AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Thursday, 25 November 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE [Venue Address]

AGENDA

Open to Public and Press by appointment only

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.	**Minutes of the Audit and Accounts Committee held 28th September 2021**	**5 - 18**
4.	**Action Log**	**19 - 20**
5.	**Use of Regulation of Investigatory Powers Act 2000 (RIPA)**	**21 - 82**
6(a).	**External Auditor's Value for Money Conclusion for year ended 31st March 2018**	**83 - 110**
6(b).	**External Auditor Value For Money opnion for 2017-18 and response to findings of procurement weaknesses**	**111 - 120**

7.	**Arrangements for the appointment of external auditors from 2023-24 to 2027-28**	**121 - 126**
8.	**Audit and Accounts Committee Annual Report to Council 2020-21**	**127 - 134**
9.	**Internal Audit Progress Report**	**135 - 174**
10.	**Financial reporting and External Audit update**	**175 - 180**
11.	**Audit and Accounts Committee Forward Agenda Plan**	**181 - 182**

12. Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda 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.

13. Farms Audit Report

- oral report

Attending meetings and COVID-19

Meetings of the Council take place physically and are open to the public. Public access to meetings is managed in accordance with current COVID-19 regulations and therefore if you wish to attend a meeting of the Council, please contact the Committee Clerk who will be able to advise you further. Meetings are streamed to the Council's website: Council meetings Live Web Stream - Cambridgeshire County Council. If you wish to speak on an item, please contact the Committee Clerk to discuss as you may be able to contribute to the meeting remotely.

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: 28th September 2021

Time: 2:00 – 4.15pm

Place: New Shire Hall, Alconbury Weald

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

Officers: Dawn Cave, Neil Hunter, Tom Kelly, Stephen Howarth, Mark Hodgson (EY), Fiona Coates, Janet Atkin, Fiona Macmillan, Ben Barlow

19. Apologies for Absence and Declarations of Interest

There were no apologies for absence.

Councillors Whelan declared interest as Chair of Pension Fund Committee in relation to the two Pension items. It was noted that Councillors Boden and Sharp were also members of the Pension Fund Committee

Councillor Boden declared a non-statutory interest as a member of the Audit Registration Committee of the Institute of Chartered Accountants of England and Wales (ICAEW), but advised that he managed that potential conflict by having no part in the appointment of the Council or Pension Fund's external auditors, and was not conflicted.

20. Petitions and Public Questions

There was one public question from Mr Mike Mason. Mr Mason's question and the officer response is included at Appendix 1 to these minutes

21. Public minutes of the Committee meetings held 13th and 22nd July 2021

A correction was noted to the final page of the public minutes of the Committee meeting held 13th July (first line under item 11):

"A report was considered regarding what further material relating to the Farms Audit *should be published"*

It was resolved unanimously to approve the minutes of the Committee meetings held 13th and 22nd July 2021.

22. Committee Action Log

It was noted that there were a number of late updates to the Action Log, and it was agreed that these would be circulated to the Committee. These are appended to these minutes at appendix 2.

With regard to the This Land accounts, it was confirmed that the accounts had been submitted to Companies House and should shortly be visible on the Companies House website. This Land had provided the accounts to Strategy & Resources Committee Members ahead of their shareholder meeting on 30/09/21.

There was a query on progress with BDO on the Value For Money opinions. The Chief Finance Officer advised that along with the Monitoring Officer and Chief Executive, he would be meeting with the BDO Lead Audit Partner on 29/09/21, and would update the Chair on the outcome of that meeting.

The Action Log was noted.

23. Consultants Report September 2021

The Assistant Director: HR Services presented an update on the use of consultants and agency workers in Quarter 4 2020-2021 (January to March 2021) and Quarter 1 2021-2022 (April to June 2021). The background to this information being provided to the Committee was noted, and Members also noted the definitions used for both consultants and agency workers, and the circumstances in which engaging consultants and agency workers was appropriate.

Spending on agency workers in each quarter had increased when compared to the same quarters of the previous financial years, and the reasons for this were noted, which included care staff to cover sickness absence due to Covid-19, and ongoing recruitment issues, particularly in Children's Social Work, which was a situation being reflected nationally. Expenditure on consultants was not significant for a Council the size of Cambridgeshire.

Arising from the report:

- A Member suggested that it would be useful for this information, appropriately broken down, to be shared with the CYP and Adults Service Committees, so that they were aware of expenditure in this area;

- It was clarified that 'Opus' was previously Opus LGSS, but was now Opus People Solutions (East) Ltd, and remained a joint venture between Cambridgeshire County Council and respective Northamptonshire Councils;

- A Member queried whether there were any off-payroll implications relating to the engagement of consultants. Officers confirmed that all agency workers were taxed under PAYE, and that an IR35 assessment took place when consultants were engaged.

Noting that agency staff had been appointed to cover Covid-19 sickness, a Member asked if there had been any appreciable budget pressure arising from this situation. Officers confirmed that there was no material pressure as a result.

On a related matter, the Chair commented that on a recent visit to the Amey site in Waterbeach, it emerged that most staff were employed on zero hours contracts through agencies, and he asked what influence, if any, the County Council has over the use of zero hours contracts on this commissioned contract, and also on our care contracts. The Assistant Director: HR Services agreed to check with officers responsible for those services and report back to the Chair. Action required.

The Committee resolved unanimously to note the current data on the use of consultants and agency workers.

24. Cambridgeshire Pension Fund External Audit Plan 2020/21

The Committee considered the Cambridgeshire Pension Fund provisional External Audit Plan for the year ended 31 March 2021. It was noted that this had been considered by the Pension Fund Committee in July 2021.

Introducing the report, the External Auditor, Mark Hodgson of EY, drew attention to the risks identified in the Overview section of the report, which were consistent with the designation from the previous year. Members noted the definitions of the terms "Fraud risk", "Significant risk" and "Inherent risk". The two main risks identified were Cambridge & Counties Bank, a specialist vehicle requiring specialist valuations; and Level 3 valuations because they were deemed to be hard to value assets, because they were not quoted on any stock exchange.

It was noted that at the planning stage, a materiality level of £30M had been set, with anything above £1.5M being reported to Committee.

Arising from the presentation:

- A Member asked how EY was progressing it terms of the timescales set out in the report. It was noted that a number of audits had to be deferred because the relevant paperwork had not been ready. The County Council audit needed to be completed before the Pensions Audit could be finalised;

- A Member asked about risk associated with the distance from the triennial valuation. The External Auditor advised that last year, significant detailed testing relating to the last full valuation had been carried out, looking at the detail provided to the actuary. The External Auditor had been comfortable with that evaluation at that stage. The audit of financial statements of the Pension Fund was based on asset valuations quoted at 31st March, the actual liabilities being a disclosure note under IAS 26, but reassurance had been provided regarding the inputs and whether there been any significant variance in those input figures. Procedures were therefore built in, but it was reiterated that audit of financial statements was primarily based on actual figures as 31st March;

- In response to a question on whether post balance sheet events were taken into consideration, the External Auditor advised that they were, to the extent that they would impact on the reported financial position as at 31st March 2021;

- Officers confirmed that they were happy with the Plan. With regard to risk related to the valuation period, within the Pension Scheme, the IAS 19 and FRS 102 accounting standards were met, which were effectively a valuation of each employer within the Fund, and that was undertaken yearly, and provided additional reassurance.

Councillor Whelan confirmed that she was happy with the Audit Plan as Chair of Pension Fund Committee.

A Member observed that although the pension scheme had changed from final salary to career average, it appeared to be very stable, and he asked the External Auditor if that view was correct. He also asked if the scheme was backed by public money. The External Auditor advised that all Local Government Pension Schemes (LGPS) were considered stable in both position and outlook. In terms of the Cambridgeshire Fund specifically, the Fund was in a particularly good position, being over 100% funded, i.e. all liabilities were funded. LGPS Funds were not backed by public money, but were effectively self-funded in perpetuity.

It was resolved unanimously to note the Cambridgeshire Pension Fund External Audit Plan.

25. Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2020-21

The Committee considered the Pension Fund's audited Statement of Accounts. Introducing the report, officers commented that all requirements and deadlines for the audit had been met. The External Auditor had confirmed that the financial statements were in line with CIFPA guidance, gave a true and fair view of the Pension Fund's financial position as at 31st March 2021, and were free from material error, with no unadjusted corrections. In conclusion, the Pensions team was very pleased that a very positive audit had been completed.

The External Auditor advised that the materiality levels had been updated to £38.5M based on net asset values as at 31st March 2021, reflecting the rebounding equity market. In terms of the status of the audit, it was complete with the exception of the formal close procedures, i.e. being signed off once the County Council external audit was complete.

Members noted:

- Key audit assurances were gained against risks identified under the Audit Plan and there were no significant matters to report;
- There were no uncorrected audit differences;
- There was only one corrected audit difference above the materiality threshold of £1.9m which related to changes in value of Level 3 assets, resulting from a timing difference from when the actual values were reviewed;
- The disclosure note around Going Concern met the External Audit team's expectations.

Combined, the above points would enable the External Auditor to give an unqualified audit opinion to be issued at the appropriate point in time. The External Auditor concluded that it had been a very smooth process and he had been well supported by Pension Fund officers throughout the Audit process.

Speaking as the Pension Fund Committee Chair, Councillor Whelan thanked officers, the External Auditor and the previous Committee for all their hard work on these matters, which had been challenging, given the circumstances over the previous 18 months. It was very pleasing to have a clear audit report and strong financial position.

Another Member emphasised the good position of the Pension Fund, which was far better than had been expected, and he was impressed with the way the Pension Fund was being administered. He commented that it was one of the strongest sets of pension accounts he had seen for a very long time, and he endorsed the Pension Fund Committee Chair's comments, congratulating all those involved in the production of a very positive report.

A Member asked if there were any concerns about the Pension Fund was being run by West Northamptonshire Council, given the insolvency and subsequent abolition of Northamptonshire County Council in recent years. Councillor Whelan commented that in her experience, the Pensions team all demonstrated the ability to deliver exactly what was asked of them, and always provided concise responses to queries. In addition, savings could be achieved by sharing the administration of the Pension Fund with the Northamptonshire Pension Fund. Another Member commented that under the new arrangements, with the establishment of two new unitary authorities in Northamptonshire, those authorities were some of the most heavily scrutinised and scrupulous in the country, and the history of Northamptonshire County Council should not reflect negatively on those new authorities.

A Member asked if the External Auditor reviewed the investment policies of the Pension Fund. The External Auditor commented that it was the responsibility of the Pension Fund Committee to set its investment strategy, the External Audit process ensured that there was a strategy in place, and that investments were aligned with that strategy, but did not consider, for example, if the investments selected provided the best yield. Councillor Whelan commented that the current direction of the Investment Strategy was to look at more stable returns, not necessarily investing in areas of the highest returns, as these also entailed the greatest risk, given that the Fund was more than 100% funded.

A Member observed that the proportion of fixed income was quite low compared to equities, and he asked if that was not a risk factor given increasing inflation rates, which may result in a reduction in the value of the Fund, given the heavier weighting to equities. Councillor Whelan advised that a significant proportion of listed equities were hedged, minimising the down risk, at the expense of the up risk. Officers added that asset allocation was considered at every Investment Sub-Committee meeting, that asset allocation was in line with other Pension Funds, and that advice was taken on the Investment Strategy from professional investment consultants.

As Chair of Pension Fund Committee, Councillor Whelan chose to abstain from voting on this item.

It was resolved by a majority to:

1. Approve the Final Statement of Accounts and note the Annual Report of the Pension Fund for the 2020/21 financial year.

2. Note the findings of external audit documented in the ISA260.

26. Cambridgeshire County Council – 2020-21 External Audit Plan

The Committee considered the Cambridgeshire County Council provisional External Audit Plan for the year ended 31 March 2021.

Introducing the report, the External Auditor advised that the fraud risks were the same as those identified in the previous year, and were standard across the local government sector. He further advised:

- A new significant risk for local authorities was "accounting for grants including Covid-19 related Government grants", on the basis that this involved significant sums with various conditions, and was a matter of considerable public scrutiny. It was confirmed that City Deal funding would be included as part of the External Audit review this year;

- "Property, Plant and equipment" remained a significant balance in the Council's accounts and therefore an area of heightened risk, as material audit differences were identified in 2019-20, so audit assurance was required in that area;

- A new inherent risk area of "Group Consolidation" was identified, as there had been some issues with the consolidation of the This Land Group in 2019-20;

- In terms of materiality, all uncorrected misstatements greater than £1M would be reported, although this level may be updated on receipt of the draft accounts;

- There were changes in arrangements this year for VFM risks, with a national change to "negative reporting", and the requirement for the External Auditor to issue a separate audit commentary in a new Auditor's Annual Report;

- Draft financial statements had already been made available to the External Auditor.

Commenting on the Plan, the Chief Finance Officer said that he was happy with the Plan and it was good to have some samples available in advance, although the 6-7 week timescale to complete the audit would be challenging.

Arising from the presentation:

- In response to a Member question regarding the consolidation of the This Land Group accounts, it was noted that there had been some issues regarding the spreadsheet that added the two sets of accounts together, but these had been addressed by This Land's external auditors, RSM. It was anticipated that the alignment of reporting would ensure the process and issues with the This Land auditors were satisfactorily addressed;

- Noting the materiality level of £1M, a Member asked if only issues over that threshold would be brought to Members' attention. It was confirmed that any significant process issue below that £1M threshold would be brought to the Committee's attention, and that nothing was absolute in audit terms;

- A Member asked if the External Audit team would highlight matters to the Internal Audit team if an area was identified in sampling which they felt required further review. The External Auditor confirmed that any control deficiency areas identified as part of the External Audit process would be raised with the Internal Audit team;

- A Member asked how forward looking the Going Concern assessment was, noting that the Challenge Review had identified the high levels of savings required in the future. In terms of "Going concern", it was confirmed that savings do play a key role, and it was anticipated that the level of reserves maintained would remain well above the minimum level set;

- The External Auditor advised that with regard to PFI, only concern would be accounting models, there was no retrospective evaluation of VFM considerations;

- Asked whether it was anticipated that the outcome of the audit would be ready for the next Committee meeting on 25th November, or whether an additional Committee meeting would need to be arranged to consider the audited accounts. The External Auditor felt that the 25th November meeting was realistic at this stage, but would take a view nearer the date, in consultation with the Chief Finance Officer;

- In response to a question on the Materiality threshold, it was confirmed that reducing this below £1M would require a longer audit timescale and additional resources;

- In relation to the sample size of the audit software EY used, it was confirmed that there was no fixed limit, and that data analytics were used, with materiality thresholds driving key item thresholds, with a proportion of lower items taken – much depended on balance and how that balance was structured;

- The External Auditor outlined the standard process for dealing with objections: (1) objection lodged within time window (2) clarify if the objector is on the electoral roll (3) establish whether the objection is valid. An objection had been received and acknowledged, but it had not yet been determined whether it was valid. It was confirmed that repeat topics were not considered under objections.

Members confirmed that they understood the materiality and reporting levels as set out by the External Auditor.

It was resolved unanimously to note the Cambridgeshire County Council External Audit Plan.

27. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 31st August 2021. Members were reminded that the role of Internal Audit was to provide both the Committee and management with independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives were achieved. Internal Audit coverage was planned so that the focus was upon those

areas and risks which will most impact upon the Council's ability to achieve these objectives.

Presenting the report, the Head of Internal Audit highlighted:

- That the covering report provided greater detail than the previous report, as requested by Committee at their July meeting. Members welcomed the more detailed content;

- The list of outstanding recommendations, including 26 recommendations arising from the Major Infrastructure Delivery (MID) review that became due on 30th June 2021. The revised date for full implementation has been updated by the service to 30th September 2021;

- Appendix C to the report, which provided greater detail on the National Fraud Initiative (NFI) and progress against those actions;

- An update on the open book exercise on the Highways Contract. Work continued with some success in completing the first tranche of work for the year ended April 2020;

- In July 2021, the Committee had been advised that the Payroll report had not been completed on schedule by Milton Keynes Internal Audit colleagues. This had still not been undertaken, so the Cambridgeshire Internal Audit team completed a piece of work on Payroll Analytics to review any trends, patterns or significant variances within full time equivalent (FTE) averages. No significant variances or anomalies had been identified.

