.1 This section explains what you must do where you have any concern about money laundering or suspicious transactions, and how your report will be dealt with by the Money Laundering Reporting Office (MLRO).

5.1 How to report concerns:

- 5.1.1 If you have any concerns or suspicions about possible money laundering, terrorist financing or suspicious financial activity, it's really important to report them immediately – even if you think someone else may already have made a report. Please email the MLRO at mairead.claydon@cambridgeshire.gov.uk. Alternatively you can call or ask for a Teams meeting to discuss your concerns if you prefer this to emailing. If possible, it's helpful to provide the following information:
- The value and timing of the suspicious transaction(s) and what these related to.
 - Names and addresses of the people or companies involved.
 - Why you are suspicious of the transactions or activity.
- 5.1.2 It's really important if you suspect money laundering not to try to investigate the matter yourself. Don't tell anyone else about your suspicions, or the fact that you've made a report.
- 5.1.3 If you are suspicious about a particular transaction that is taking place, please do not proceed with or complete the transaction. For example, if you are concerned about an attempted cash payment, do not bank the cash. Or if you are concerned about a property purchase or sale, do not complete the purchase/sale. You must wait to complete the transaction until this is agreed by the MLRO in writing.

- 5.1.4 If you fail to report a suspicious transaction as soon as possible, this could be regarded as misconduct or gross misconduct by the Council. It could even amount to a criminal offence.

5.2 What happens after you report possible money laundering?

- 5.2.1 Once you've made a report to the MLRO, they will confirm to you that they have received the report and advise you when you will hear back from them. They will conduct an initial investigation into the matter. They may seek specialist advice if appropriate, depending on the circumstances.
- 5.2.2 The MLRO will then decide either:
- a) There are no reasonable grounds to suspect money laundering or terrorist financing. The MLRO will record the reasons for this finding and will agree for the transaction to proceed.
 - b) There are grounds to suspect money laundering. The MLRO will make a report to the National Crime Agency (NCA) and seek the NCA's consent for whether the Council can proceed with the transaction.
- 5.2.3 The MLRO will let you know their decision and what the next steps will be. They will also tell you about any consent or refusal from the NCA regarding whether the Council can proceed with the transaction.

6. Customer Due Dilligence

6.1 What is Customer Due Diligence?

- 6.1.1 'Customer Due Diligence' is a process the Council undertakes to reduce the risk of money laundering. The process aims to ensure that the Council only deals with real, legitimate organisations and customers.
- 6.1.2 When undertaking any financial transaction with an external organisation or individual, officers are responsible for ensuring that the person or organisation they are dealing with is legitimate. You should know who the 'ultimate beneficial owner' of the organisation is. This means the person or people who own and control the company.

6.1.3 Best practice is for this to involve verifying identity against a reliable and independent source. This should be done before any transaction takes place. For example, this could involve:

- **For companies:** Reviewing the company's website. Checking they are registered at Companies House. Obtaining a copy of their list of active directors and the statement of persons with significant control. Confirming this information aligns with what you know about the company.
- **For charities:** checking how they are registered (e.g. with the Charities Commission). Obtaining equivalent documentation.
- **For individuals:** viewing proof of identification.

6.1.4 If you can't verify the customer's identity, contact the Money Laundering Reporting Officer (see Section 5). If the results of the checks suggest that there may be a risk of money laundering, contact the Money Laundering Reporting Officer.

6.1.5 If the intention is that the person or organisation will be acting on behalf of the Council as part of this business relationship, you should consider how the Council's expectations around ethical conduct have been or will be communicated to them. Contractors must be aware that the Council will not tolerate fraud, bribery, money laundering or corruption. If you believe there may be a risk of unethical conduct or bribery by any person who will be acting on the Council's behalf, please consult the Monitoring Officer for advice. This must be done before establishing a business relationship.

6.2 When must the Customer Due Diligence process be followed?

6.2.1 In certain circumstances staff are obliged to undertake and formally record the Customer Due Diligence procedure. This includes:

- If the Council is carrying out regulated business (i.e. providing any accountancy, audit and tax services or legal services in respect of company, financial or property matters) for anyone other than another UK public authority and as a part of this:
 - Forms a new, ongoing business relationship with a client; and/or
 - Undertakes a one-off or occasional transaction equivalent to €15,000 or more (c. £12,500 at time of writing). This counts whether carried out as a single transaction or several linked ones.

- If the Council is carrying out transactions relating to cultural artefacts or items with archaeological, historical, cultural or religious significance, or rare scientific value.
 - If the Council doubts the veracity or legitimacy of any documents, data or information previously obtained for identification purposes.
 - If the Council suspects money laundering or terrorist financing.
- 6.2.2 When any of the above situations apply, details of the Customer Due Diligence check carried out must be recorded. Officers must also record details of the purpose and intended nature of the proposed business relationship.
- 6.2.3 Evidence of the checks undertaken should be retained for at least five years. If the business relationship continues, officers must ensure that the due diligence checks are repeated periodically.

7. How is this policy reviewed and monitored?

- 7.1 CCC Internal Audit is responsible for oversight and maintenance of this Anti-Money Laundering Policy. The Strategy & Resources Committee is the body responsible for approving any changes made to the policy, while the Audit & Accounts Committee is responsible for monitoring the policy.
- 7.2 If you require any additional guidance or support around this policy please contact either the MLRO or a member of the Internal Audit team at CCC through this email: internal.audit@cambridgeshire.gov.uk
- 7.2 Additionally, below are some useful links on the topic of money laundering:
- National Crime Agency <http://www.nationalcrimeagency.gov.uk>
 - The Law Society - Anti-Money Laundering Guidance and Advice - <http://www.lawsociety.org.uk/advice/anti-money-laundering>
 - Crown Prosecution Service definition of offences: [Money Laundering Offences | The Crown Prosecution Service \(cps.gov.uk\)](#)

Appendix 1

Overview of Money Laundering Offences

The Proceeds of Crime Act 2002 (POCA) and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 broadened the definition of money laundering.

1. Primary Money Laundering Offences:

There are a number of different offences that may be committed under the applicable legislation:

- Concealing, disguising, converting, transferring or removing criminal property from the UK (Section 327 POCA);
- Entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property (Section 328 POCA);
- Acquiring criminal property, using criminal property; or possession of criminal property (Section 329 POCA).
- Doing something that might prejudice an investigation into money laundering (for example, falsifying a document) (Section 342 POCA).

The above are the primary Money Laundering offences, and are prohibited under the legislation. A person does not commit an offence under Sections 327 – 329 of POCA if they made an authorised disclosure before they did the act and had consent, or if they intended to make disclosure but have a reasonable excuse for not doing so. This provision emphasises the importance of reporting possible money laundering instances to the National Crime Agency.

2. Secondary Money Laundering Offences:

There are also two secondary offences, which only apply to public authorities like Cambridgeshire County Council if they are undertaking activities which fall into the 'regulated sector' under POCA. This includes a range of business activities, generally where persons are handling money on behalf of others, such as certain accountancy or legal services.

The secondary offences are:

- Failure to disclose/report any of the three primary offences (Sections 330 and 331 of POCA) - when a person knows or suspects that money laundering activity is taking

place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, they must report this as soon as practicable to the Money Laundering Responsible Officer (MLRO) or risk prosecution.

- Tipping off (Section 333A) – this is where someone informs a person, or people, who are suspected of being involved in Money Laundering, in such a way as to reduce the likelihood of their being investigated, or prejudicing an investigation.

3. Terrorism Act Offences:

The Terrorism Act (TACT) made it a money laundering offence to enter into or become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism, where it relates to information that comes to them in the course of their business or employment.

ANNEX D



ANTI-MONEY LAUNDERING POLICY

Policy Owner	
Name:	Duncan Wilkinson
Post:	LGSS Chief Internal Auditor
Email:	Duncan.Wilkinson@Milton-keynes.gov.uk
Tel:	01908 252089

1 Introduction

- 1.1 The need for this policy derives from the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. The Council's legal obligations impact on certain areas of the business and requires Cambridgeshire County Council (CCC) to establish internal procedures to prevent the misuse of services to launder money.
- 1.2 This policy details the controls to prevent and protect against money laundering and terrorist financing

2 Scope of the policy

- 2.1 This policy applies to all employees and contractors / agents of CCC. The policy sets out the procedures which all officers must follow where they suspect or know that a transaction involves money laundering.

3 What is Money Laundering?

- 3.1 Money laundering is how criminally obtained money or other assets are exchanged for money or assets with no obvious link to their criminal origins. It also covers money, however obtained, which is used to fund terrorism.
- 3.2 Money laundering can take many forms such as:
 - Concealing, disguising, converting, transferring or removing criminal property from the UK;
 - Entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property;
 - Acquiring, using or possessing criminal property;
 - Attempting or helping any of the above offences;
 - Involvement in an arrangement which facilitates the control of money or property destined for, or the proceeds of, terrorism;

4 How do you detect money laundering

4.1 There is no one method of laundering money. For this reason, it is important that the Council (via its employees and contractors and agents) should be vigilant and alert to possible signs of money laundering through the Council's services.

4.2 At all times, you should;

- Be wary of cash transactions. 'Cash' for this purpose means notes, coins or travellers' cheques in any currency;
- Take care when commencing business with a new client (establish identity as per below where applicable);
- Be alert to the possibility of money laundering by a client or a prospective client;
- Keep records (as per below where applicable);

5 Council's Obligations

5.1 The Money Laundering regulations apply to specific persons, including certain institutions, auditors, accountants, tax advisers and legal professionals.

5.2 Strictly speaking, internal public sector services may not be covered by the legislation. However, public services are susceptible to money laundering activities and CCC must be able to demonstrate its compliance with the law in this area.

5.3 The Proceeds of Crime Act also creates offences relating to money laundering activities, as well as terrorist financing. Again public services may be targeted for this purpose and CCC must be able to demonstrate its compliance with this law.

5.4 CCC has therefore:

- appointed a Chief Internal Auditor to receive disclosures from employees of money laundering activities (their own concerns or that of someone else);
- implemented a reporting procedure where a person:
 - knows or suspects; or
 - has a reasonable ground for knowing or suspecting money laundering.
- Set out client identification procedures to be followed in certain circumstances
- Set down record-keeping procedures for the purposes of money laundering

5.5 All employees, contractors and agents of the public are therefore required to be familiar with the council's policy and to comply with the procedures set out in the following sections and particularly with the reporting procedure.