Arising from the report:

- A Member expressed concern regarding the Milton Keynes issue. The Head of Internal Audit explained that when Milton Keynes had joined LGSS, the auditing of key financial systems had been shared out among the three authorities' Internal Audit teams. It had been anticipated that that arrangement would continue, as it was a sensible use of resources. It was confirmed that West Northamptonshire Council was the lead authority on Payroll, and the operational managers remained the same as under LGSS;

- A Member noted the discrepancy of over £63K relating to pension paid to a deceased person, and that not all of areas with high or medium risk had been checked against the data provided. A Member asked if these were checked in order of risk, and how seriously the Committee should consider this. It was confirmed that this was a collective debt i.e. the £63K did not relate to one case, and that other cases had been highlighted to Pensions for follow up;

- Noting the outstanding recommendations over three months old, a Member asked what impact this was having on the Internal Audit team's resources going forward. Officers confirmed that this mainly related to seeking an update from the manager on whether the actions had been carried out – time had to be given for actions to be implemented and embedded. There was no significant resource implication for the Internal Audit team in terms of this process;

- A Member noted two investigations relating to the alleged misuse of Direct Payments. He asked if this had been revealed as a result of an audit or whistleblowing, if it constituted fraud, and whether the Police should be involved. It was confirmed that where a Direct Payment was not being used strictly in accordance with the Care Plan, the Internal Audit team helped the relevant service by identifying what action could be taken. It was confirmed that such cases could arise from an audit, whistleblowing, or the Service approaching Internal Audit for support. Officers were unable to comment in detail as this was an ongoing case;

- Queried the contract with Pathfinder Legal Services Ltd for 70 days of work, and asked how this would impact upon Internal Audit resources. It was confirmed that there would be an impact and the team would need to seek additional resources, but the income from that contract would cover those resources;

- Discussed how Internal Audit would assess VFM, using the example of block contracts in Adults and Older People's Services. Officers advised that a key question in the Internal Audit assessment would be whether the governance processes were effective and proportionate, i.e. whether the right amount of money was spent on achieving outcomes, whilst VFM could be more nebulous;

- A Member commented that it was generally taken for granted that there were sufficient resources made available by the Council to ensure audit work undertaken. This was not an issue from Cambridgeshire but he was aware that this had been highlighted as a potential issue for an authority further afield. The Chief Finance Officer confirmed that the dedicated finance resource had been reviewed and increased, and noted the connection to wider resourcing issues such as the Redmond review in addition to ensuring a well resourced and smooth audit process. The Member was reassured by the response given, but responded that it was a consideration for the Committee to bear in mind going forward.

It was resolved unanimously to note and comment on the report.

28. Internal Audit Risk and Assurance ratings

The Committee considered a report on Internal Audit Risk and Assurance ratings. The report set out the current risk ratings system of Essential, Important and Standard, and the proposed change to Essential, High, Medium and Low. Members also noted that a minor rewording control environment and compliance assurance, changing "satisfactory" to "moderate", whilst leaving the other assurance levels (Substantial, Good, Limited and No) the same.

The proposed changes in terminology had been initiated by both the move to closer working with Peterborough, a desire for clearer terminology, and also Member discussion on this issue at recent meetings.

A number of Members welcomed the proposed changes. One Member queried the "Advisory" risk rating. Officers advised that "Advisory" was seldom used. If the Internal Audit view was that an action needed to be completed that would benefit the Service, it would probably be given a higher rating.

All Members confirmed that they were happy with the proposed changes.

It was resolved unanimously to note and comment on the report.

29. Integrated Finance Monitoring Report for the period ending 31 July 2021

The Committee considered a report setting out the key exceptions in the latest report on the current financial position of the Council, as report to the recent meeting of the Strategy & Resources Committee. There was a £0.923M increase in the forecast revenue underspend (0.2%) compared to the previous month, and a £1M decrease in the forecast capital year end expenditure compared to the previous month (0.6%).

The Chair reminded the Committee that its role with respect to these reports was to provide independent scrutiny in relation to the delivery of the Council's Business Plan. However, he was slightly sceptical as to the additional value the Committee could provide through its consideration of these reports. Other Members agreed, and commented that the Audit and Accounts Committee essentially provided a "third line" of defence, and it was unlikely that issues of concern would not have been picked up by either officers or members of the Strategy & Resources Committee. In discussion, it was suggested that a more appropriate approach could be Councillors seeing Audit & Accounts Committee as a body where they could refer relevant issues of concern. The Chair suggested that the Committee should continue to receive these reports for the remainder of the financial year and then move to the approach suggested.

With regard to the savings tracker, it was noted that savings were carefully being reviewed to ascertain whether the significant savings required were taking place, and where they were not, to put mitigations in place in a timely fashion.

It was resolved unanimously to:

1. To note and comment on the report. In doing so, members may wish to focus on the key summaries and exceptions in the revenue and capital position set out in section 2, 3.3, and 8.3 2 of the report;

2. To note the recommendations that were made to Strategy & Resources Committee (S&R):
   a) Note the additional £292k extended rights to free home to school travel grant for 2021-22, as set out in section 6.1;
   b) Note the allocation by CCC of £109k for biodiversity activities as set out in section 6.2;
   c) Approve the debt write-offs of £71,737 and £27,253 relating to the estates of service users where there is now no prospect of debts being recovered, as set out in section 7.2;
   d) Approve the -£4.2m revised phasing of the capital programme variations budgets as set out in section 8.6;
   e) Note the additional £0.4m grant funding awarded for the Papworth to Cambourne cycling scheme as set out in section 8.6;
   f) Note the receipt of £21.955m as the local transport capital grant allocation for 2021/22 and its application towards the spending plans set for the 2021/22 budget, as set out in section 8.7;
   g) Approve additional prudential borrowing of £432k in 2021/22 for the Building Maintenance scheme as set out in section 8.8;
   h) Note and comment on the Transformation Fund Monitoring Report as set out in Appendix 4; Page 307 of 368

i) Note and comment on the Finance Monitoring Report for Corporate Services (appendix 5);
j) Delegate authority to the Chief Finance Officer, in consultation with the Chair and Vice-Chair, to progress and/or settle litigation in relation to a property in Fenland… [set out separately to S&R committee], including a potential debt write-off exceeding the normal officer threshold.
k) Approve additional prudential borrowing in 2021/22 for the Waterbeach Waste Treatment Facilities scheme.

30. Agenda Plan

A Member asked when Manor Farm would be reconsidered by the Committee, and recommended that in the interests of transparency, the report into Manor Farm should be published as soon as practicable, subject to any ongoing issues and necessary redactions. It was agreed that an update would be provided to the November Committee meeting and a further report scheduled for the January 2022 meeting.

Further to the earlier discussion regarding the timing of the final accounts being considered by the Committee, and whether this would be at the November Committee or an additional meeting, the Chief Finance Officer agreed that he would review this with the External Auditor and the appropriate arrangements would be made in due course.

APPENDIX 1 – Transcript of Public Question from Mr Mason

The question which has been circulated to Members is about the failure of the Council and their appointed auditors to comply with the requirements of the Local Audit Accountability Act 2014, with particular respect to compliance under Sections 25-27, namely public rights. In the question I have referred to a number of misstatements in the current draft accounts, and to similar complaints made in previous objections in 2017 and 2018. These earlier objections have yet to be addressed by the former auditors BDO, some four years after they were advised. I should add here that in the intervening years I have been circulating other correspondence with the Council and with BDO to further explain those objections. In September last year, the former auditor, Lisa Clampin of BDO, indicated in an email that she would let me have her final determination of the objection, and statement of reasons, December last year. This did not happen, and I have explained that on the paper that I have submitted in the formal question. The basis of the problem with the accounts is the method of accounting for grant for other bodies which has been received by the Council from MHCLG and I am questioning the methods used in assessing how that grant is accounted for in the Council's statement of accounts. Basically, I am saying, in the question, that you cannot account for money which is not yet received and you cannot put that money into reserves because it simply has not arrived in the Council's accounts. This is the nature of the grant which is payable on to the Greater Cambridge Partnership, and it is payable in yearly tranches, and you cannot account for that money all in one year. The way in which this is done in the statement of accounts is in my view is incorrect, and I am asking the Committee to give consideration of that and discuss it with the Chief Finance Officer, because in my view the final accounts need to be corrected, it is my view that £160M has been overstated, and that is a considerable amount of money.

Response from officers:

I can confirm that we have maintained the treatment of GCP funding consistently from year to year. We have received this grant for several years, and the financial statements have been signed off in each of those years.

In presenting the draft accounts, our view is that this treatment is in accordance with the CIPFA Code of Practice on Local Authority Accounting, which states that grants shall be recognised when two conditions are met:

1. Reasonable assurance that a grant will be received
2. Reasonable assurance that the authority will comply with any conditions relating to initial recognition of a grant (as opposed to restrictions governing how the grant will be spent)

The Council does not have to have received the cash for the funding to be recognised. As some of the money is yet to be received, the council also recognised a short- and long-term debtor in relation to the tranches of funding it has not yet received.

While the recognition of the full grant does increase the usable reserves figure in the accounts, the statement of accounts does make clear on page 79 that usable reserves consist of several categories of reserve and that the whole value is not available to spend on general activities. The future tranches of GCP grant are recognised specifically in the Capital Grants and Contributions Unapplied Reserve

within the usable reserves total. This reserve is only available to fund eligible capital expenditure.

Chair's response:

As we are towards the beginning of this tranche of Greater Cambridgeshire Partnership funding, the impact of the financial statements and in particular debtors is especially noticeable as you have indicated, and the Committee discussed this when we considered the draft accounts in July.

The Council's draft accounts are currently subject to audit by EY. As a result of the size of this grant we would absolutely expect it will be considered during the audit and if it is concluded during the audit that the treatment of the GCP grant needs to be considered further or amended that can be done ahead of the Committee considering the final, audited accounts in due course

Audit and Accounts Committee Minutes - Action Log

This is the updated action log as 17th November 2021 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 28th September 2021					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
23	Consultants Report September 2021	Janet Atkin	Asked if the County Council had any influence over the use of zero hours contracts on the Amey commissioned contract, and also on care contracts. Officers agreed to check with officers responsible for those services and report back to the Chair.	**The Waste PFI Contract places a general responsibility on the Contractor to provide sufficient staff to deliver the services and allows the use of agency staff provided that they are suitably trained for the role they are covering. The Contract is silent on the terms and conditions for either directly employed or agency staff but there are other clauses which require the Contractor to comply with legislation which includes employment laws.** **The Council has the ability to change the contract and there is a mechanism to request an Authority change. If a change places an additional cost burden on the contractor Amey can adjust the charges levied for the services to recover all extra cost from the council so that they are left "no better no worse" following a change.** **In summary the Council can influence what they do but we will have to meet any additional costs that result.**	

Minutes of 22nd July 2021					
14	Debt Management Update	Alison Balcombe	Queried the level of write off required because reconciliation was not possible. It was noted that this was not expected to be significant, but an update would be circulated when available.	Discussions with CCG ongoing, a verbal update will be provided at the November meeting.	Ongoing
14	Debt Management Update	Alison Balcombe	The £2M from the CCG was not reflected in the tables in Section 2 of the report, but officers agreed to look at using that type of analysis going forward.	Future reports to be adjusted accordingly.	Complete
14	Debt Management Update	Alison Balcombe	Notify Committee once CCG £2M issue was resolved.	Discussions with CCG ongoing, a verbal update will be provided at the November meeting.	Ongoing
14	Debt Management Update	Alison Balcombe	Share Service Improvement Plan with the Committee.		

Minutes of 13th July 2021					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
7	Integrated Finance Monitoring Report for the period ending 31/05/21	Stephen Howarth	Info to be circulated to Committee on capital funding schemes that were not being progressed.		

Agenda Item no.5

Use of Regulation of Investigatory Powers Act 2000 (RIPA)

To:	Audit and Accounts Committee
Date:	25th November 2021
From:	Fiona McMillan, Director of Law and Governance & Monitoring Officer
Electoral Division:	All
Purpose:	To report on the Council's use of the powers contained within the Regulation of Investigatory Powers Act (RIPA) and to update the council's policy
Recommendations:	a) Receive the updated RIPA policy b). Note the use of powers contained within RIPA

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1. Purpose and reason for the report

1.1 The purpose of this report is to provide Members with an overview of the following items:

- an understanding of RIPA which enables them to have effective oversight of the use of said powers
- a report detailing the usage of the powers
- the updated policy following the inspection and other considerations

1.2 This report is for the Audit and Accounts Committee to consider under its regulatory framework 2.10 (Section 3B7 of the County Council's Constitution): "To receive and approve proposals regarding the Council's exercise of powers covered by the Regulation of Investigatory Powers Act"

2. Background and Key Issues

2.1 Local authorities exercise criminal investigation powers for a number of reasons from fly tipping to planning enforcement to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by RIPA. It also provides a statutory process for authorising such work.

RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.

The Council is able to undertake directed surveillance meaning that it must be for the purpose of a specific investigation or operation. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.

2.2 Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage after an incident does not constitute covert surveillance and therefore does not fall under RIPA.

2.3 RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require the release of communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.

2.4 The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.

2.5 In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Cambridgeshire County Council. The first is that in order for the Council to apply for approval, the offence being investigated must meet the crime threshold. This means that either the offence carries a maximum punishment of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals.

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

2.6 The last IPCO inspection concluded that Cambridgeshire County Council had a clearly written and robust policy alongside an easy access guide available to officers as well as a reporting structure in place along with a well-regarded set of officers with strong experience and knowledge of RIPA matters. These officers and policy are also shared with Peterborough City Council.

3 Surveillance undertaken

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

4 Policy update

4.1 Prior to the inspection in 2021, the councils had identified a change needed for the policy to ensure clarity over investigation material retention and destruction. It also wished to update the policy to strengthen guidance for staff over the usage of social media in investigations. As an inspection was forthcoming these amendments were put on hold until they had been discussed with the inspector to ensure that the council's guidance was accurate, practical and in line with IPCO recommendations.

These changes are listed below with their relevant number from sections in the policy:

- 9.4 We feel that guidance on an operation which may include more than one CHIS being active would benefit officers.

- 9.6 We feel that additional guidance on security and welfare for a CHIS before, during and after an activity would benefit officers.

- 9.7 The inspection recommended that we include reference to the relevant sections of the CHIS Code of Practice regarding the use of a CHIS during online/social media investigations. We have included this and amended examples from the Codes of Practice to be more relevant to council officers

- 10.3 We have inserted a statement on ability to audit the use of social media sites where there is an allegation or concern that social media has been misused or accessed in an investigation without the appropriate authorisation. It also details that we may undertake spot checks to ensure we are compliant.

- 12. We have updated and strengthened the section on data protection and assurance to ensure we have appropriate guidance for staff to ensure that we are compliant.

- 12.2 We have inserted a specific statement on the publishing of CCTV or covert footage to the general public to help identify those involved in an offence to ensure that officers refer such decisions for proper considerations and to avoid any breaches of data protection.

- Appendix 1 – updated a job title.

5. Consultation

5.1 The report following the inspection was received by the following parties:

- Chief Executive; and
- Director of Law and Governance

6. Anticipated Outcomes or Impact

6.1 The Audit and Accounts Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority through regular updates as required including whether there is a need to update the policy.

7. Reason for the recommendation

7.1 It is recommended that the committee continues to receive information on the use of RIPA.

8. Alternative Options considered

8.1 There are no alternative options considered at this time.

9. Background documents

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985:

Regulation of Investigatory Powers Act 2000

Protection of Freedoms Act 2012

10. Appendices

- Appendix A – Policy
- Appendix B – outcome of IPCO inspection dated 1 March 2021

Peterborough City Council

Cambridgeshire County Council

Regulation of Investigatory Powers Act Policy

Document Control

Purpose of document:	The approach to the use of RIPA powers and the process followed by Peterborough City Council and Cambridgeshire County Council when these powers are used
Intended audience:	Officers who may use directed covert surveillance as part of an investigation
Type of document:	Policy and procedure
Document lead/author	Ben Stevenson, Data Protection Officer, Peterborough City Council
Other documents that link to this one:	RIPA toolkit on Insite and CamWeb
Document ratified/approved by:	Audit Committee, Peterborough City Council Audit Committee, Cambridgeshire County Council
Version number:	Version 1.5
Issue date:	August 2021
Dissemination method:	Notification to staff via the Weekly Round-up newsletter and via All Staff notifications on the front page of Insite. Notification to staff via CamWeb
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Reviewer:	Director of Law and Governance

DOCUMENT REVISION RECORD:

Description of amendments:	Version No.	Date of re-approval and re-issue
Review in light of legislation and procedural changes	2	March 2015
Document control added. Review in light of inspection and changes in officers	3	June 2018
Review in light of code of practice changes and inspection comments	4	March 2019
Review in light of code of practice changes and inspection comments	5	August 2021

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1. Introduction

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

The Revised Codes of Practice for use of such powers provide guidance to understand when RIPA applies and the procedures to follow. The Protection of Freedoms Act 2012 placed restrictions on when a local authority can use RIPA powers.

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

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

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

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

1.1 Key Role Definitions

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

The SRO for both Peterborough City Council and Cambridgeshire County Council is Fiona McMillan, Director of Law & Governance.

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

The CMO for both Peterborough City Council and Cambridgeshire County Council is Ben Stevenson, Data Protection Officer.

Authorising Officer (RIPA) – an authorising officer must be of service manager or above rank and will consider the application made under RIPA. They will consider the information provided by the applicant and determine whether there is necessity and proportionality in authorising the surveillance request.

For a list of authorising officers, please see Appendix 2.

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

1.1 Useful Websites

General Guidance from the Investigatory Powers Commissioner's Office

Home Office guidance to local authorities on the judicial approval process for RIPA and the crime threshold for directed surveillance

RIPA Forms

Code of Practice- Surveillance, Covert Human Intelligence and Acquisition and Disclosure of Communications Data

2. Basic determination of RIPA

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

This assessment should follow the procedure as detailed below.

Question	Answer	Notes
1. Is the surveillance activity covert?	Yes – proceed to question 2	This means that a subject is unaware of the activity due to the way it being undertaken
2. Is the surveillance directed?	Yes – proceed to question 3	This means that the activity is for a specific investigation or purpose
3. Is the investigation into a criminal offence?	Yes – proceed to question 4	If it is not an investigation the alleged commission of a criminal offence, then RIPA does **not** apply however you should always be able to show that you have

		considered whether RIPA does apply.
4. Are you likely to obtain confidential or private information?	Yes – proceed to 5	If you are not likely to obtain such information, then RIPA does not apply.
5. Does the offence meet the crime threshold?	If yes, then RIPA applies	If it does not, then RIPA does **not** apply however you should always be able to show that you have considered whether RIPA does apply.