6 The Money Laundering Reporting Officer (MLRO)

6.1 The officer nominated to receive disclosures about money laundering activities is the LGSS Chief Internal Auditor. This post is currently held by Duncan Wilkinson who can be contacted as follows:

Duncan Wilkinson
 Chief Internal Auditor,
 Civic Offices
 Milton Keynes Council
 1 Saxon Gate East
 MK9 3EJ
 Telephone: 01908 252089

Email address: duncan.wilkinson@milton-keynes.gov.uk

6.2 In the absence of the MLRO, the CCC Director of Law & Governance (as CCC Monitoring Officer), is nominated to deputise as the MLRO until further notice. Quentin Baker can be contacted at 01223 727961, or email address quentin.baker@LGSSLaw.co.uk

7 Reporting Procedure

This section explains what you **MUST** do where you become suspicious or know that there is a money laundering or terrorist financing activity going on and how your report will be dealt with by the MLRO.

7.1 Reporting to the MLRO

- 7.1.1 Where you know or suspect or have reasonable grounds to know or suspect that a money laundering activity is taking place or has taken place, you must notify the MLRO **IMMEDIATELY** using the money laundering reporting form attached at appendix 1.
- 7.1.2 Similarly, where you believe your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 (see relevant provisions at appendix 2), you must disclose this to the MLRO using the form attached at appendix 1.
- 7.1.3 You must still report your concerns even if you believe that someone else has already reported their suspicions of the same money laundering activity.

Warning: If you fail to report or disclose as above, you may be liable for prosecution for one or more offences.

7.2 After reporting to the MLRO you **MUST**:

- **not** voice your suspicion to the suspected person or any third party;
- **not** disclose to anyone the fact the you have made the report;
- **not** make any further enquiries into the matter yourself;
- **not** make any reference on the file of the report;
- do nothing further on the matter unless you receive specific, written consent from the MLRO to proceed.

Warning: If you fail to observe any of the above, you may be liable for prosecution for ‘tipping off’ or other offences.

7.3 Once the MLRO receives the report, he/she will;

- (1) note the date of receipt and confirm to you that she/he has received the report;
- (2) advise you of the timescale within which he/she expects to respond to you;
- (3) conduct a provisional investigation into the matter;
- (4) undertake such other reasonable enquiries as appropriate, seeking specialist legal and financial advice (if appropriate);
- (5) make a timely determination as below:
 - (a) Where it is determined there are no reasonable grounds to suspect money laundering, he/she will record the reasons for the finding and give consent for the transaction to proceed.
 - (b) Where it is determined money laundering is suspected he/she:
 - (i) Will make a report to NCA (National Crime Agency), as soon as is practicable, and seek NCA's consent whether to proceed with the transaction.
 - (ii) Will advise the officer who made the report of any consent or refusal of consent from NCA.
 - (iii) May give consent for the transaction to proceed where 7 working days have passed since the disclosure to NCA and no refusal notice has been given; or where although the refusal notice has been given, the moratorium period of 31 days has expired since the date of when the refusal notice was given.
 - (iv) Take formal advice from the Director of Law and Governance IF there appears to be reasonable excuse for non-disclosure (eg legal professional privilege) to decide whether or not the matter should be disclosed to NCA.

- (v) Where the decision is made not to disclose to the NCA, he/she must record the decision and give consent for the transaction to proceed.

7.4 The MLRO commits an offence:

7.4.1 if without reasonable excuse, she/he fails to disclose to NCA as soon as is practicable suspected money laundering reported to him/her (except as set out at 7.3.1 (5) (b) (iv) above)

7.4.2 where after reporting to NCA:

- he/she gives consent to an officer to proceed with the transaction without receiving such consent from NCA;
- where he/she gives such consent before hearing from NCA and the period of 7 working days has not expired since she/he made the disclosure to NCA;
- he/she gives such consent before the required moratorium period (of 31 days since the date of the refusal notice) has expired.

8 Client identification procedure (customer due diligence)

This section explains what you **MUST** do where you are involved in services identified as potential targets for money laundering or terrorist financing transactions. Verifying the identity of clients is a key process that reduces the risk of money laundering and terrorist financing.

8.1 Client/customer due diligence consists of:

- identifying the customer and verifying the client's identity on the basis of documents, data or information obtained from a reliable source;
- identifying a beneficial owner who is not a customer, where there is one, and taking adequate measures on a risk sensitive basis, to verify his/her identity;
- obtaining information on the purpose and intended nature of the business relationship.

8.2 You **must** conduct a 'customer due diligence' in the following circumstances ;

- when establishing a new business relationship;
- when carrying out an occasional transaction (a transaction which amounts to €15,000 or more (approximately £10,000) which is carried out in a single operation or several linked operations, and which is carried out other than as part of a business relationship);
- when you suspect money laundering or terrorist financing, regardless of the amount involved;
- when you doubt the veracity or adequacy of documents, data or information previously obtained for identification purposes.

8.3 You **must** complete the verification of the identity of the client (or beneficial owner) before you establish the business relationship or accept / process the transaction.

8.4 You may however, complete such identity verification after establishing the business relationship only if it is necessary not to interrupt the normal conduct of business and there is little risk of money laundering or terrorist financing occurring, but provided that the verification is completed as soon as practicable after contact is first established.

8.5 You should obtain evidence of identity as follows:

8.5.1 For internal clients:

- Written instructions on CCC headed paper signed and dated by the appropriate person; or an email from the Council's internal email system.
- The evidence should be kept on file identifying that it is evidence of the client's identity.