Please refer to Surveillance Checklist for more detail.

3. General Observation Activities

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

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

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

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

4. Covert Surveillance

4.1 What is Surveillance?

Surveillance includes:

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

4.2 When is surveillance covert?

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

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

4.3 When is surveillance directed?

Surveillance is 'Directed' (paragraph 2.2 of the Revised Codes of Practice) if it is covert and undertaken:

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

4.4 When is Surveillance Intrusive?

LOCAL AUTHORITIES ARE NOT AUTHORISED TO

CARRY OUT INTRUSIVE SURVEILLANCE

Surveillance is intrusive, (paragraph 3.19 of Revised Codes of Practice) if it is covert and:

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

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

A private vehicle is defined in the Act as any vehicle which is primarily used for the private purposes of the person who owns or has the right to use it. This would include company cars and leased cars used for business and pleasure. This is distinct to vehicles owned or leased by public authorities. Paragraph 7.49 of the Revised Codes of Practice provides guidance on

the latter; if devices are used within a council owned vehicle with the knowledge of the occupants, then this is not considered to be surveillance however hidden devices may require authorisation.

5. Authorising Covert Directed Surveillance

For covert directed surveillance an Authorising Officer will not grant an authorisation unless he/she believes (and the prescribed forms require that the factors below are shown to have been considered):

(a) that an authorisation is necessary; and

(b) the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

An authorisation is necessary if:

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

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

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

(a) necessary for the ground stated above; and

(b) proportionate to its aim and

(c) fair and balanced

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

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

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

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

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

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

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

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

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

6. The Surveillance Checklist for Applicants

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

6.1 Is the Surveillance Necessary?

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

6.2 Is the Surveillance Covert?

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

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

6.3 Is it Directed?

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

6.4 Private Information

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

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

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.

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

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

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

6.5 Is the crime threshold met?

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

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

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

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

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

6.6 Is it proportionate?

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

- Have we balanced the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence?
- Have we explained how and why the methods to be adopted will cause the least possible intrusion on the subject and others?

- Have we considered whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result?
- Have we evidenced, as far as reasonably practicable, what other methods had been considered and why they were not implemented?

7. When surveillance falls outside of RIPA?

There will occasions when a council officer undertakes activity which does not meet the criteria of RIPA. Any activity whether governed by RIPA or not should be undertaken with clear consideration whether it is necessary and proportional to the objectives. It is incumbent on every officer to consider this prior to engaging in any kind of surveillance.

Given the potential for challenge by a subject during legal proceedings, it is the council's policy that such actions will still be governed by the RIPA framework to the extent that an officer must show that they have considered whether RIPA applies. This should be done by the using the Basic RIPA Determination at the start of this policy or Appendix 9 Checklist as an aide to the officers – this is an ongoing process for any investigation. It may be formalised during file reviews by managers, supervision meetings, prior to interviews or prior to the consideration of any legal proceedings. A manager or head of service should ensure that activities have followed the correct procedure.

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

8. CCTV

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

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

8.1 Use of CCTV system by Cambridgeshire Police

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

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

8.2 Cambridgeshire County Council CCTV

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

8.3 Aerial covert surveillance

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

9. Covert Use of Human Intelligence Source ("CHIS")

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

9.1 What is a CHIS?

The Revised Codes of Practice for Covert Human Intelligence Source (paragraph 2.1) state that a person is a Covert Human Intelligence Source if:

(a) they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c);

(b) they covertly use such a relationship to obtain information or to provide access to any information to another person; or

(c) they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

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

9.2 When a CHIS and when not a CHIS?

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

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

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

9.3 Conditions for authorisation of Covert Human Intelligence Sources

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

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

9.3.1 Necessity and Proportionality

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

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

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

9.3.2 The Authorised Conduct

The Conduct so authorised is any conduct that:

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

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

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

The applicant, and the Authorising Officer if required, will attend to obtain judicial approval. The corporate procedure can be found at Appendix 6.

9.3.3 Operational Considerations

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

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

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

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

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

9.4 Operation involving multiple CHIS

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

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

Paragraph 4.2 of the CHIS Code of Practice refers to the use of juveniles in either scenario and how special safeguards also apply to the use or conduct of juveniles. The use of such a person could occur during test purchasing operations. The Code of Practice gives clear guidance:

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

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

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

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

consideration should be given to granting a directed surveillance authorisation.	

9.6 Security and welfare

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

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

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

Consideration should also be given to the management of any requirement to disclose information which could risk revealing the existence or identity of a CHIS. For example, this could be by means of disclosure to a court or tribunal, or any other circumstances where disclosure of information may be required, and strategies for minimising the risks to the CHIS or others should be put in place. Additional guidance about protecting the identity of the CHIS is provided at paragraphs 8.22 to 8.25 of the CHIS Code of Practice.

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

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

Where appropriate, concerns about such matters must be considered by the authorising officer, and a decision taken on whether to allow the authorisation to continue.

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

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

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

9.7.1 Tasking someone to use a profile for covert reasons

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

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

9.7.2 Registering to access a site

A CHIS authorisation will not always be appropriate or necessary for online investigation or research. Some websites require a user to register providing personal identifiers (such as name and phone number) before access to the site will be permitted. Where an officer sets up a false identity for this purpose, this does not in itself amount to establishing a relationship, and a CHIS authorisation would not immediately be required, though consideration should be given to the need for a directed surveillance authorisation if the conduct is likely to result in the acquisition of private information, and the other relevant criteria are met.

Example of when CHIS authorisation is not needed	Example of when CHIS authorisation is needed
A Trading Standards officer intends to make a one-off online test purchase of an item on an auction site, to investigate intelligence that counterfeit goods are being	A Trading Standards officer tasks a member of the public to purchase goods from a number of websites to obtain information about the identity of the seller,

sold. The officer concludes the purchase and does not correspond privately with the seller or leave feedback on the site. No covert relationship is formed, and a CHIS authorisation need not be sought.	country of origin of the goods and banking arrangements. The individual is required to engage with the seller as necessary to complete the purchases. The deployment should be covered by a CHIS authorisation because of the intention to establish a relationship for covert purposes.

9.7.3 Use of Likes and Follows

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

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

9.7.4 The identity being used

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

9.7.5 Risk Assessment

Where use of the internet is part of the tasking of a CHIS, the risk assessment carried out in accordance with section 6.13 of the CHIS Code of Practice should include consideration of the risks arising from that online activity including factors such as the length of time spent online and the material to which the CHIS may be exposed. This should also take account of

any disparity between the technical skills of the CHIS and those of the handler or authorising officer, and the extent to which this may impact on the effectiveness of oversight.

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

10. Use of social media/internet in investigations

The use of the internet and social media sites such as Facebook, Instagram and Twitter in an investigation is permitted and may be a means of gathering intelligence. In accessing such sites, officers must consider the issues of privacy and collateral intrusion. The Revised Code of Practice sections 3.10 to 3.17 provides good guidance on the subject.

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

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

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

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

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

- Whether the investigation or research is directed towards an individual or organisation
- Whether it is likely to result in obtaining private information about a person or group of people
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile

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

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

10.1 "Public setting"

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

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

10.2 Using a covert accounts and identities

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

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

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

10.3 Council policy on reviewing use of social media during investigation

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

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

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

11. Surveillance Application and Authorisation Process

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

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

The application must contain the following information

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

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

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

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

11.1 Combined or Joint Services

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

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

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

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

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

11.2 Combined Authorisations

In line with Codes of Practice paragraph 4.17, a single authorisation may combine two or more different authorisations under RIPA however the provisions applicable for each of the authorisations must be considered separately by the appropriate authorising officer. It does not preclude the obtaining of separate authorisations.

11.3 Lapse of Authorisations

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

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

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

11.4 Renewal of Authorisations

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

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

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

11.5 Retention Period for Authorisations

Directed surveillance authorisations (together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period of 3 years. Authorisations for a CHIS ((together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period must be retained for a period of 5 years. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review. It is each department's responsibility to securely retain all authorisations within their departments.

11.6 Reviews of Authorisations

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

11.7 Cancellation of Authorisations

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

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

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

11.8 Immediate response to situations

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

12. Data Protection & Data Assurance

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

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

Information, materials and evidence collected during an investigation

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

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

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

12.1 Sharing information

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

12.2 Publishing CCTV footage to enable suspect identification

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

12.3 Storage

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

12.4 Destruction

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

13. Other Factors

13.1 Spiritual Counselling

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

13.2 Confidential or Privileged Material

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

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

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

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

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

considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

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

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

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

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

13.3 Vulnerable Individuals

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

13.4 Community Sensitivities

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

13.5 Errors

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

14. Central Register of Authorisations

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

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

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

15. Codes of Practice

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

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

16. Benefits of Obtaining Authorisation under RIPA

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

17. Acquisition of Communications Data

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

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

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

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

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

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

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

Examples of what are non-serious crimes are:

- Certain immigration offences under the Immigration Act 1971; and

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

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

17.1 Application procedure

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

The applicant and authorising officer will need to explain:

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

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

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

18. Training

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

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

19. Oversight

19.1 Members

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

19.2 Senior Management

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

20. The Investigatory Powers Commissioner's Office

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

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

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to any person. The Councils are however, under a duty to disclose or provide to the tribunal all documents they require if:

- A council officer has granted any authorisation under RIPA.

- council employees have engaged in any conduct as a result of such authorisation.

A disclosure notice requirement is given.

21. Relevant case law

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

R v Johnson

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

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

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

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

R v Sutherland 2002

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

Peck v United Kingdom [2003]

The applicant was filmed by a CCTV camera operated by Brentwood Borough Council in a public street shortly after he had attempted to commit suicide. The council subsequently released two still photographs taken from the CCTV footage to show the benefits of CCTV. Peck's face was not specifically masked. These pictures subsequently appeared on regional television but his face was masked. Peck sought to challenge the authority's decision but was rejected by the Court of Appeal. He took the matter to the European Court of Human

Rights where he was successful. The case establishes the right to privacy in a public area, even if it is a reduced level.

Martin v. United Kingdom [2004] European Court App

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

R v. Button and Tannahill 2005

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

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

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

“The specific core functions and the regulatory powers which go with them are identifiable as distinct from the ordinary functions of public authorities shared by all authorities, such as the employment of staff and the making of contracts. There is no real reason why the performance of the ordinary functions of a public authority should fall within the RIPA regime, which is concerned with the regulation of certain investigatory powers, not with the regulation of employees or of suppliers and service providers.

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

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

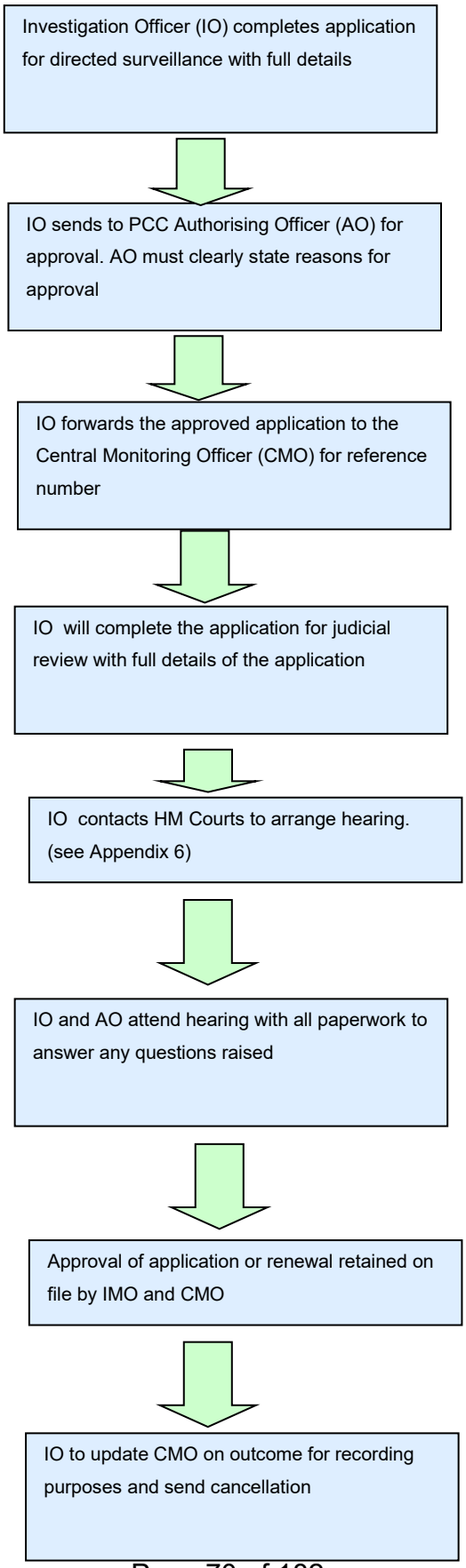
Gary Davies v British Transport Police (Investigatory Powers Tribunal 5 February 2019

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

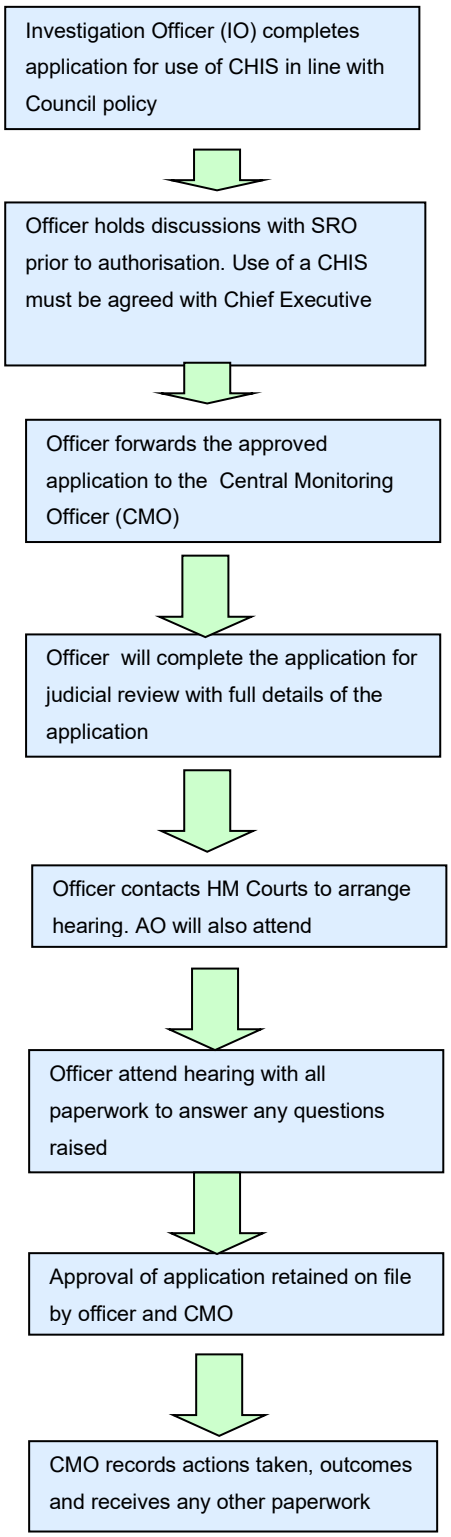
APPENDIX 1 Officers (RIPA)

Senior Responsible Officer			
Fiona McMillan	Director of Law & Governance, PCC & CCC	01733 452361	fiona.mcmillan@peterborough.gov.uk fiona.mcmillan@cambridgeshire.gov.uk
Authorising Officers			
Peter Gell	Assistant Director, Regulatory Services PCC & CCC	01733 453419	peter.gell@peterborough.gov.uk
Rob Hill	Assistant Director, Communities & Safety PCC & CCC	01733 864715	rob.hill@peterborough.gov.uk
Central Monitoring Officer for PCC and CCC			
Ben Stevenson	PCC	01733 452387	Ben.stevenson@peterborough.gov.uk

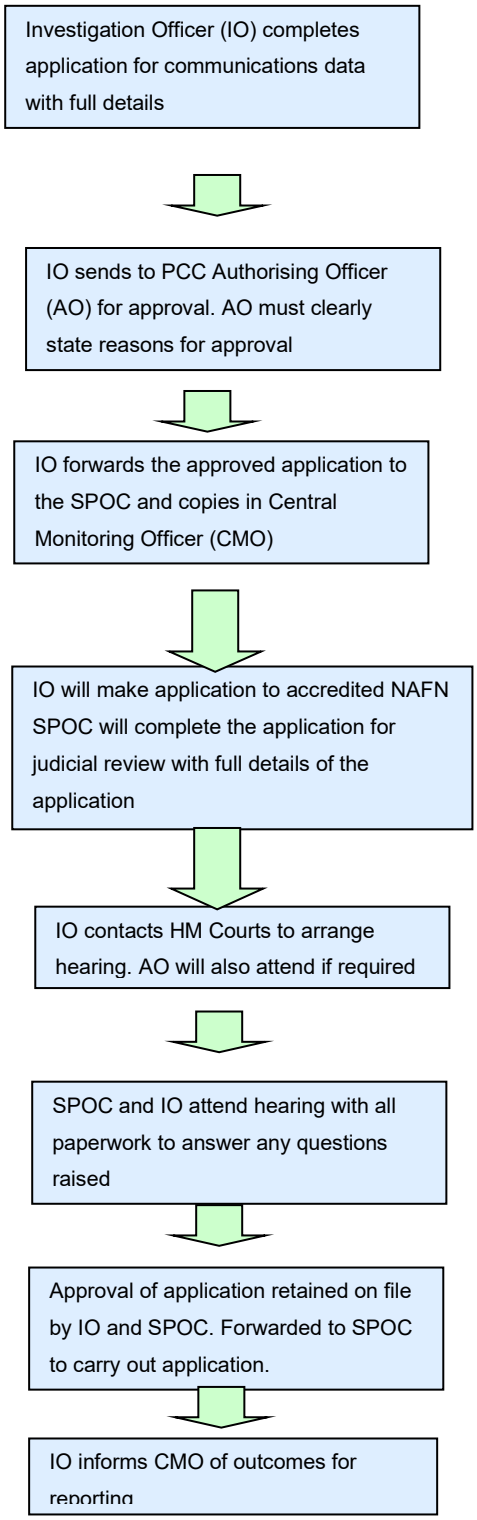
APPENDIX 2 Procedure for directed surveillance application