8.5.2 For external clients:

- Written instructions on the organisation's official headed paper, duly signed and dated by the appropriate person/s (It must be clear what position the signing person/s hold/s within the organisation); or an email from the organisation's e-

communication system that clearly identifies the sending company and person.

- The evidence should be kept on file identifying that it is evidence of the client's identity.
- Whenever dealing with a company, you must also verify the existence of the company. You must always request to be provided with the company's registration number which you can use to search for the company's existence at the companies house, and the registered address of the company.
- You must further ensure that the person instructing you has the authority from the company to do so.
- When dealing with an individual, identity evidence will be key, verifiable documents such as Driving Licence, Passport or other reliable document.

It is very important that you do not take a tick box approach towards the client identification procedure. You must be satisfied with the authenticity of identification documents and where in doubt, please speak to your manager to see what other forms of identification you may request. The MLRO is able to provide tools that verify the validity of identification documents.

8.6 Where satisfactory evidence of identity is not obtained from the outset or as soon as practicable (in the case of 8.5 above), then;

- You cannot establish a business relationship or carry out an occasional transaction with the client;
- You cannot proceed any further with the transaction (if applicable);
- You must consider whether you need to report the matter to the MLRO.

8.7 Where you are satisfied with the evidence of the identity and an ongoing business relationship is established with a client, you should still scrutinise transactions undertaken to ensure that they are consistent with your knowledge of the client or business and risk profile. You should also ensure that the identification documents are up to date.

9 Record keeping procedure

9.1 It is essential that records are properly kept to aid in any subsequent investigation which may be carried out and to demonstrate the Council has met its responsibilities. Each service must keep the following records for a period of five years beginning from the date when the occasional transaction is completed or business relationship ends:

- evidence of the client's identity
- all supporting records, originals or copies, relating to the transaction

9.2 The MLRO must keep all records of any reports or disclosures received by him/her, action taken and the outcome.

Report to Money Laundering Reporting Officer

Re: money laundering activity

To: Duncan Wilkinson, CCC Money Laundering Reporting Officer

From: Date:
[insert name of employee]

Directorate: Ext/Tel No:
[insert post title and section]

DETAILS OF SUSPECTED OFFENCE

Name (s) and address (es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Nature of suspicions (cont'd):

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (to your knowledge)?

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes No

If yes, please specify below and where applicable, explain why such discussion was necessary:

Have you consulted any supervisory body's guidance (e.g. the Law Society) on money laundering?

Yes No

If yes, please specify below:

Do you have any grounds for believing that the matter should not be disclosed to NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes No

If yes, please set out full details below:

Are you involved in a transaction which may involve a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 and which may require NCA’s consent?

Yes No

If yes, please set out the details below:

Please set out below any other relevant information:

Signed:.....

Dated:.....

Do not discuss the content of this report with the person/s you suspect to be involved in the money laundering activities described or with third parties. To do so may constitute the offence of tipping off which carries a maximum penalty of 5 years’ imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt report acknowledged

CONSIDERATION OF DISCLOSURE:

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?

Yes No

If yes, please give reasons/details below:

	Yes	No
1. I have a good understanding of the company's financial statements.		
2. I have a good understanding of the company's business model.		
3. I have a good understanding of the company's competitive advantage.		
4. I have a good understanding of the company's market position.		
5. I have a good understanding of the company's management team.		
6. I have a good understanding of the company's risk factors.		
7. I have a good understanding of the company's growth prospects.		
8. I have a good understanding of the company's corporate governance.		
9. I have a good understanding of the company's social and environmental impact.		
10. I have a good understanding of the company's overall value proposition.		


Yes No

Details of liaison with NCA regarding the report:

Moratorium period: to

Yes ☐ No ☐

If yes, please confirm full details below:



Date consent received from NCA:

Date consent given by you to the employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to NCA, please set out below the reason(s) for non- disclosure:

Date consent given by you to employee for any prohibited act/transaction to proceed:

.....

Other relevant information:

Signed:

Dated:

This report should be retained for at least five years from the date when the occasional transaction or the business relationship to which it relates comes to an end.

Signed:.....

Date:.....

This report should be retained for at least five years from the date when the occasional transaction or the business relationship to which it relates comes to an end.

APPENDIX 2

RELEVANT EXTRACTS FROM THE PROCEEDS OF CRIME ACT 2002

S.327 Concealing etc

(1) A person commits an offence if he—

- (a) conceals criminal property;
- (b) disguises criminal property;
- (c) converts criminal property;
- (d) transfers criminal property;
- (e) removes criminal property from England and Wales or from Scotland or from Northern Ireland.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) Concealing or disguising criminal property includes concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it.

S.328 Arrangements

(1) A person commits an offence if he enters into or becomes concerned in an arrangement which he knows or suspects facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.

(2) But a person does not commit such an offence if—

(a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;

(b) he intended to make such a disclosure but had a reasonable excuse for not doing so;

(c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

S.329 Acquisition, use and possession

(1) A person commits an offence if he—

(a) acquires criminal property;

(b) uses criminal property;

(c) has possession of criminal property.

(2) But a person does not commit such an offence if—

(a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;

(b) he intended to make such a disclosure but had a reasonable excuse for not doing so;

(c) he acquired or used or had possession of the property for adequate consideration;

(d) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) For the purposes of this section—

(a) a person acquires property for inadequate consideration if the value of the consideration is significantly less than the value of the property;

(b) a person uses or has possession of property for inadequate consideration if the value of the consideration is significantly less than the value of the use or possession;

(c) the provision by a person of goods or services which he knows or suspects may help another to carry out criminal conduct is not consideration.

S.332 Failure to disclose: other nominated officers

(1) A person nominated to receive disclosures under section 337 or 338 commits an offence if the conditions in subsections (2) to (4) are satisfied.

(2) The first condition is that he knows or suspects that another person is engaged in money laundering.

(3) The second condition is that the information or other matter on which his knowledge or suspicion is based came to him in consequence of a disclosure made under section 337 or 338.

(4) The third condition is that he does not make the required disclosure as soon as is practicable after the information or other matter comes to him.

(5) The required disclosure is a disclosure of the information or other matter—

(a) to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service;

(b) in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339.

(6) But a person does not commit an offence under this section if he has a reasonable excuse for not disclosing the information or other matter.

S.333 Tipping off

- (1) A person commits an offence if—
- (a) he knows or suspects that a disclosure falling within section 337 or 338 has been made, and
 - (b) he makes a disclosure which is likely to prejudice any investigation which might be conducted following the disclosure referred to in paragraph (a).
- (2) But a person does not commit an offence under subsection (1) if—
- (a) he did not know or suspect that the disclosure was likely to be prejudicial as mentioned in subsection (1);
 - (b) the disclosure is made in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct;
 - (c) he is a professional legal adviser and the disclosure falls within subsection (3).
- (3) A disclosure falls within this subsection if it is a disclosure—
- (a) to (or to a representative of) a client of the professional legal adviser in connection with the giving by the adviser of legal advice to the client, or
 - (b) to any person in connection with legal proceedings or contemplated legal proceedings.
- (4) But a disclosure does not fall within subsection (3) if it is made with the intention of furthering a criminal purpose.

S.334 Penalties

- (1) A person guilty of an offence under section 327, 328 or 329 is liable—
- (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
 - (b) on conviction on indictment, to imprisonment for a term not exceeding 14 years or to a fine or to both.
- (2) A person guilty of an offence under section 330, 331, 332 or 333 is liable—

- (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
- (b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.

S.335 Appropriate consent

(1) The appropriate consent is—

- (a) the consent of a nominated officer to do a prohibited act if an authorised disclosure is made to the nominated officer;
- (b) the consent of a constable to do a prohibited act if an authorised disclosure is made to a constable;
- (c) the consent of a customs officer to do a prohibited act if an authorised disclosure is made to a customs officer.

(2) A person must be treated as having the appropriate consent if—

- (a) he makes an authorised disclosure to a constable or a customs officer, and
- (b) the condition in subsection (3) or the condition in subsection (4) is satisfied.

(3) The condition is that before the end of the notice period he does not receive notice from a constable or customs officer that consent to the doing of the act is refused.

(4) The condition is that—

- (a) before the end of the notice period he receives notice from a constable or customs officer that consent to the doing of the act is refused, and
- (b) the moratorium period has expired.

(5) The notice period is the period of seven working days starting with the first working day after the person makes the disclosure.

(6) The moratorium period is the period of 31 days starting with the day on which the person receives notice that consent to the doing of the act is refused.

(7) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial

Dealings Act 1971 (c. 80) in the part of the United Kingdom in which the person is when he makes the disclosure.

(8) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

(9) A nominated officer is a person nominated to receive disclosures under section 338.

(10) Subsections (1) to (4) apply for the purposes of this Part.

S.336 Nominated officer: consent

(1) A nominated officer must not give the appropriate consent to the doing of a prohibited act unless the condition in subsection (2), the condition in subsection (3) or the condition in subsection (4) is satisfied.

(2) The condition is that—

(a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and

(b) such a person gives consent to the doing of the act.

(3) The condition is that—

(a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and

(b) before the end of the notice period he does not receive notice from such a person that consent to the doing of the act is refused.

(4) The condition is that—

(a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service,

(b) before the end of the notice period he receives notice from such a person that consent to the doing of the act is refused, and

(c) the moratorium period has expired.

(5) A person who is a nominated officer commits an offence if—

- (a) he gives consent to a prohibited act in circumstances where none of the conditions in subsections (2), (3) and (4) is satisfied, and
 - (b) he knows or suspects that the act is a prohibited act.
- (6) A person guilty of such an offence is liable—
- (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
 - (b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.
- (7) The notice period is the period of seven working days starting with the first working day after the nominated officer makes the disclosure.
- (8) The moratorium period is the period of 31 days starting with the day on which the nominated officer is given notice that consent to the doing of the act is refused.
- (9) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 (c. 80) in the part of the United Kingdom in which the nominated officer is when he gives the appropriate consent.
- (10) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).
- (11) A nominated officer is a person nominated to receive disclosures under section 338.

S.337 Protected disclosures

- (1) A disclosure which satisfies the following three conditions is not to be taken to breach any restriction on the disclosure of information (however imposed).
- (2) The first condition is that the information or other matter disclosed came to the person making the disclosure (the discloser) in the course of his trade, profession, business or employment.
- (3) The second condition is that the information or other matter—
- (a) causes the discloser to know or suspect, or
 - (b) gives him reasonable grounds for knowing or suspecting,
- that another person is engaged in money laundering.

(4) The third condition is that the disclosure is made to a constable, a customs officer or a nominated officer as soon as is practicable after the information or other matter comes to the discloser.