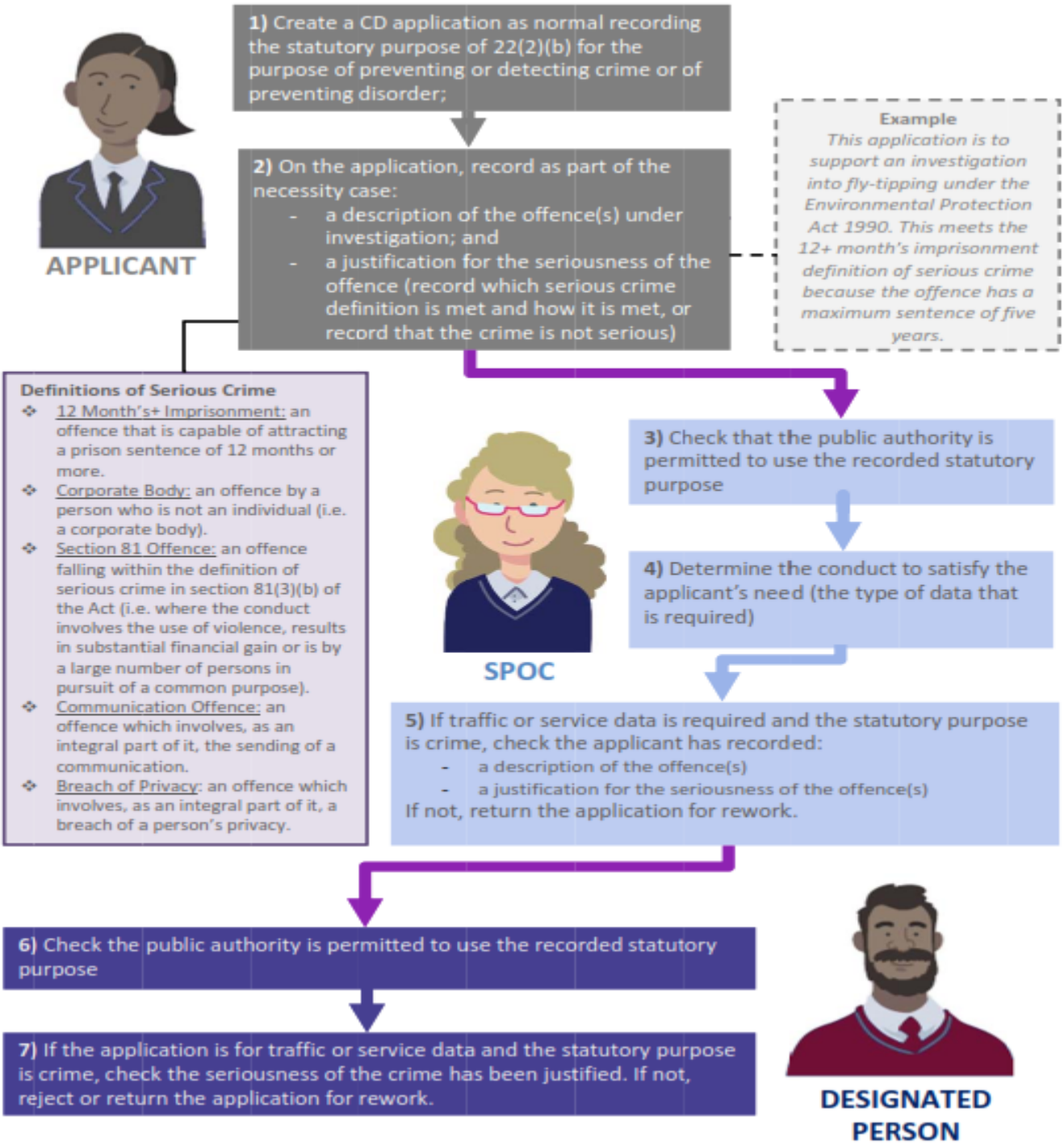
APPENDIX 3 Procedure use of Covert Human Intelligence Source



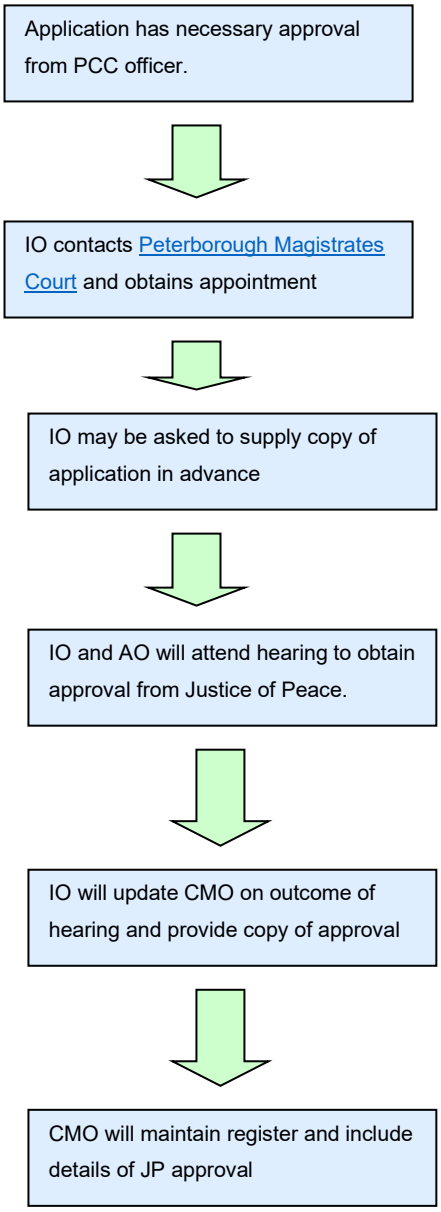
APPENDIX 4 Procedure for obtaining communications data



APPENDIX 5 Flow Chart of Changes to Communications Data (November 2018 onwards)



APPENDIX 6 Procedure for obtaining judicial approval



APPENDIX 7 Surveillance Assessment

	Notes
Specific location ● Type of property ● Residents ● Number and locations of entrances/exits ● Vehicular access ● Any obstructions ● Any risks	
General Area ● Type of area e.g. residential or commercial ● Shops in locality ● Schools ● Any potential hazards	
Subject ● Identity ● Potentially violent ● Vehicles used ● Any known other sites	
Collateral intrusion ● Detail any other individuals of whom private information may be captured ● Associates ● Family Children ● How will it be limited e.g. times, techniques	
Observation Point ● Is location approved? ● Does it require use of another building? ● Routes to and from ● In event of discovery of operation, agreed movement	
Equipment	

● What is being used? ● Do they work? ● Any issues regarding signal reception on phones		
Health and Safety Assessment		
Hazard (including who may be harmed)	Level of Risk	Mitigating controls

APPENDIX 8 – Non RIPA Applications

RIPA Determination Checklist

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

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Date:

APPENDIX 9 - Social Media/Internet Access Log

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
Case including reference			

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

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

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

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

IPCO
Investigatory Powers Commissioner's Office
PO Box 29105, London
SW1V 1ZU

Ms G Beasley
Chief Executive
Cambridgeshire County and Peterborough City Council

1 March 2021

Dear Chief Executive,

IPCO Surveillance and CHIS inspection of Cambridgeshire County and Peterborough City Council

Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Your Authorities were recently the subject of a joint remote inspection by one of my Inspectors, [redacted]. This was facilitated by Ms Fiona McMillan, Director of Law and Governance, as the Senior Responsible Officer (SRO), and Mr Ben Stevenson, Head of Information Governance and Data Protection Officer, via MS Teams, together with preceding supporting documentation provided. There are no formal recommendations as a result of this inspection process.

There was one previous recommendation emanating from the 2018 inspection conducted by [redacted], in relation to revising the draft RIPA policy in line with the agreed amendments. Principally, clarification on the role of a CHIS and the authorisation process, and structured oversight of the use of the internet and social media. This recommendation can be discharged with a slight caveat that the policy still requires reference to paragraphs 4.11 - 4.17 of the Home Office CHIS Code of Practice when using social media.

I note that the Authorities' policies and non RIPA usage are put before the respective Elected Members on an annual basis through the Audit/Audit and Accounts Committees, in accordance with paragraph 4.47 of the Surveillance Code of Practice.

Whilst your Authorities have not exercised their RIPA powers for a considerable period of time, it was clear they are alive to the possibility of online social media research being carried out. This, combined with specific training material and management oversight, should provide assurances that any research undertaken does not drift into surveillance territory without the appropriate authorisation being in place. Continuing consideration should also be given to the oversight and governance of any future covert structures and subsequent evidential capture of material.

Cambridgeshire and Peterborough have also emphasised to staff within the policy that personal profiles should not be used for council business, and this should be reiterated regularly as it is incumbent on you to ensure the safety and security of the staff. The dangers aligned to using personal social media accounts for business purposes, especially those of a covert nature, should not be underestimated and all staff should be cognisant of their own personal online security and of the vulnerabilities attached to using any insecure or personal online platform.

There have been no authorisations for the use and conduct of a CHIS. This reflects the widespread practice common amongst local councils of never or rarely authorising CHIS. The possibility of status drift was discussed in relation to the monitoring of information provided by members of the public, as well as online activity. Both Ms McMillan and Mr Stevenson are confident that sufficient awareness exists amongst staff to be alert to any potential status drift.

It is understood that your Authorities are registered with the National Anti-Fraud Network (NAFN) for the purposes of obtaining communications data, and do so on an infrequent basis. The extension of powers introduced by the Investigatory Powers Act 2016, to include details of in and out call data and cell site location, represents a significant opportunity to enhance investigations, and in addition, registration with NAFN also provides lawful access to other forms of data from the DVLA, Equifax and a variety of other financial/fraud check organisations.

It remains of great importance that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent, maintain their levels of knowledge and know whom to approach for guidance. It is therefore pleasing to note that an array of training material is available to staff.

As part of the inspection process, your Authorities' stance on the review, retention and destruction (RRD) of documentation was also assessed. The Central Register is comprised of a spreadsheet held by Mr Stevenson. There are clearly defined data pathways for the handling of material captured by way of an authorisation under the legislation. In essence, any investigative files are held within the relevant Service department i.e. Trading Standards, until they are shared with Legal Services. There is an ICT Security policy which covers the handling of all material held, with specific responsibility for each Head of Service to trigger the review and destruction process.

[redacted] would like to thank both Ms McMillan and Mr Stevenson for their engagement at a time of [redacted]ted demands on local authorities. I hope that this video-based inspection has proved to be helpful and constructive. My Office is available to you should you have any queries following the inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months.

Yours sincerely,

[redacted]

The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Report to the Audit and Accounts Committee

CAMBRIDGESHIRE COUNTY COUNCIL

Value for Money Conclusion: year ended 31 March 2018

IDEAS | PEOPLE | TRUST

BDO

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WELCOME

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This report summarises the results of our value for money work for the year ended 31 March 2018.

This report contains matters which may properly be considered by the Council as a whole. We expect that the Audit and Accounts Committee will bring such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Lisa Blake

16 November 2021

Lisa Blake
Engagement lead

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Senior Manager

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Accounts Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW
Executive summary

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This summary provides an overview of the audit matters that we believe are important to the Audit and Accounts Committee in reviewing the results of the audit of use of resources of the Council for the year ended 31 March 2018.

Overview

Our audit work is complete and we anticipate issuing our opinion on the use of resources for the year ended 31 March 2018 by 30 November 2021.

There were changes to the planned audit approach for use of resources following receipt of an objection from a local elector which, in our view, had potential notable implications for our assessment of the Council's arrangements. This resulted in additional procedures being performed, primarily in relation to procurement practices at the Council.

No restrictions were placed on our work.

Audit report

We are proposing to issue a qualified 'except for' use of resources conclusion because of significant weaknesses identified in the procurement arrangements in place at the Council for the year ended 31 March 2018.

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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report (issued in March 2018) we assessed the following matters as being the most significant risks regarding use of resources. We have subsequently updated our risk assessment to take into account information brought to our attention during the course of the audit and, as a result, included a further significant risk relating to potential weaknesses in procurement procedures.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
1. Sustainable deployment of resources: Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.	Sustainable resource deployment	Significant	No
2. Revenue generation: The Council's Business Plan includes a number of revenue generating activities. Appropriate governance and corporate arrangements will be key to ensuring these are successfully delivered.	Informed decision making	Significant	No
3. Procurement: Following receipt of an objection from a local elector and subsequent discussions with management, potential weaknesses in the Council's procurement arrangements were identified.	Partnership working Informed decision making	Significant	Yes, qualified 'except for' conclusion

For clarity and context, we have reproduced the results reported in our in 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018 (which relate to the first two risks above) on pages 6 and 10 of this report. Findings of the work we have performed to update our understanding in relation to these risks are documented on pages 8 and 11 of this report.

Our findings in relation to risk 3 above are documented from page 12.

SUSTAINABLE DEPLOYMENT OF RESOURCES

Risk description and results reported in July 2018

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Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Risk description as reported in the 2017/18 audit plan

The Council's latest Business Plan 2018-2023 includes a balanced budget for 2018/19 but identifies that the Council needs to make savings of £82.7m over the next 5 years. Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver this quantum of savings.

Successful transformation underpins the Council's medium term financial strategy and will require robust financial management arrangements to be in place. We have therefore raised sustainable resource deployment as a significant risk.

Work performed

We carried out the following planned audit procedures:

- We reviewed the This Land Group business case and progress to date with schemes that were in the pipeline or had been approved. We also reviewed the governance and corporate arrangements in place to monitor the company.
- We discussed with management the planned proposals for the £100m spend on commercial assets and conducted a review of relevant detailed business cases.

Results

Reproduced below are the results reported in 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018

The Council exceeded its budget in 2017/18 by £4 million, which was the forecast position from month 5 (£510k deficit in 2016/17). The overspend primarily arose within the People and Communities Directorate because of increasing demand for these services. Savings of £27.1million were delivered compared to the original target of £33.4 million (81%) due in part to delays in recruitment. The Council needed to draw on reserves to manage the overspend and had to top up the General Fund Balance at the start of the new financial year to the required minimum level of 3%, as these had reduced to 2.4% of budgeted gross non-school expenditure.

The medium term financial sustainability of the Council is a significant challenge with transformation and new ways of working needed in order to deliver the quantum of savings required. We reviewed the reasonableness of the assumptions applied by the Council in developing its Business Plan and had no matters to report. The budget re-alignment process looked at demand and trends in activity to ensure that resources are deployed to appropriate areas. 2018/19 already had a forecast overspend outturn position of £1.8m as at May 2018, with a number of other pressures and risks transparently reported and highlighted to Members that needed to be managed. Mitigation actions had commenced and there was a range of additional options available to deploy if it became necessary, a number of other mitigations were being identified in order to manage the in-year position.

SUSTAINABLE DEPLOYMENT OF RESOURCES 2

Risk description and results reported in July 2018 (cont'd)

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Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

The Business Plan continues to evolve and be updated as proposals such as the new structure for Children Services and the commercial strategy are approved and implemented. It is widely recognised that such change will take time to implement, embed and deliver and therefore the Council has prudently created an additional reserve to provide some financial resilience whilst it embarks on a period of significant change, and also to mitigate the risk attached to the more volatile budgets. Transformation monies have been drawn down in the year and the Council has seen a return on its investment from savings, due process has been followed and now there is a consistent and transparent arrangement for utilisation of the funds. Management have demonstrated a clear understanding of the challenge the Council faces and the importance of having evidence based solutions and robust arrangements to support the delivery of the financial challenge.

SUSTAINABLE DEPLOYMENT OF RESOURCES 3

Update to results as at July 2021

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Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

When forming our value for money conclusion, we are required to take into account events up to the point at which our opinion is issued and consider whether the knowledge gained since 31 March 2018 is indicative of weaknesses in the arrangements that were in place during 2017/18. We have therefore undertaken a review of the Council's financial performance and position since we reported the results on the preceding pages to you in July 2018.

The Council reported revenue overspends in both 2018/19 and 2019/20. These were not significant, representing less than 1% of the net revenue budget for the corresponding year.