(5) A disclosure to a nominated officer is a disclosure which—

(a) is made to a person nominated by the discloser's employer to receive disclosures under this section, and

(b) is made in the course of the discloser's employment and in accordance with the procedure established by the employer for the purpose.

S.338 Authorised disclosures

(1) For the purposes of this Part a disclosure is authorised if—

(a) it is a disclosure to a constable, a customs officer or a nominated officer by the alleged offender that property is criminal property,

(b) it is made in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339, and

(c) the first or second condition set out below is satisfied.

(2) The first condition is that the disclosure is made before the alleged offender does the prohibited act.

(3) The second condition is that—

(a) the disclosure is made after the alleged offender does the prohibited act,

(b) there is a good reason for his failure to make the disclosure before he did the act, and

(c) the disclosure is made on his own initiative and as soon as it is practicable for him to make it.

(4) An authorised disclosure is not to be taken to breach any restriction on the disclosure of information (however imposed).

(5) A disclosure to a nominated officer is a disclosure which—

(a) is made to a person nominated by the alleged offender's employer to receive authorised disclosures, and

(b) is made in the course of the alleged offender's employment and in accordance with the procedure established by the employer for the purpose.

(6) References to the prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

Annual Whistleblowing Report 2021-22

To: Audit & Accounts Committee

Meeting Date: 29th September 2022

From: Acting Head of Internal Audit & Risk Management

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: Annual report on the Council's Whistleblowing Policy.

Recommendation: The Committee is asked to note the report.

Officer contact:

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

Member contact:

Names: Councillor Wilson
Post: Chair of Audit & Accounts Committee
Email: Graham.Wilson@cambridgeshire.gov.uk

1. Background

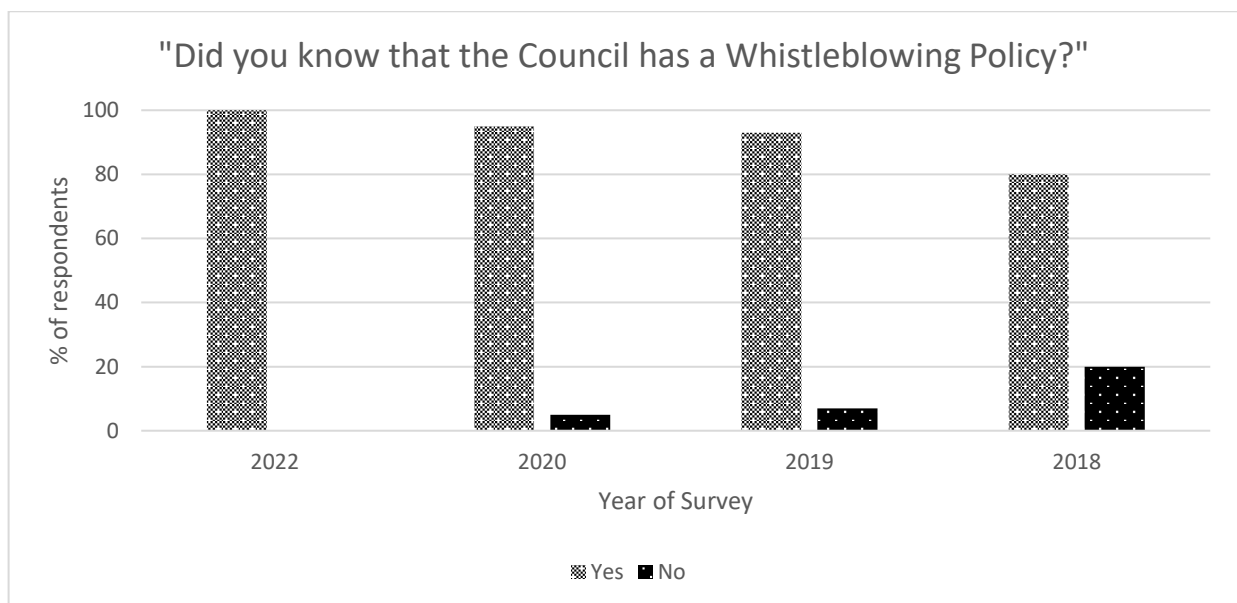
- 1.1 Internal Audit produce an annual report on the Council's Whistleblowing Policy. This seeks to identify any trends or patterns of concern in whistleblowing activity and gives the results of the annual staff survey on whistleblowing.
- 1.2 The Whistleblowing Policy was last updated in 2021 and approved by the Audit & Accounts Committee on the 22nd July 2021. The Chief Executive has committed to personally review the Whistleblowing Policy. This review is ongoing and any changes to the policy will be aligned to the Council's new organisational structure.

2. Whistleblowing 2021/22

2.1 Staff Survey

- 2.1.1 A staff survey was conducted in June 2022 to gauge staff awareness of, and confidence in, the Council's Whistleblowing Policy.
- 2.1.2 The survey was conducted using the same methodology as in previous years, to enable comparison of results over time. One hundred randomly selected members of staff were asked to complete an anonymous online survey, and 40 responses were received. This is broadly in line with 42 responses received in 2020 and 43 in 2019. The survey was not conducted in 2021.
- 2.1.3 All staff who responded were aware of the Council's Whistleblowing Policy. Staff awareness of the policy has steadily improved since the first Annual Report and awareness campaign in 2018:

Table 1: Whistleblowing Policy Awareness

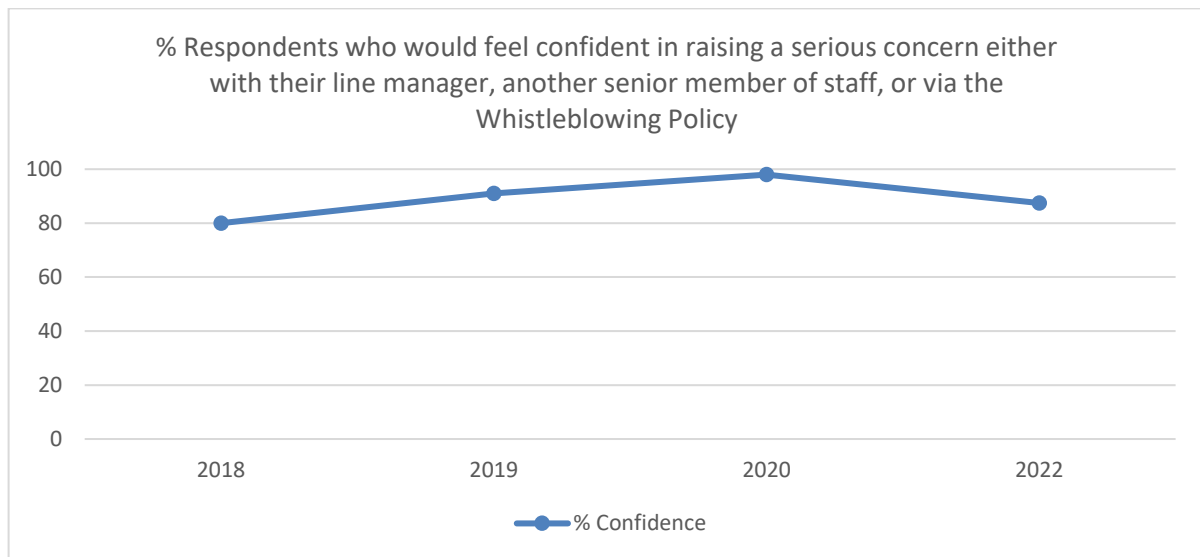


- 2.1.4 Awareness of the detail of the Whistleblowing Policy was more mixed:
 - 47.5% of staff had read the Whistleblowing Policy.

- 42.5% of staff had read corporate communications about the Whistleblowing Policy e.g. in Friday Focus, but had not read the policy itself.
- 10% of staff had not read the Whistleblowing Policy or any comms.

2.1.5 Based on the results of the survey, staff confidence in the whistleblowing process appears to have reduced slightly in 2022. However, with 87.5% of respondents stating they would feel confident in raising a serious concern, confidence is still higher than it was in 2018 when the annual surveys began:

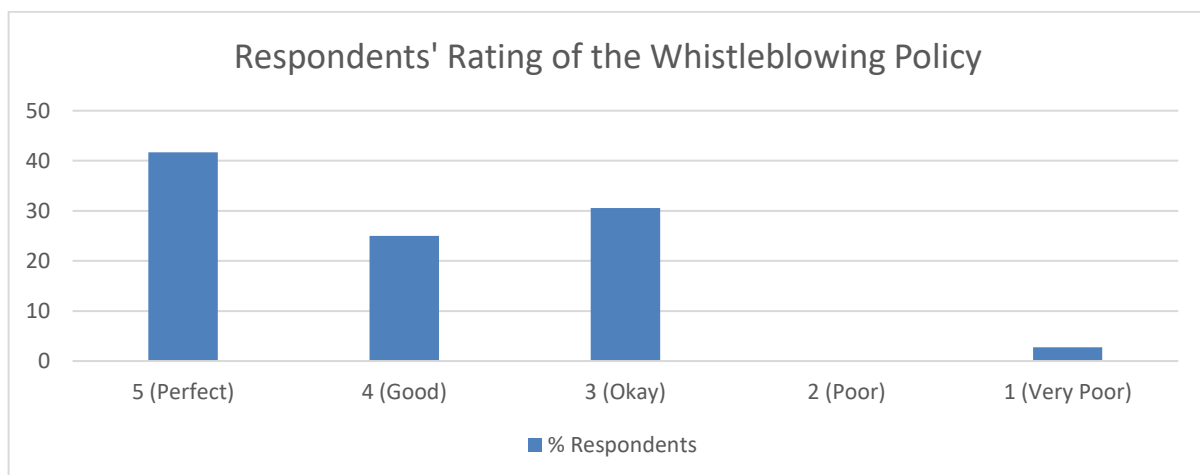
Table 2: Confidence in the Whistleblowing Process:



2.1.6 5% of staff confirmed that they had thought about using the Whistleblowing Policy in the last 12 months. This compares to 0% in 2020, 11% in 2019 and 8% in 2018.

2.1.7 Lastly, staff were asked how they would rate the policy in meeting the needs of someone who had concerns about the Council's services. This was rated on a scale of 1 – 5, with 5 being 'perfect'.

Table 3: Whistleblowing Policy Ratings:



2.1.8 Where staff rated the Whistleblowing Policy as less than 5, they were asked to comment on what the Council could do to change the Policy so that it would score a 5. Details of all the responses received have been passed to the Chief Executive to inform his review and update of the policy.

2.2 Publicity and Awareness

2.2.1 A publicity campaign to raise awareness of the Whistleblowing Policy was run throughout September and October 2021. This included regular features in the 'Friday Focus' staff newsletter and a series of weekly articles on the staff intranet to highlight specific areas of the policy.