The capital programme experienced significant slippage during 2018/19 and 2019/20. The Council ended 2019/20 with an underspend of £83.8m against a programme budget of £269.9m (23.9%) having forecast slippage of £21.3m at the end of October 2019. The following two areas account for 80% of the underspend:

- Commercial and Investments – underspend of £21.2m relating to a delayed investment in a multi-class credit pooled fund
- Housing schemes – underspend of £46.7m due to adjustments in relation to the amount and timing of the final construction loan due to be issued in 2019-20

The table below summarises the position for 2018/19 and 2019/20 (with 2017/18 included for reference):

	2017/18 £000	2018/19 £000	2019/20 £000
Original revenue budget per Business Plan	355,863	359,865	384,276
Final revenue budget per outturn report	354,835	352,812	384,102
Revenue outturn per outturn report	358,795	355,876	384,322
Overspend/(underspend)	3,960	3,064	220
Overspend/(underspend) %	1.12%	0.87%	0.06%
Capital programme budget per Business Plan	265,896	255,503	269,902
Final capital programme budget per outturn report	271,063	297,289	351,378
Capital programme outturn per outturn report	185,815	264,048	267,568
Overspend/(underspend)	-85,248	33,241	-83,810
Overspend/(underspend) %	-31.45%	11.18%	-23.85%

The table below shows the movement in the Council's usable reserves for the period 2017/18 to 2019/20 based on the financial statements published on the Council's website (at the time of writing, the 2019/20 financial statements were unaudited):

	2017/18 £000	2018/19 £000	2019/20 £000
General Fund	13,396	12,854	17,661
Earmarked Reserves	66,791	64,064	76,478
TOTAL USABLE REVENUE RESERVES	**80,187**	**76,918**	**94,139**
Capital Receipts Reserve	0	20,415	11,362
Capital Grants Unapplied Reserve	50,061	27,228	35,622
TOTAL USABLE CAPITAL RESERVES	**50,061**	**47,643**	**46,984**

The Council's usable revenue reserves have increased by £14m since 31 March 2018, represented by an increase of £4.3m in the general fund and £9.7m in earmarked reserves.

SUSTAINABLE DEPLOYMENT OF RESOURCES 4

Update to results as at July 2021 (cont'd)

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Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Consideration of 2021/22 budget position and medium term forecast

In light of the pandemic and the impact it has had on local government, we have also considered the Council's latest 2021/22 budget position and medium term financial forecasts as at December 2020.

The Council has undertaken scenario planning to model the potential impact of Covid-19 on the 2021/22 budget and future years. The original scenarios forecast a gap of between £30m and £80m for 2021/22. The Council's plans were then refined based on more accurate information (as it became available) to give a revised gap of £21m.

The Council approved a balanced budget for 2021/22 at its meeting on 9 February 2021.

Consideration of 2020/21 outturn position

We have considered the Integrated Finance Monitoring Report for the period ending 31 March 2021, presented to the Audit and Accounts Committee on 13 July 2021. The report highlights a revenue budget underspend of £6.3m (1.5%) and a capital programme underspend of £50.5m (24.6%). The report acknowledges the significant slippage on the capital programme as an area where action is required and describes some of the measures being taken in this area.

Conclusion

Taking into account our findings as reported in our 2017/18 Audit Completion Report and our consideration of events after 31 March 2018 and up to July 2021, we are satisfied that proper arrangements were made during 2017/18 to secure sustainable deployment of resources.

REVENUE GENERATION

Risk description and results reported in July 2018

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The Council's Business Plan includes a number of revenue generating activities. Appropriate governance and corporate arrangements will be key to ensuring these are successfully delivered.

Significant risk	■
Normal risk	
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Informed decision making	■
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Significant control findings to be reported	

Risk description as reported in the 2017/18 audit plan

The Council's Business Plan includes a number of revenue generating activities. These include creating This Land Group (formerly the Cambridgeshire Housing and Investment Company) and the proposed use of £100m of capital receipts to purchase commercial assets. The Council is seeking innovative ways of generating funds to support service delivery and mitigate the reduction in government funding.

The Council will need to ensure it has put in place the appropriate governance arrangements and corporate arrangements to comprehensively and effectively plan and successfully deliver the income generating activities. We have therefore raised a significant risk in relation to informed decision-making.

Work performed

We carried out the following planned audit procedures:

- We reviewed the This Land Group business case and progress to date with schemes that are in the pipeline or have been approved. We also reviewed the governance and corporate arrangements in place to monitor the company.
- We discussed with management the planned proposals for the £100m spend on commercial assets and conducted a review of relevant detailed business cases.

Results

Results as reported in the 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018

Income generation is one of the core strands of the Council's Business Plan in order to mitigate against decreasing government funding. It has been acknowledged that lessons have been learnt from the This Land Ltd experiences to date and that the pace of development and progress is behind what was originally anticipated has resulted in budget pressures which will need to be mitigated through other mechanisms.

The Council has recognised the importance and need for capacity and appropriate skills in order to manage such a significant programme but needs to ensure it is mindful of its overall risk appetite in such a competitive market.

The Commercial Strategy is due to be presented to Members late summer to set out the Council's direction in this area. The strategy has four key strands; a cultural mind-set shift to a commercial focus, robust contract management and procurement, consideration of traded services and investment and acquisition. Capacity has been increased with appointment to the newly created role of Director of Business Improvement and Development whose remit is to provide focussed leadership the successful implementation of the Commercial Strategy. Successful delivery of the programme will be critical to the financial sustainability of the Council in the medium and longer term.

REVENUE GENERATION 2

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The Council's Business Plan includes a number of revenue generating activities. Appropriate governance and corporate arrangements will be key to ensuring these are successfully delivered.

Significant risk	■
Normal risk	
Sustainable resource deployment	
Informed decision making	■
Working with partners and other third parties	
Significant control findings to be reported	

When forming our value for money conclusion, we are required to take into account events up to the point at which our opinion is issued and consider whether there are any matters which are indicative of weaknesses in the arrangements in place in 2017/18. We have therefore undertaken a review of business planning activities since the our report in July 2018.

The 2019-2021 Commercial Strategy was presented to the Commercial and Investment Committee for comment in March 2019, with the final version of the Strategy endorsed by the Committee the following month. An action plan to support the commercial strategy was presented to the Commercial and Investment Committee in June 2019. The Commercial and Investment Committee received quarterly updates on performance against the KPIs set out in the action plan.

In October 2019, members approved transformation funding to support the development of a commercial team within the Business Improvement and Development Directorate.

We have considered the Council's overall financial performance since September 2018 in our update against sustainable deployment of resources (see page 7).

Since we last reported to the Committee in July 2018. This Land Ltd has continued to experience significant delays in developing the sites acquired from the Council. As reported in both the Council's 2019/20 Statement of Accounts and This Land Ltd's financial statements for the year ended 31 December 2019, a revised business plan was prepared in early 2020 and approved by the Council's Commercial and Investment Committee in April 2020. The business plan highlights the requirement for additional loans funding of up to £85m to support delivery of the company's revised strategy. Management has informed us that, to date, £14m of the £85m has been advanced to the company.

We have considered the Council's overall financial performance since September 2018 in our update against sustainable deployment of resources (see page 8).

Conclusion

We note the continued challenges the Council has faced in implementing its Business Plan, in particular due to delays associated with the effective operation of This Land Limited. However, taking into account both our original findings as reported in our 2017/18 Audit Completion Report and our review of events after 31 March 2018 and up to July 2021, we are satisfied that proper arrangements were made during 2017/18 to secure appropriate governance and monitoring arrangements in respect of This Land Limited regarding the Council's Business Planning.

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PROCUREMENT

Following receipt of an objection from a local elector and subsequent discussions with management, potential weaknesses in the Council's procurement arrangements were identified.

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Risk

In our report to the Audit and Accounts Committee in July 2018 we noted that we had received an objection from a local elector and were in the process of considering its potential impact on our conclusion.

Work performed

Following consideration of the matters raised in the objection and our wider understanding of matters relating to procurement at the Council, we have undertaken further work focussing on the arrangements in place at the Council. Our procedures covered four areas:

- Testing of a sample of procurement documentation relating to material contracts (materiality being measured with reference total value over the life of the contract) to confirm whether the Council's Contract Procedure Rules had been followed
- A review of a sample of procurement related audits performed by internal audit in 2016/17 and 2017/18 and consideration of the findings and recommendations arising from these audits
- Consideration of the findings and recommendations made by internal audit as part of their review of use of consultants, including specific findings relating to the procurement of services from V4 Limited (as reported to the Audit and Accounts Committee in November 2018)
- A review of the findings of the PKF Littlejohn report considered by the special meeting of the Audit and Accounts Committee on 31 July 2018.

Results

Our review confirmed that the Council's Contract Procedure Rules, which prescribe how officers should procure goods and services, were comprehensive and covered all aspects of the procurement process.

However, both our testing of a sample of contract procurement documentation and the work of internal audit and PKF Littlejohn identified instances where the Contract Procedure Rules were not followed. The following departures from the Contract Procedure Rules were common to each area of our review, which identified instances of failure to:

- record awarded contracts on the Council's contract register
- comply with EU procurement law for contracts with values that were, or likely to be based on costs incurred on similar work to date, over the applicable threshold
- seek, obtain and document exemptions where Contract Procedure Rules could not be adhered to
- seek approval from the Monitoring Officer where contracts exceeded the four year limit specified in the Contract Procedure Rules
- retain and maintain an appropriate level of documentation to evidence observance of due process and compliance with applicable policies, procedures and legislation.

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Results (cont'd)

The matters identified by our review have been captured by the Council's own internal monitoring procedures (either during 2017/18 or after 31 March 2018) and are summarised in the 'Key Issues' section of this report (see page 17).

As part of our approach we sought legal advice on whether there had been failure to comply with EU procurement law in respect of any of the contracts we reviewed. The legal advice received confirms that there has been a failure to comply with EU procurement law in respect of two of the contracts we reviewed which left the Council open to legal challenge.

The expenditure identified by our work as being incurred by the Council pursuant to contracts made in breach of procurement law are:

- expenditure incurred in respect of a winter gritting contract awarded to Econ starting in November 2015 (£807,990 per annum for seven years).
- expenditure incurred procuring consultancy services from V4 Services Limited in July 2016 (£92,857).

We have considered whether these items of expenditure, incurred under contracts awarded in breach of public procurement law, lead to the relevant items of account being contrary to law for the purposes of section 28 of the Local Audit and Accountability Act 2014, whereby an auditor may seek a declaration from the High Court to have an item of account declared so.

While there is an argument that the items of expenditure, having been made pursuant to an unlawful contract award, would necessarily give rise to items contrary to law, we acknowledge that there are arguments that such expenditure, does not in itself give rise to an item of account contrary to law, given that the items of expenditure are one step removed from the contract award, and given the existence under procurement law of a specific route of challenge and remedy where a contract is awarded unlawfully. Such challenge has not happened here.

Taking into account the costs that would be incurred in seeking a determinative declaration from the High Court that the expenditure was contrary to law, initial legal opinion on the strength of opposing arguments in this respect, the fact that no challenge to the Econ contract has been made by any party since its award and that the contract has only 1 year to run (at a cost of £809,770), leads us to conclude that taking such action would be a disproportionate audit response. We are satisfied that reporting in the terms that we have here is sufficient to raise the key issues and associated weaknesses to the Council for them to address and, consequently, will not be taking any action under section 28 of the Local Audit and Accountability Act 2014.

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Significant control findings to be reported	■

Results (cont'd)

Winter gritting contract

As part of the 2015/16 business planning exercise, the Council identified winter maintenance, including the provision of winter gritting, as an area which should be subject to service review with the aim of identifying the savings required at the time.

This process resulted in enquiries being made of four potential suppliers. We understand that these suppliers were approached directly by the Council with no formal tender process followed, in breach of the Council's Contract Procedure Rules.

Two suppliers were unable to provide quotes. The remaining two suppliers quoted the following amounts per annum (excluding VAT) for a contract with a duration of seven years:

- Econ - £809,770 per annum
- Supplier 2 - £909,177 per annum

The figures quoted by both suppliers indicate that, at the point at which the service was being procured, the total value of the seven year contract would be between £5.668 million and £6.364 million.

A option appraisal paper was prepared by officers for Spokes (members nominated by their political party to be the spokesperson for a specific policy and service committee, in this case the Highways and Community Infrastructure Committee). This included details of the savings required by the business plan, the approach taken to obtaining quotes and the prices and services included in the offers received from the two suppliers and the nature of the service to be provided. The paper recommended that the contract be awarded to Econ.

Spokes considered the option appraisal paper at a meeting on 14 May 2015. No concerns were raised regarding the recommendation in the option appraisal paper. On 21 May 2015, officers wrote to Econ to notify the company that it would be offered the contract. The contract was signed on 20 July 2015 and the service commenced on1 November 2015.

As noted above, this tender process did not follow the Council's own Contract Procedure Rules:

- The option appraisal indicated that the expected cost of the seven year life of the arrangement would be approximately £5.7m. At the time, this exceeded the EU thresholds above which EU procurement law applied and the contract should therefore have been advertised in the Open Journal of the European Union and been put to some form of competition (whether an open procurement or other wise). The Council's Contract Procedure Rules reflected this statutory requirement but this process was not followed
- Only two suppliers were able to quote for the service. The Council's Contract Procedure Rules require any EU tenders to receive at least five responses or an exemption should be obtained. An exemption was not obtained.
- The length of the contract exceeds four years and the Contract Procedure Rules required any arrangement which exceeds four years to be agreed by the Monitoring Officer - there is no evidence available to demonstrate that this was the case.

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Significant control findings to be reported	■

Results (cont'd)

- Spokes meetings are not formal decision making bodies within the Council and do not have authority to approve the procurement. Also, the meeting at which the option appraisal paper was presented was not minuted.
- As Contract Procedure rules were not followed, an exemption should have been obtained by officers. The Council has been unable to provide evidence that an exemption was obtained.

Failure to comply with EU procurement law in force at the time the contract was awarded, as described in the first bullet point above, results expenditure associated with the contract awarded to Econ arising from breaches of public procurement law.

Consultancy services

The awarding of consultancy services contracts to V4 Services Ltd was reviewed by Internal Audit during the 2018/19 financial year as part of a wider review of the use of consultants by the Council. The findings of this review were reported to the Audit and Accounts Committee on 22 November 2018 in the following documents under agenda item 7:

- Appendix 1 – Use of Consultants Internal Audit – Final Report
- Appendix 2 – Use of Consultants Internal Audit - V4 – Briefing Note

Appendix 2 includes a comprehensive description of expenditure incurred with V4 Services Limited between 14 December 2015 and 31 March 2018 and the processes followed to procure services from the company.

As part of our work we have considered the findings reported by Internal Audit in the V4 Services Limited briefing note and have not identified any matters which are contrary to the content of that document. We have not sought to reproduce the content of Internal Audit's briefing note in this report.

We have further considered whether or not any expenditure incurred in respect of the contract with V4 Services Limited was made unlawfully and have sought legal advice accordingly.

Our legal advisors highlighted that the payments made to V4 Services Limited between 1 July 2016 and 31 July 2016 (totaling £92,857) were effectively a modification to the contract with the company which terminated on 30 June 2016, in breach of public procurement law. The Council should have estimated the value of the modification, combined this with the value of the previous contract and run a new procurement process. Failure to do so was unlawful under public procurement law.

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Significant risk	■
Normal risk	
Sustainable resource deployment	
Informed decision making	■
Working with partners and other third parties	■
Significant control findings to be reported	■

Conclusion

The guidance on the specified criterion published by the National Audit Office in November 2017 ('Auditor Guidance Note 03 - Auditors Work on VFM Arrangements') describes proper arrangements in relation to working with partners and third parties. This includes the following:

- Procuring supplies and services effectively to support the delivery of strategic priorities.

Our review identified a number of weaknesses in the control environment governing the procurement of goods and services at the Council.

The nature of these weaknesses increases the risk that the Council was unable to procure supplies and services to support strategic priorities that were economic, efficient and effective.

We are therefore unable to conclude that proper arrangements were in place to support working with partners and other third parties in 2017/18.

The guidance on the specified criterion published by the National Audit Office in November 2017 also describes proper arrangements in relation to informed decision making. This includes the following:

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, including where relevant, business cases supporting significant investment decisions.
- Managing risks effectively and maintaining a sound system of internal control.

We have identified instances where the Council did not follow public procurement law or its own Contract Procedure Rules, including failures to obtain and document exemptions to those rules and failing to obtain formal approval of key decisions from members.

We consider that these findings are indicative of significant weaknesses in the arrangements for partnership working and securing informed decision making.

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Accounts Committee. The Council has prepared a separate report (presented to the same Audit and Accounts Committee meeting as this report) outlining its response to the recommendations we have raised.

As the purpose of the audit is for us to reach a conclusion on the Council's use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Contract register	Awarded contracts were not always entered onto the Council's contract register. Where details of contracts were recorded on the contract register, inconsistencies were identified between that information and the Council's procurement platform.	Failure to maintain a complete and accurate contract register increases the risk of ineffective monitoring and management of contract spend. Failure to publish and complete and accurate contract register may also result in the Council breaching its duties under the Local Government (Transparency Requirements) (England) Regulations 2015. We understand that since these matters were raised by Internal Audit, the Council has implemented a new ERP system which supports the publication of the contract register. This has replaced the shared contract register which was maintained by LGSS at the time.	1. Remind all officers with responsibility for procurement and contract management that all contracts must be included on the contract register. 2. Undertake spot checks of newly awarded contracts to confirm contract details are being added to the contract register on a timely basis and that the information is accurate and complete. 3. Monitor findings of Internal Audit's procurement reviews to determine whether the contract register is being maintained.