2.2.2 The Whistleblowing Policy was also relaunched on the Council's public-facing website with a press release, to raise awareness of the policy and how to report concerns among local residents.

2.2.3 A follow-up publicity campaign has been conducted in September 2022 by Internal Audit. This has included a news article on the CamWeb intranet on 5th September, followed by a series of weekly features in the staff newsletter on:

- What is whistleblowing?
- How to raise a concern
- How the Council will support those who raise a concern
- How the Council will respond to whistleblowing concerns
- The roles and responsibilities of the Council when it comes to disclosures

2.2.4 From the 1st September, a new electronic whistleblowing poster is also being featured on the public information screens at New Shire Hall.

2.3 Overview of Whistleblowing Cases

2.3.1 In total, in the 2021/22 financial year, 20 whistleblowing concerns were raised through the corporate process and referred to Internal Audit. This is broadly in line with the number of cases seen in previous years:

Table 4: Total Number of Whistleblowing Cases by Year

2018/19	2019/20	2020/21	2021/22
19	24	23	20

2.3.2 The nature of allegations that are referred to the whistleblowing process is very varied. If an issue is raised with Internal Audit via the whistleblowing process, it is recorded in our whistleblowing data even if the issue subsequently is referred in to a different process for resolution (such as the corporate complaints process or Respect At Work process).

2.3.3 The table below sets out the different types of allegations referred to Internal Audit via the whistleblowing process, from 2018/19 to 2021/22.

Table 5: Nature of Whistleblowing Allegations:

	Nature of Allegation	2021/22	2020/21	2019/20	2018/19
Fraud and Theft	Anti-competitive activity		1		
	Bank Mandate fraud			2	
	Blue Badge fraud		6	1	
	Conflict of Interest	2	1		2
	Council Officer fraud	2		3	1
	Direct Payments fraud	2	4	1	
	Overpayment	1			
	Phishing fraud		1		
	Theft	1	1	2	4
	Third Party fraud	1	3	6	1
Schools	School admissions fraud	1	1		
	Schools financial fraud	1			2
	Schools governance allegation	1	1		2
Other	Complaints	1		3	1
	Information Security	1	1	1	
	Internal governance issue	2		3	2
	Staff Conduct / Grievance	2	3	2	2
	Safeguarding	2			2
	Total Case Numbers	20	23	24	19

2.3.4 The nature of the concerns received and any patterns identified is used to inform proactive anti-fraud work by the Internal Audit team. For instance, in 2022/23, work is being undertaken to develop a new Direct Payments Fraud & Misuse Policy and review the control environment for issuing and monitoring Direct Payments.

2.3.5 The table below shows the outcomes from whistleblowing referrals received by the Internal Audit team. Where the outcome recorded is 'no action required', this reflects cases where the initial review of the referral indicates that no investigation or referral of the allegation is needed. For example, this may be because the issue has already been dealt with internally, or is not serious enough to warrant a full investigation.

Table 6: Outcomes from Whistleblowing Referrals:

Nature of Outcome	2021/22	2020/21	2019/20	2018/19
No action required	4	4	8	1
No powers to investigate.	1			1
Referred to relevant process	8	3	6	6
Informal Audit advice & recommendations.		3	2	5
Investigation indicates no serious concerns		6	3	2
Audit report and recommendations	6	5	3	2
Recovery action		1	1	1
Police Referral / Taken to Court	1	1	1	1
Total Case Numbers	20	23	24	19

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. Source documents

4.1 Source documents

4.1.1 Cambridgeshire County Council's Whistleblowing Policy

4.2 Location

4.2.1 The current policy is available on the County Council's external website:

[Whistleblowing Policy - Cambridgeshire County Council](#)

Audit and Accounts Committee Forward Agenda Plan

Updated 21st September 2022

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
29/09/22 (21/09/22)	Draft Cambridgeshire Pension Fund External Audit Plan	Annual	External Auditor/ Fund Accounting Manager	Mark Hodgson, EY/ Ben Barlow
	County Council External Audit Plan 2021-22	Annual	External Auditor/ Head of Finance	Mark Hodgson, EY/ Stephen Howarth
	Corporate Risk register		Head of Diligence & Best Value	Neil Hunter
	Anti-Fraud & Corruption Policy and the Anti-Money Laundering Policy		Acting Head of Internal Audit / Audit and Risk Manager	Mairead Claydon
	Annual Whistle Blowing Report	Annual	Acting Head of Internal Audit / Audit and Risk Manager	Mairead Claydon

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
24/11/22 (16/11/22)	Debt Management Six Monthly Progress Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
	Whistleblowing Policy		Chief Executive	Stephen Moir
	Consultants and Agency Worker Data - Quarter 4 2021-2022 and Quarter 1 2022-2023	Six monthly	Assistant Director for HR Services	Janet Atkin
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
09/02/23 (01/02/23)	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson

+ = indicates Exempt report

REPORTS TO BE PROGRAMMED AS SUBJECT TO ONGOING INVESTIGATIONS/ADDITIONAL WORK

FACT, HACT and ESACT Recovery of Monies This is currently the subject of a Police investigation	One-off Report When the report comes forward it may require a separate confidential appendix if it contains commercially sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded, any updates remain commercially sensitive.	Director of Resources and Chief Financial Officer / Service Director Highways and Finance	Tom Kelly
--	--	--	-----------