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KEY ISSUES 2

Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Compliance with EU procurement rules	EU procurement law in place at the time the contracts in question were let were not adhered to. EU procurement law should have been applied as the contracts either exceeded or were likely to exceed the applicable threshold requiring application of EU procurement law.	Failure to adhere to statutory procurement rules increases the risk that unsuccessful bidders will take legal action against the Council, resulting in unnecessary cost and reputational damage, as well as possible interruptions to the goods and services procured (and the Council's own provision). Since the UK's departure from the EU and the end of the transition period, EU procurement legislation no longer directly applies to UK entities (including local authorities). However, the UK's own applicable regulations (which, for the majority of procurement exercises undertaken by the Council is likely to be the Public Contracts Regulations 2015 which implemented EU law), have been retained with some minor amendments. Therefore the Council remains subject to a broadly similar public procurement regime (with some minor differences, for example that, while the Council is no longer required to advertise contracts exceeding the applicable thresholds in the Open Journal of the European Union, advertisement is required in the UK's Find a Tender e-notification service).	4. Provide mandatory training to all officers with responsibility for procurement on the requirements of the Public Contracting Regulations 2015 and the amendments that came into force following the end of the Transition Period, and any subsequent public procurement legislation. 5. Monitor the implementation of action plans agreed in response to the findings of Internal Audit's procurement reviews to determine whether Find a Tender is being used for all tenders relating to contracts which exceed the relevant threshold (usually above £189,330 at the date of this report).

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KEY ISSUES 3

Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Committee approval and exemptions/ waivers	Contracts exceeding a certain threshold should be treated as a key decision and approval sought from the appropriate committee (as per the requirements of the Council's Contract Procedure Rules). The absence of documented and properly authorised exemptions (required where the requirements of the Council's Contract Procedure Rules cannot be met) was a common theme identified by procurement related reviews undertaken by Internal Audit during 2017 and 2018 and our own work.	Failure to seek, obtain and document exemptions where Contract Procedure Rules could not be adhered to increases the risk that inappropriate departures from the Contract Procedure Rules are not identified and addressed at an early stage in the procurement process, leading to breaches which may expose the Council to legal action and reputational damage. In response to recommendations made by Internal Audit, management implemented an on-line form, available on the Council's intranet, which helps maintain an audit trail to support the waiver (previously known as exemptions) process. The committee paper template was updated in response to Internal Audit's findings to ensure that it included a section highlighting whether the matter being presented had any procurement implications and, if so, that they have been signed off by the Head of Procurement. This also identifies any potential key decisions and ensures that the Head of Procurement is aware of such matters.	6. Regularly publicise the online waiver form to ensure all officers are aware of its existence and understand the importance of completing the form where the Council's Contract Procedure Rules cannot be adhered to. 7. Undertake spot checks of newly awarded contracts to confirm waivers are being sought and approved in all required circumstances. 8. Monitor the implementation of action plans agreed in response to the findings of Internal Audit's procurement reviews to determine whether any issues regarding waiver completion and authorisation are being identified.

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Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Approval of Monitoring Officer	The Council's Contract Procedure Rules require approval from the monitoring officer for any contract term (including any optional extension period) which exceeds four years. There was no formal process for obtaining such an approval and these approvals are not retained centrally.	Failure to seek approval of the monitoring officer where contracts exceeded the four year limit specified in the Contract Procedure Rules increases the risk that value for money will not be achieved due to the absence of regular market testing. In response to Internal Audit findings, the importance of obtaining monitoring officer approval for contracts exceeding four years was communicated more widely via the Council's intranet. The Summary Procurement Proposal and procurement activity logs required to be completed for new procurements were also updated to require confirmation that monitoring officer approval had been sought. It is unclear whether, as part of this process, all approvals are documented in writing and retained centrally.	9. Record in writing any monitoring officer approval given for contracts exceeding four years in duration. Such approval should be held centrally by either the monitoring officer or the procurement team. 10. Monitor the implementation of action plans agreed in response to the findings of Internal Audit's procurement reviews to determine whether monitoring officer approval is being sought in all necessary circumstances.

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KEY ISSUES 5

Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Retention of records	A common theme underlying the matters raised in this report is the absence of written documentation to evidence and support the processes undertaken to award contracts to third party suppliers.	Failure to maintain supporting documentation which is readily retrievable increases the risk that the Council will be unable to demonstrate compliance with both its own internal procedures and/or relevant procurement legislation. We understand that it is the responsibility of contract managers to retain much of the supporting documentation. For information not already stored on the Council's procurement system (such as invitations to tender and bid evaluations), there is no central repository, accessible by both the procurement team and contract managers, for the storage of procurement related documentation.	11. Update the Contract Procedure Rules to ensure that the requirement to maintain formal documentation supporting the procurement process is embedded. This could usefully be supported by the establishment of a records management and retention policy. 12. Set up a central location for the storage of documentation related to the procurement process which is not already held on the Council's procurement system.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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OUR RESPONSIBILITIES

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Our responsibilities and reporting

We report where we consider that the Council had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Accounts Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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DRAFT AUDIT REPORT - USE OF RESOURCES

PLEASE NOTE THAT THE WORDING OF OUR AUDIT REPORT IS SUBJECT TO TECHNICAL CLEARANCE BY OUR TECHNICAL STANDARDS GROUP

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

Qualified conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, with the exception of the matters reported in the Basis for qualified conclusion on use of resources section of our report, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in April 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We have undertaken a review of the arrangements governing the procurement of goods and services at the Council. Our review confirmed that the Council's Contract Procedure Rules, which prescribe how officers should procure goods and services, were comprehensive and covered all aspects of the procurement process. However, departures from the Contract Procedure Rules were identified in the following areas:

- Failure to record awarded contracts on the Council's contract register
- Failure to apply EU procurement law to contracts with values that were, or likely to be based on costs incurred on similar work to date, over the applicable threshold
- Failure to seek, obtain and document exemptions where Contract Procedure Rules could not be adhered to
- Failure to seek approval of the monitoring officer where contracts exceeded the four year limit specified in the Contract Procedure Rules
- Failure to maintain adequate documentation to support the process underlying procurement decisions
- Insufficient reporting to those charged with governance regarding waiver arrangements and other intended departures from Contract Procedure Rules.

This is evidence of weaknesses in proper arrangements regarding partnership working and informed decision making.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

DRAFT AUDIT REPORT - USE OF RESOURCES 2

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Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Cambridgeshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lisa Blake

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

Xx November 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Agenda Item No: 6(b)

External auditor's value for money opinion 2017-18 and response to findings of procurement weaknesses

To:	Audit & Accounts Committee
Meeting Date:	25 November 2021
From:	Director of Resources
Electoral division(s):	All
Key decision:	No
Outcome:	The Committee will be informed of the external auditor's value for money opinion and the steps taken in response by the Council as a result of the weaknesses identified with procurement processes.
Recommendation:	It is recommended that the Committee: a) Receives the report of the external auditor regarding their use of resources value for money opinion for 2017-18 b) Notes and comments on the County Council's response to the findings, set out in this report c) Draws this matter to the attention of the Full Council in December, through this Committee's annual report

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1. Background

1.1 Each year the independent external auditor is required to give an opinion on the County Council's use of resources and value for money. For 2017-18, the authority's then external auditor, BDO LLP, gave their opinion on the financial statements in August 2018, but stated that:

> *"As a consequence of the ongoing work necessary to conclude upon an objection to the financial statements received from a local elector, we have not yet been able to complete the work that we have determined necessary to form a view on whether, in all significant respects, Cambridgeshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018. We are therefore unable to report on this matter until our work in this area is complete."*

1.2 On 16 November 2021, the Council received a finalised report from BDO summarising the results of their value for money work for the year ended 31 March 2018. It is therefore anticipated the value for money opinion will be signed by BDO before the end of November 2021. The submission from BDO has been included in the agenda papers for this meeting, preceding this report. This report outlines the Council's comments and response to the findings.

1.3 This Committee has been concerned at the delays in concluding the 2017-18 value for money opinion, leading to a number of requests and prompts to bring about the finalisation of the work. This included formal exchange of letters between CCC and BDO, copied to PSAA Ltd as well as informal liaison, including from chief officers and the former Chairman of the Committee. BDO has acknowledged the extended period taken to reach this stage, and in their report issued in November 2021 reproduce earlier findings shared with the Committee in July 2018 as well as including updates to their understanding of these risks and the outcome of work undertaken.

1.4 In relation to two audit risks – sustainable use of resources and revenue generation – BDO's finding is that there are no issues identified that impact on their overall value for money conclusion. With respect to the procurement audit risk, BDO have concluded that they need to modify their opinion on an "except for" basis. Through this report, the Council sets out the steps it has already taken and identified as required to address the shortcomings highlighted by BDO.

2. Weaknesses in procurement arrangements

2.1 As part of their audit of use of resources and value for money, BDO selected a sample of items of expenditure and contracts in order to assess the Council's procurement arrangements. In their report, BDO outline that they sought legal advice as to whether there had been a failure by the Council to comply with procurement law in respect of any of the contracts reviewed. BDO's legal advice is that in two cases the Council is likely to have breached procurement law.

2.2 Firstly, in relation to winter gritting, the Council entered into a seven-year contract in 2015. Expenditure across the contract term amounts to £5.6m or approximately £0.8m per annum. BDO's report sets out the process the Council followed to seek multiple quotes and then informally consult with Members ahead of the contract being awarded. However, BDO have detected that in this case the Council did not follow its own Contract Procedure Rules, principally by failing to meet the statutory requirement to advertise the contract opportunity in the *Official Journal of the European Union*; to document (and retain) the appropriate internal exemptions and approvals for the procurement approach; or to seek a formal decision by Members at Committee. The Council recognises these are serious failings.

2.3 Although the procurement errors identified preceded the 2017-18 year under consideration, as this was a seven-year contract, expenditure continued during the relevant period and during this current financial year 2021-22. The Council was advised of BDO's provisional finding in relation to this matter in August 2021 and because of the potential implications for an extant contract, sought its own legal advice at that stage as to the current situation.

2.4 Having received advice from Trowers & Hamlins LLP, a firm of solicitors with expertise in public procurement law and local government matters, Officers' view is that the winter gritting contract continues on a lawful basis until its expiry in May 2022. Considering the situation in 2021-22 in the round, notwithstanding the initial procurement errors, it is the case that:

- Non-compliance with standing orders (in this case the contract procedure rules) does not in itself invalidate a contract
- Under EU procurement law there is an express power to declare a contract ineffective, which has not been utilised in this case. The normal time limit for such a declaration of ineffectiveness expired in late 2015
- The Council had the power to enter into the winter gritting contract - the issue in this case is not that the Council was acting beyond its powers to provide a winter gritting service

In terms of the appropriateness of any further remedy or sanction on this point, it is also noted that:

- The Council has already made a number of improvements to its procurement processes since 2015 (set out further below)
- Competitor bidders have the opportunity to bid for the new contract (effective from May 2022)
- Competitor bidders previously aggrieved by the 2015 process had a route to appeal the award of that contract
- There could be significant cost to the Council if it were to interrupt service provision
- The Council has acted throughout to fulfil its statutory responsibilities as a highways authority

Overall, the Council has concluded that the winter gritting contract remains valid and it has ongoing private law obligations to the contractor.

2.5 Secondly, in relation to consultancy services, BDO have highlighted their legal advice that payments made to a specific consultancy in July 2016 (totalling £92,857) were effectively a modification to a contract which terminated on 30 June 2016, in breach of public procurement law. The Council erred in not running a new procurement process. This breach relates to one month preceding the 2017-18 accounting period.

2.6 As a result of identifying that the Council did not follow public procurement law or our own Contract Procedures Rules in 2015 and 2016, BDO consider that these findings are indicative of significant weaknesses in the arrangements for partnership working and securing informed decision making. They will therefore qualify their conclusion on the use of resources for 2017-18 by stating that they are satisfied, in all significant respects, that the Council put in place proper arrangements to secure economy, efficiency and effectiveness except for the matters reported.

2.7 BDO have made twelve recommendations which this Committee should consider on behalf of the authority. The response to the recommendations and actions being taken by the Council are set out in the next section.

3. Improvements to procurement arrangements

General improvements in controls for CCC procurement since 2015 and 2016

3.1 This section outlines a number of general improvements in process over recent years, taking account of internal audit recommendations during that period:

3.1.1. The Council now has in place a system for completing and retaining waivers/exemptions digitally, such that these workflow from the contract manager to the service's chief officer to head of procurement to chief finance officer and finally (where required by the contract procedure rules) the monitoring officer. This aids completion, retention and monitoring of the waiver permission process.

3.1.2. The Council has transferred its contracts register from a standalone system to be integrated with the ERP Gold prime accounting system. This enables a harder link between spend data on the ledger, cashflow outbound from the council, and the contract register. It also requires spending officers to proactively consider the accuracy and completeness of the contract register when ordering and requisitioning spend via the system. ERP Gold also prompts regular review of contract register information, workflowing this to the same task lists that managers review for personnel and financial management.

3.1.3 The Council has in place a joint procurement board (with Peterborough City Council) which is chaired by the section 151 officers at PCC and CCC alternately that receives overall monitoring information for procurement at both councils. This is a useful liaison forum for the lead procurement professionals at each Council to share information and organisational intelligence with each other and the CFOs and legal representative. For the largest area of externally contracted spend (People & Communities), there is also an officer Joint Commissioning Board, which exercises a close superintendence of procurement activity (and procurement compliance) within that directorate, as evidenced by standard pro-forma cover sheets which confirm adherence to controls by report authors.

3.1.4 In Sept 2017, Internal Audit recommended that Procurement sign off be required for all Committee reports. This was subsequently implemented and has now been in place for several years and is well embedded. The Head of Procurement reviews all Committee reports and this is a useful device for identifying issues and procurement risks.

3.1.5 Recommendations from internal audit in 2017 relating to when exemptions/waivers are required were addressed in revisions to the contract procedure rules at that time. The CPR and intranet have shown a straightforward flow chart for the waiver process for some time.

3.2 In December 2020, the strategic procurement team was returned to the Council from the shared arrangements in LGSS, meaning that CCC had a dedicated procurement team reporting to the CCC Section 151 Officer, for the first time since 2010. During 2021 the Council has taken steps to strengthen the team. An experienced local government head of procurement was engaged on an interim basis to provide leadership during 2021. An external appointment has been made to fill this role on a substantive basis from mid-January 2022. A further external appointment has been made at team manager level completing the management team in CCC Procurement. All the management level staff in the team are qualified members of the Chartered Institute of Procurement and Supply.

3.3 The Council's response and remarks to the specific recommendations received from BDO are as follows:

BDO recommendation	CCC response and remarks
1. Remind all officers with responsibility for procurement and contracts that all contracts must be included on the contract register	From April 2020, when setting up a purchase order or requisition within the ERP Gold system users are prompted for a contract register reference. The contract register is also held on the same ERP Gold system, enabling linked analysis. We have a process in place whereby items added to the Contract Register each month are sent to Category Managers in the procurement team for review. Category Managers use their knowledge of service procurement processes to identify items missing, requiring a waiver, or other anomalies. Contract register responsibilities were communicated to all staff through the Daily Blog on 23-March-2017 in response to an internal audit recommendation. There have been a range of further communications since this date. In anticipation of this recommendation from BDO, in October 2021 we have again reminded all listed budget managers (those with spending approver rights in our finance system) and all contract managers listed on the Contracts Register of their responsibilities for recording, by way of a direct email.
2. Undertake spot checks of newly awarded contracts to confirm contract details are being added to the contract register on a timely basis and that the information is accurate and complete	We have a process in place whereby items added to the Contract Register each month are sent to Category Managers in the Procurement team for review. Category Managers use their knowledge of service procurement processes to identify items missing, requiring a waiver, or other anomalies. Periodically the Support Officer based in the Procurement Team undertakes analysis on the ERP Gold held contract register to identify anomalies and raise these with contract managers. During October 2021, we have commissioned internal audit follow-up of this action to ensure further assurance.
3. Monitor findings of Internal Audit's procurement reviews to determine whether the contract register is being maintained	During 2020 the Council reviewed this and confirmed that internal audit actions from 2017 and 2018, relating to procurement had been addressed. Audit & Accounts Committee have established processes for monitoring implementation of significant and important internal audit recommendations at each meeting. Internal Audit have confirmed in 2021 that there are no outstanding recommendations awaiting implementation relating to procurement. During October 2021, we have commissioned internal audit to ensure further assurance that the contract register is being maintained.

4. Provide mandatory training to all officers with responsibility for procurement on the requirements of the Public Contracting Regulations 2015 and the amendments that came into force following the end of the transition period and any subsequent public procurement legislation.	The Council provides and promotes regular training through its central procurement team. To date this has not been mandatory, however the Council will use the impetus of updating its contract procedure rules, and the findings of this report from BDO, as a basis for ensuring that all contract managers undertake this training.
5. Monitor implementation of action plans agreed in response to the findings of internal audit's procurement reviews to determine whether Find A Tender is being used for all contracts which exceed the relevant threshold (usually above £189.3k at the date of this report)	Internal Audit have confirmed in 2021 that there are no outstanding recommendations awaiting implementation relating to procurement. Audit & Accounts Committee have established processes for monitoring implementation of significant and important internal audit recommendations at each meeting.
6. Regularly publicise the online waiver form to ensure all officers are aware of its existence and understand the importance of completing the form where the Council's Contract Procedure rules cannot be adhered to	In anticipation of this recommendation from BDO, we have also reminded all listed budget managers (those with spending approver rights in our finance system) and all contract managers listed on the Contracts Register of their responsibilities for submitting waivers, by way of a direct email.
7. Undertake spot checks of newly awarded contracts to confirm waivers are being sought and approved in all required circumstances	This is addressed through the monthly review of contract register changes by the Procurement team, as well as the controls outlined above to encourage and prompt contract register entries. To gain further assurance on this, we have asked Internal Audit to check this point in their October 2021 review.
8. Monitor the implementation of action plans agreed in response to the findings of internal audit procurement reviews to determine whether any issues regarding waiver completion and authorisation are being identified	Internal Audit have confirmed in 2021 that there are no outstanding recommendations awaiting implementation relating to procurement. Audit & Accounts Committee have established processes for monitoring implementation of significant and important internal audit recommendations at each meeting.
9. Record in writing any monitoring officer approvals given for contracts exceeding four years in duration. Such approval should be held centrally by either the monitoring officer or procurement team	Our intention is to revise this requirement, from its current form, in our changes to the contract procedure rules. Our view is the emphasis should be on identifying at commencement of procurement stage (i.e. at the point of initial Committee approval) the proposed length of contract. Committee

	approvals to commence require monitoring officer/legal sign off as part of the documented sign offs at the end of each report. Additionally, any waiver request with a value exceeding £100k also is routed to the Monitoring Officer for approval on our waivers system. In this way we view that it is the contract value (either via Committee or waiver) which requires monitoring officer awareness and documentation, rather than length of contract in and of itself.
10. Monitor the implementation of action plans agreed in response to the findings of internal audit to determine whether monitoring officer approval is being sought in all necessary circumstances	The original internal audit recommendation on this point is from February 2017 and the process has been significantly improved since then. There was communication to all staff emphasising the monitoring officer role in procurement in March 2017. There is monitoring officer sign-off of all committee reports, there is a clear process in the Contract Procedure Rules (outlined in the flow chart) for when monitoring officer involvement is necessary, and waiver requests automatically workflow through to the monitoring officer where required according to the CPR.
11. Update the contract procedure rules to ensure that the requirement to maintain formal documentation supporting the procurement process is embedded. This could usefully be supported by the establishment of a records management and retention policy.	This will be further reflected in the updated contract procedure rules, to be considered by the Constitution and Ethics Committee in January (delayed from November). The Council already has a records management and retention policy – “Keeping Information”. This includes 15 types of information relating to procurement with a stipulated length of retention period. This includes retaining all records relating to procurement advice (six years from the date of the advice), information relating to evaluation criteria (six months from contract award), monitoring of service levels (6 years from expiry of contract), and records relating to sealed contracts under management (12 years from last action).
12. Set up a central location for the storage of documentation related to the procurement process which is not already held on the Council’s procurement system	The updated contract procedure rules, to be considered by the Constitution and Ethics Committee in January, include a requirement to send a PDF copy of signed contracts to the central procurement team for filing. The Council has implemented Office 365 and a MS Teams channel is being utilised for retention of documents.

4. Next steps

4.1 The Audit & Accounts Committee takes responsibility for the Council's functions under the Local Audit & Accountability Act 2014 on behalf of all Members. Owing to the qualification of BDO's opinion for 2017-18 and the serious findings in relation to procurement arrangements in 2015 and 2016, the Committee is invited to bring these matters to the attention of the Full Council through its annual report scheduled for the meeting on 15 December 2021.

4.2 Once the value for money opinion for 2017-18 is issued, the only remaining matters with BDO are objections from a local elector dated 10 August 2017 and 11 July 2018. The objections are wide ranging, but it is understood that now that work on procurement and the value for money opinion is concluded, this should enable their determination in the near future.

4.3 Conclusion of the 2017-18 opinion will also enable our successor auditor, Ernst & Young, to bring forward its work on the value for money opinions for 2018-19 and 2019-20, where we would anticipate the risks highlighted in 2017-18 will be further considered for the relevant years.

5. Alignment with corporate priorities

5.1 Communities at the heart of everything we do
5.2 A good quality of life for everyone
5.3 Helping our children learn, develop and live life to the full
5.4 Cambridgeshire: a well-connected, safe, clean, green environment
5.5 Protecting and caring for those who need us

There are no significant implications. The winter gritting contract mentioned in this report arises from the priority to ensure Cambridgeshire is a well-connected and safe county.

6. Significant Implications

6.1 Resource Implications

This report concerns the independent auditor's opinion on the Council's use of resources for the year ended 31 March 2018.

The Council achieves best value through ensuring its procurement processes are open, fair and transparent.

Under Part 5 of the Local Audit & Accountability Act 2014, the auditor may recover their reasonable costs incurred from the Council in considering these matters in excess of the audit scale fee. BDO have not yet presented a request for costs.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

This report responds to the external auditor's finding that there were breaches of procurement law in 2015 and 2016 and sets out improvements to procurement procedures, these have now either been addressed or are currently being addressed.

6.3 Statutory, Legal and Risk Implications

The relevant statutory provisions relating to conduct of local audit are set out in the Local Audit & Accountability Act 2014

The Council received external legal advice to inform the reasoning set out at section 2.4 of this report and has had regard to the Public Contracts Regulations 2015, Local Government Act 1972, case law and other enactments.

6.4 Equality and Diversity Implications

There are no implications under this heading

6.5 Engagement and Communications Implications

There are no significant implications under this heading.

6.6 Localism and Local Member Involvement

There are no significant implications under this heading.

6.7 Public Health Implications

There are no significant implications under this heading

6.8 Environment and Climate Change Implications on Priority Areas

There are no significant implications under this heading

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes
Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer? Yes
Name of Legal Officer: Fiona McMillan

Have any engagement and communication implications been cleared by Communications?
C Birchall

7. Source documents guidance

7.1 Source documents
Contract Procedure Rules
Statement of Accounts 2017-18 Link to website

Agenda Item No: 7

Arrangements for the appointment of external auditors from 2023/24 to 2027/28

To:	Audit & Accounts Committee
Meeting Date:	25 November 2021
From:	Chief Finance Officer
Electoral division(s):	All
Outcome:	The committee will consider the options for the appointment of the Council's external auditors for the period 2023/24 to 2027/28, and specifically whether to join national procurement arrangements or adopt a local approach.
Recommendation:	Committee is asked to recommend that Full Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

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1. Background

1.1 The Local Audit and Accountability Act 2014 established the current audit regime for local government. One aspect of this was the mechanism for appointing a council's external auditor, following the abolition of the Audit Commission, which required new procurement regulations for the external audit of authorities' accounts.

1.2 Councils are required to either appoint their own external auditor following a procurement process, or to opt-in to a national scheme whereby the appointing body, currently Public Sector Audit Appointments ltd (PSAA), procures a range of audit contracts on behalf of opted-in bodies and determines who will be each body's external auditor. PSAA is a sector-led organisation and subsidiary of the Local Government Association. The PSAA was nominated by the government to be the appointing body for the first five-year cycle of this new audit regime and has been reappointed for the second five-year cycle.

1.3 Councils that procure their own external auditor instead of opting-into the PSAA arrangements must also establish a local Independent Auditor Panel (IAP). This panel must have a majority of independent members and is required to ensure that the independence of the appointed auditor is maintained. Councils that opt-into the national PSAA arrangements do not need to appoint this panel. It has been estimated by the Local Government Association that setting up a local IAP would cost around £15,000 plus ongoing expenses, allowances and running costs.

1.4 Authorities may join together to appoint a common IAP and have a shared external audit firm. There can be benefits to neighbouring councils having a common external auditor, but we have not received any approaches from neighbours to suggest this is something the local area would support.

1.5 The scope of external audits continued to be specified nationally, the National Audit Office is responsible for writing the Code of Audit Practice which all firms appointed to carry out local authority audits must follow.

1.6 In 2017 Full Council agreed for Cambridgeshire County Council to opt into the national arrangements and have PSAA appoint our external auditor. This opt-in covered the five-year period from 2018/19 to 2022/23.

1.7 Alongside Cambridgeshire, 98% of eligible bodies opted-into the national arrangements for that first five-year period.

1.8 PSAA is now beginning its procurement for the next period, covering 2023/24 to 2027/28, and has asked all local government bodies to confirm whether they wish to opt into their national arrangements by Spring 2022. If councils do not opt-in, then they will need to appoint an IAP and commence procurement processes to appoint their own auditor.

1.9 Cambridgeshire therefore needs to decide whether or not to opt-in to the PSAA arrangements, which must be done by Full Council, or make our own arrangements either on our own or with neighbours.

2. Main Issues

2.1 Continuing to opt-into the PSAA arrangements for the five years from 2023-28 is likely to offer better value for money and better outcomes than procuring the external audit function locally.

2.2 Collective procurement should maintain lower costs for the sector and to individual authorities compared to a local procurement due to the economies of scale and certainty offered to audit firms through the national arrangements. These would also be expected to mitigate to some extent the expected increase in audit costs over the medium-term resulting from firms struggling to resource audits.

2.3 If we do not opt-into the national arrangements, Cambridgeshire will have to set up and maintain, or join an existing, Independent Auditor Panel with the associated costs. That would bring an administrative burden for little additional benefit, along with the burden of running a procurement exercise for our auditor.

2.4 The PSAA arrangements are likely to continue to dominate the external audit market in local government, so it remains the best opportunity to appoint a qualified, registered auditor. There is a small number of firms capable of undertaking this work, and a local procurement would be drawing from the same pool of firms as the PSAA procurement.

2.5 We have relatively little influence over what we are procuring in our external auditor as the nature and scope of the audit is defined by regulations and codes of practice, and there is independent regulation of councils' external auditors.

2.6 There are clearly challenges with local government external audit. Costs are rising, there are delays in audits taking place, and the number of audit firms has reduced over time. None of these issues, however, is necessarily fixed by opting-out of the PSAA arrangements. If we procured our own external auditor, they would continue to be bound principally by the codes of practice and the IAP would manage the local relationship, limiting any increased influence over the auditor. We would also not necessarily have any more control over when the audit took place. Procuring together with a large number of other councils is likely to be our best way of achieving some improvements from the audit clients' perspective, namely more predictable and prompt audits with reasonable costs.

2.7 Supporting the sector-led body contributes most to ensuring there is a sustainable local government audit market in the medium-term. PSAA's selection by government to be the nominated body for the second cycle reflects confidence in their approach to the first cycle.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

3.2 A good quality of life for everyone

There are no significant implications for this priority.

3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications
Section 2 sets out the resource implication.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The national procurement arrangements have a statutory basis, but if we did procure locally then the Council's procurement rules would need to be followed.

4.3 Statutory, Legal and Risk Implications

If the Council is minded to opt-into the national arrangements, it must do so in line with the statutory deadline of 11 March 2022, and will require a Full Council decision.

4.4 Equality and Diversity Implications
There are no significant implications.

4.5 Engagement and Communications Implications
There are no significant implications.

4.6 Localism and Local Member Involvement
There are no significant implications.

4.7 Public Health Implications
There are no significant implications.

4.8 Environment and Climate Change Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral
Explanation:

4.8.2 Implication 2: Low carbon transport.
Neutral

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

Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral

4.8.5 Implication 5: Water use, availability and management:
Neutral

4.8.6 Implication 6: Air Pollution.
Neutral

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

5. Source documents

5.1 Source documents

The Local Audit (Appointing Person) Regulations 2015
Statutory invitation letter to local authorities from the PSAA

5.2 Location

The Local Audit (Appointing Person) Regulations 2015
Statutory invitation letter to local authorities from the PSAA

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? Yes
Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
N/A
Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications?
N/A
Name of Officer: N/A

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

Have any Public Health implications been cleared by Public Health?
N/A
Name of Officer: N/A

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

Agenda Item No: 8

Audit and Accounts Committee Annual Report 2020-21

To: Audit and Accounts Committee

Date: 25th November 2021

From: Chair of the Audit and Accounts Committee

Purpose: To present the draft Audit & Accounts Committee Annual Report 2020-21, summarising the Committee's annual work programme, which will be presented to the December meeting of full Council.

Recommendation: a) The Committee is asked to review and comment on the attached draft Report;

b) To refer, with any changes from discussions at the meeting) the Annual Report to the Council meeting on 14th December 2021.

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Member contacts:
Names: Councillors Graham Wilson and Nick Gay
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Audit and Accounts Committee
Annual Report

1. Introduction

1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management as part of best practice so that the Council can meet its duties under the Accounts and Audit Regulations.

1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.

1.3 The Audit and Accounts Committee currently has seven members and met 9 times in 2020-21. Following the local elections in May 2021, a new Committee was formed with a new Chairperson, and an induction and training session for the new Committee was held on the 1st June 2021. This period also saw the new Head of Internal Audit start in post from 1st January 2021.

1.4 2020/21 Audit & Accounts Committee meetings were held in public, other than three meetings which were scheduled in addition to the normal Committee calendar, on the 23rd December 2020 and the 5th and 26th March 2021. These meetings were held in private session, on the grounds that the agenda contained exempt information under Paragraphs 1, 2 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed.

1.5 The Committee has been structured around the following responsibilities:

- Considering and approving the Annual Statement of Accounts;
- Ensuring that the financial management of the Council is adequate and effective;
- Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
- Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
- Ensuring that the Council has an adequate and effective Internal Audit function.

2. The Committee's relationship with Internal Audit

2.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a flexible approach from

the Internal Audit team, which ensures that planned coverage is continually re-assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions.

2.2 In its role of overseeing the work of Internal Audit, every ordinary meeting of the Audit & Accounts Committee was provided with updates on progress in delivering the agreed Annual Audit Plan. In 2020/21, Cambridgeshire County Council was significantly impacted by the Covid-19 pandemic, and Internal Audit resource was redirected in-year to support the organisation's response to this critical emerging risk, in line with best practice. While the Internal Audit Plan was significantly revised to accommodate the need for this work, the work completed in-year remained sufficient to support an evidence-based opinion over the control environment. Internal Audit has produced an Annual Report where the Head of Internal Audit has provided his annual opinion as below:

On the basis of the audit work undertaken during the 2020/21 financial year, a strong satisfactory assurance opinion has been reached. My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2020/21 by the Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses.

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

- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*

- *Reviews of Key Financial Systems consistently demonstrating a good or satisfactory assurance across all systems;*

- *The organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*

- *In previous years, Internal Audit has highlighted a number of contract management issues in individual projects managed by the Major Infrastructure Delivery (MID) service. In 2020/21, at the service's request, Internal Audit implemented a full review of contract management in the service, including evaluating four major projects and assessing MID capital programme governance as a whole. This work identified significant areas for improvement;*

however the service has responded rapidly to these concerns, and action plans to address the issues are already underway.

- *Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020/21, this was first raised with the Internal Audit team in 2019. The affected service has responded positively to the issues identified, and the action plan to address the concerns is in the public domain. Additionally, it is noted that the organisation has completed a full review of the Whistleblowing Policy in light of the issues raised.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.3 During 2020/21, Key Financial Systems audits were again undertaken as joint reviews of the shared Cambridgeshire County Council, Milton Keynes and Northamptonshire County Council LGSS systems. Internal Audit colleagues based across the three Councils delivered reviews of the key financial systems, with the exception of the Payroll audit. This was due to be delivered by colleagues at Milton Keynes Council as part of these joint arrangements; however, Milton Keynes officers subsequently contacted the Head of Internal Audit to confirm that due to staff sickness, they were currently unable to complete the Payroll audit. Cambridgeshire Internal Audit staff therefore completed a piece of work on Payroll Analytics to review any trends, patterns or significant variances within full time equivalent (FTE) averages. As a result of this work, no significant variances or anomalies were identified.

2.4 Due to the exceptional pressures created by the Covid-19 pandemic, at the start of the 2020/21 financial year the former Chief Internal Auditor agreed a change to usual working practices, to create greater capacity to respond to the additional reactive work required of the Internal Audit team at this point. As such, follow-up of implementation of actions was also placed on hold at this time.

2.5 As Covid-19 pressures eased, Internal Audit completed a comprehensive review of all recommended actions to ensure that all business-critical actions were being implemented by services. This review re-evaluated the risk profile of each individual recommendation made, to identify where traditional audit follow-up was required for actions related to higher-risk areas and where actions related to lower-risk areas do not require full formal follow-up. The normal process of follow-up and reporting on implementation of agreed audit actions was reinstated by January 2021.

3. Proactive Work of the Committee

The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

3.1 Corporate Governance

3.1.1 The Council's Annual Governance statement is compiled on the basis of the findings of Internal Audit reviews throughout the year, assurance statements from executive and corporate directors and input from senior management and members of the Committee. The 2020/21 Annual Governance Statement was reviewed by the Committee in July 2021, prior to final sign-off and inclusion in the Council's annual Statement of Accounts.

3.2 Council Finance and Statement of Accounts

3.2.1 Throughout 2020/21, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Finance Monitoring Reports to assess progress in delivering the Council's Business Plan and review the status of the Council's Key Performance Indicators. The Committee regularly inquires and follows-up on areas which have overspends or other issues.

3.2.2 The Committee also considers and approves the annual Statement of Accounts both for Cambridgeshire County Council and the Pension Fund. During 2020/21, the Committee received and approved the Council's audited financial statements for the year ending 31 March 2020, the second year in which EY LLP had been our appointed external auditor. The draft Statement of Accounts 2020/21 was presented to Committee on 30th July 2020, ahead of the final review and delegation of approval at the Committee on 24 November 2020. This reflects the disruption caused by Covid-19.

3.2.3 In respect of the accounts, BDO (the Council's former External Auditors) had received objections from a local elector in respect of the 2017/18 and 2016/17 public rights periods. BDO have now supplied the Chief Financial Officer with their 2017/18 Value for Money opinion and response to the objections and these were considered at the Audit & Accounts Committee meeting of 25th November 2022.

3.2.4 This item is covered separately on the A&A agenda and this section will be updated prior to being presented to Full Council

3.2.5 The Committee has also received quarterly updates on debt management within the Authority, particularly focusing on the collection of large debts, and has provided review and challenge to income collection and debt recovery improvement activity.

3.3 Whistleblowing Referrals

3.3.1 The Committee received periodic updates on all referrals received under the Whistleblowing policy. Whilst cases that remain ongoing cannot be reported publicly, it can be reported that no completed cases identified material control failures or fraud. In all completed cases the Committee was satisfied that robust action was taken as appropriate.

3.4 Farms Audit

3.4.1 The Committee received regular updates on the progress of this audit throughout 2020/21.

3.4.2 Following an Extraordinary meeting of the Audit & Accounts Committee on the 23rd December 2020, it had been agreed that the Chief Executive would appoint an independent auditor to complete the investigation into Manor Farm, as the Chief Internal Auditor was unable, due to sickness, to complete the internal audit into this matter. The former Chair of the Committee met with Mazars LLP, the independent audit firm appointed in December 2020 to complete the audit.

3.4.3 The final report by Mazars was presented to the Committee on the 5th March. Due to legal advice received, the majority of the meeting was held in private session other than consideration of a 31-point action plan relating to the management of the County Farms estate, which was discussed and published publicly. Subsequent to this meeting, the Committee has also received and approved an updated Whistleblowing Policy and a new Conflict of Interest Policy for Members.

3.4.4 Recommendations from the Mazars report regarding potential actions in respect of code of conduct issues were referred for consideration at a meeting of the Constitution and Ethics Committee on 27th July 2021.

3.5 Risk Management

3.5.1 The Audit & Accounts Committee also maintains oversight of risk management processes at the Council. Cambridgeshire County Council maintains an approved Risk Management Policy and Risk Management Procedures. During 2020/21, the Joint Management Team and Directorate Management Teams formally considered risk on a quarterly basis. However, as part of the Council's immediate response to the Covid-19 pandemic, a bespoke risk register and action tracker was created to help manage the challenges, and JMT formally agreed a departure from the Council's business-as-usual risk management processes. This approach continued until November 2020, by which time risk controls had been put in place against all COVID risks and actions were being managed within Directorates and monitored by JMT.

3.5.2 The Audit & Accounts Committee received updates on the risk management approach adopted via reporting from Internal Audit, and the Annual Governance Statement presented to Committee in July 2021 gave a comprehensive overview of how the Council's risk management responded to the pandemic over the previous year.

4. Terms of Reference for the Committee

4.1 Having been fully reviewed and revised in 2016/17, the Terms of Reference for the Audit & Accounts Committee were reviewed by the Committee in May 2018 and retained with no changes. The Committee is advised that the document remains current and consistent with best practice.

5. 2020/21 Covid Pandemic

5.1 Covid 19 has had a major impact across the Council. As a result of the pandemic, the Committee met virtually for much of the 2020/21 financial year, with meetings focussed (as agreed across group leaders) on matters requiring decision.

5.2 This has impacted on the work of the Committee and the services that serve it, i.e. Finance, Legal, Internal and External Audit. The Committee has been kept informed and briefed by the relevant services, but often outside formal meetings, particularly in the early part of 2020/21 where formal meetings were deferred for some months.

5.3 The work of the Committee began returning to normality in the second half of 2020/21 and normal function has resumed as of 2021/22.

6. Source Documents

6.1 Audit and Accounts Committee agendas and minutes.

Audit and Accounts Committee - Agenda and Minutes

Agenda Item No. 9

Internal Audit Progress Report

To: Audit & Accounts Committee

Date: 25th November 2021

From: Neil Hunter, Head of Internal Audit and Risk Management

Recommendation: The Committee is asked to note and comment on the report.

Officer contact:
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Member contacts:
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1. Purpose

1.1 To report on the main areas of audit coverage for the period to 5th November 2021.

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 2021-22 Internal Audit Plan was presented to JMT on 4th March 2021 before being approved at Audit and Accounts Committee on 23rd March 2021. This agreed a new approach, whereby 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. For 2021/22, it was agreed that the 'core' plan will be set annually, and the 'flexible' plan will be set quarterly in advance, to ensure that it is more reactive to areas of emerging or changing risk.

2.3 Cambridgeshire County Council (CCC) Joint Management Team (JMT) considered this report on 18th November 2021 prior to its submission to the Audit & Accounts Committee on 25th November 2021.

3. Highways Audit Update

3.1 Further meetings and a programme of work have been arranged and agreed between the Internal Audit team and the Contractor, and a provisional date of the end of November had been agreed for completion of the work. This programme of work is now expected to include the reconciliation for the 2020-21 financial year, though this will depend on the speed and accuracy of information provided by the Contractor.

3.2 At present, the programme is slipping due to delays in the provision of information by the Contractor. The Executive Director of Place & Economy has escalated this with the Contractor.

4. Outstanding Audit Recommendations

4.1 Appendix B details all outstanding audit recommendations as at 5th November 2021.

4.2 It is pleasing to note there are no current outstanding ‘Essential’ recommendations.

5. Investigations Caseload

5.1 Section 8 of the Progress Report summarises the open cases currently under review by the Internal Audit Team.

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 5th November 2021

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: Advisory Activities

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

APPENDIX A: Internal Audit Plan Progress 2021/22

APPENDIX B: Outstanding Agreed Actions

APPENDIX C: National Fraud Initiative Update

2 *INTERNAL AUDIT REPORTING PROCESS*

2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including JMT and the Audit & Accounts Committee, with a summary of internal audit activity for the third quarter of 2021/22 and the current proposed coverage for the next four quarters.

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 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.
Satisfactory Assurance	The control environment has mainly operated as intended although errors have been detected.	There are some 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.

2.2.6 Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to JMT, 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 our last Progress Report in September 2021, 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.	Law and Governance	Declaration of Interest - Members	Good	Good	Minor
3.	People & Communities	Disabled Facilities Grant	Grant sign-off completed.		
4.	People & Communities	Foster Carer Overpayments Review	Review of overpayment calculations completed and report produced.		
5.	People & Communities	Additional Home to School Grant	Grant sign-off completed.		

3.2 Summaries of any finalised reports with limited or no assurance 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.	Place & Economy	MID Investigation Report

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

4 SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE

4.1 There have been no finalised audits issued with either limited or no assurance during the period.

5 ADVISORY ACTIVITIES

5.1 SUSTAINABILITY GRANT PANEL:

5.1.1 Internal Audit has been providing support to the Sustainability Grant Panel since 2020 and as part of this role has identified an opportunity to strengthen the governance arrangements through introducing panel members to formally declare any potential interests at the start of meetings.

5.2 NORTHSTOWE PLACEMAKING FUNDING:

5.2.1 Internal Audit has provided advice and guidance to the development of grant funding activity relating to Northstowe Placemaking Funding, including signposting key policies and procedures such as the Council's Partnerships Governance Advice & Guidance and Grants to Voluntary Organisations Policy, and providing ad-hoc advice and guidance on financial administration for the project.

5.3 DIRECT PAYMENT FINANCIAL REVIEW:

5.3.1 Internal Audit has been approached by the Learning Disability Partnership to undertake a financial review of complex financial arrangements for a service user where the direct payment appears to have been aggregated into other income streams. As a result, there is a lack of clarity about the current package and what is being funded from the direct payment. Internal Audit has agreed to conduct a full financial review to assist the service in clarifying the care plan and funding.

6. *AUDIT FORWARD PLANNING: NEXT FOUR QUARTERS*

6.1 Core audit work is progressing in line with the agreed Audit Plan 2021/22. Progress on this work is detailed at Appendix A to this report.

6.2 The proposed 'flexible' Internal Audit Plan for the next four quarters (Q4 2021/22 – Q3 2022/23) 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. This approach also creates capacity where audits from earlier in the year have been identified as requiring additional resource to complete due to a high level of complexity of resource requirement, e.g. the highways open book review. The team's available resources have also been significantly impacted by a number of leavers and secondments this year. It is anticipated that these posts will be filled during Quarter 3 and Quarter 4.

6.4 The team will continue to progress each quarter's work as outlined below, assuming a full team structure; any shortfall will be re-profiled in future quarters. This is one of the advantages of the new flexible planning approach.

Current Proposed Flexible Internal Audit Plan for Q4:		**165**	**Jan - Mar 2022**
Safeguarding Assurances	P&C	30	Review of assurances over the Council's safeguarding arrangements for children and adults, including internal review processes, contractual assurances, and assurances received from third parties such as Ofsted, peer reviews etc. This audit was previously deferred from the 2020/21 Audit Plan.
Council Tax NFI Project	Resources	5	Internal Audit support to a project to reduce Council Tax Single Person Discount fraud with the District Councils and other partners.
Direct Payments Fraud Policies	P&C	5	Internal Audit support to further development of counter fraud policies and procedures for direct payments
Procurement Compliance	CCC	20	Review of compliance with key controls identified in the draft BDO value for money opinion.
Waste PFI	P&E	30	Council's biggest PFI contract, £35m p.a. gross budget. Renegotiation of the contract to resolve legacy issues re: retention of monies. The scale of the contracts means this is a key financial risk for the Council. This audit was previously deferred from the 2020/21 Audit Plan.

ICT Disaster Recovery Lessons Learned	C&D	5	Following the ICT data centre move in November, there will be a 'lessons learned' processes. Internal Audit will conduct a light-touch review of this process to obtain assurance over current processes and assist with identification of learning points; a full Disaster Recovery review will be undertaken in 2023 following the SAN replacement.
ICT Change Management	C&D	20	Review of policies, procedures and compliance with managing change in ICT systems and processes.
Home to School Transport & Contracts	P&C	30	Key pressure area, difficulties faced in keeping down costs in rural locations. Ensure the Council gets best value from providers. Follow up on areas of concern from 2015/16 audit. High area of focus for Transformation - audit requested for final quarter of 2021/22 by Daniel Sage
Fostering Payments	P&C	20	Reviewing fostering arrangements in light of the high cost of fostering placements to the Council. Also in light of previous audit report which raised issues re:overpayments, and complaints from foster carers.
Current Proposed Flexible Internal Audit Plan for Q1:		**215**	**Apr - Jun 2022**
Investment Properties	Resources	20	The Council is increasingly investing in property at a high cost. Review of investments, process, strategy and risk especially in light of new guidance on use of loans from PWLB. High reputational risk. This audit was previously deferred from the 2020/21 Audit Plan.
Adult Social Care Finance	P&C	20	Assurance following the major restructure and centralisation of the Adults Social Care Finance team, particularly reviewing invoicing processes, cost recovery and the link to debt management. This audit was previously deferred from the 2020/21 Audit Plan.
Rental Income	Resources	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.
ICT Strategy	C&D	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.
Taxation	Resources	20	Review of taxation compliance following the disaggregation of the Finance team from LGSS meaning there is no longer a single dedicated VAT specialist, and considering the impact of Making Tax Digital.
Client Funds and Deputyships	Resources	20	Review of client funds and deputyships arrangements which have been brought back in-house following

			disaggregation from LGSS.
Demand management strategies	CCC	20	Community resilience; 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.
Mosaic System Uploads & Data Integrity	P&C	5	A review of key controls in the Mosaic system with regards to security, and how data integrity is maintained from feeder systems and uploads.
Financial Regulations Monitoring & Compliance, including Delegated Authorities	CCC	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.
ICT Incident and Problem Management	C&D	20	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.
Fire Safety Checks	Resources	20	Confirm that fire safety check processes are up to date, carried out, and compliant with relevant legislation.
Procurement Team Oversight of Major Procurements Compliance	Resources	10	Recommendation from a previous audit that a monthly report of all purchase orders above £100k raised in the last month is extracted from ERP and that this is compared to the known contracts that have been created in the last month to check for contracts above £100k that were not overseen by the Procurement Team. Procurement have indicated that this would be too expensive for them to implement so Internal Audit will conduct compliance testing on this key control.
Current Proposed Flexible Internal Audit Plan for Q2:		**220**	**July - Sept 2022**
ICT Procurement	C&D	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Equality Impact Assessments	BI&D	20	Review of the implementation of the new Equality Impact Assessment process and compliance
Contract Management - Minor Works Framework	Resources	30	Review of this major contract with an annual value of £8m.
Client-side Review of Pathfinder Legal Services	L&C	20	Client-side review of Cambridgeshire's Pathfinder Legal Services legal provision.

Supplier Resilience Reviews	CCC	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.
Capital Strategy	Resources	20	Review of the Council's Capital Strategy, in light of the CIPFA Prudential Code requiring Local Authorities to have a Capital Strategy in place from April 2019.
Statutory Health & Safety Property Inspections	Resources	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.
FOI and SAR	C&D	20	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales.
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	P&C	30	Review of this key contract with an annual value of £2.35m.
Current Proposed Flexible Internal Audit Plan for Q3:		**220**	**Oct - Dec 2022**
ICT Security	C&D	20	Review of ICT security strategy and compliance with key measures such as PSN etc.
Contract Management - Cambridgeshire Energy Performance Contracting Project	P&E	30	Review of contract management within the Cambridgeshire Energy Performance Contracting project, which holds two major contracts with a combined annual value of £11m.
Budgetary Forecasting	Resources	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and forecasting is accurate.
Children’s Social Care Commissioning Strategies	P&C	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.
Information Security	C&D	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.

Contract Management	CCC	20	Noted as a risk area given the outcomes from recent audits. Lack of detailed contract management guidance available to managers in the organisation. High impact area.
Management of Consultants and Interims	CCC	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.
Early Years Entitlements Funding	P&C	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely and accurate. £38m of DSG is classed as Early Years funding in 2021/22.
Most Economically Advantageous Tenders	CCC	20	Review MEAT where the lowest price was not sucessful, to assess the cost of additional quality. Review the appropriateness of specification, evaluation criteria (and compliance), including rationale for award.
Adoption	P&C	20	Review of new in-house adoption processes to confirm value for money following termination of contract with Coram Cambridgeshire Adoption

7. *FOLLOW UP OF AGREED AUDIT ACTIONS*

7.1 The outstanding management actions from Internal Audit reports as at 5th November 2021 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 now 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 'Important' recommendations**		**Total**	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	3 (3)	2.40% (2.75%)	60 (52)	48.00% (47.71%)	63 (55)	50.40% (50.46%)
Actions due within last 3 months, but not implemented	0 (1)	0.00% (0.92%)	14 (39)	11.20% (35.78%)	14 (40)	11.20% (36.70%)
Actions due over 3 months ago, but not implemented	1 (0)	0.80% (0.00%)	47 (14)	37.60% (12.84%)	48 (14)	38.40% (12.84%)
Totals	**4**		**121**		**125**	

7.3 There are currently 62 management actions outstanding. Further detail on outstanding actions is provided at Appendix B.

7.4 It is pleasing to note there are no current outstanding 'Essential' recommendations.

8.0 *RISK MANAGEMENT*

8.1 As agreed at the previous Audit and Accounts Committee meeting, the Corporate Risk Management update will be brought to Committee in February 2022.

9 *FRAUD AND CORRUPTION UPDATE*

9.1 FRAUD INVESTIGATIONS

9.1. The current Internal Audit caseload of investigations is summarised below in Table 5. As at the end of October, Internal Audit has received 11 whistleblowing referrals in the 2021/22 financial year, in line with the number of referrals received by the same point in 2020/21 (11 cases).

Table 5. Current Internal Audit Investigations Caseload

Open Cases from 2020/21 *Carried forward*		**Open**	**Closed**	**Total**
Fraud	Direct Payments	2	0	2
Total		**2**	**0**	**2**
All Cases Reported in 2021/22 *To Date*				
Fraud	Third Party Fraud	1	0	1
	Schools Fraud	0	1	1
	Officer Fraud	1	0	1
	School Admissions Fraud	0	1	1
Governance	Officer Code of Conduct	0	1	1
	Conflict of Interest	0	1	1
	Fostering Service	0	1	1
	Schools Governance	1	0	1
Safeguarding	Fostering Service	1	0	1
Overpayment	Payroll Overpayment (Night Allowances)	0	1	1
Theft	Libraries Theft	0	1	1
Total		**4**	**7**	**11**

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. In the table above, the investigations into the referrals relating to the Officer Code of Conduct, the payroll overpayment and the allegation of officer fraud and misconduct were led by the Assistant Director of HR & Learning; and a safeguarding concern in the Fostering service was passed on to the Director of Children's Services.

9.2 PRO-ACTIVE COUNTER-FRAUD WORK

9.2.1 The Internal Audit team also undertakes a range of pro-active counter-fraud activities. Currently the team is reviewing the Council's Anti-Fraud and Corruption Policy, with the intention of bringing an updated policy to JMT and the Audit & Accounts Committee in early 2022.

9.2.2 Additionally, Internal Audit are providing support to a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud, and to consider whether there is potential for the project could be expanded to support other internal counter-fraud activities. Internal Audit is also working with colleagues in People & Communities to review and update policy and guidance on dealing with suspected fraud and misuse of direct payments.

9.3 NATIONAL FRAUD INITIATIVE (NFI)

9.3.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating, depending on the nature of the data. As at November 2021, a total of 5,504 matches have been reviewed and closed at CCC.

9.3.2 Please see Appendix C for further details on the NFI process and work to date.

APPENDIX B Summary of Outstanding Recommendations – under 3 months

(Recommendations due as at 5.11.2021).

Audit	Risk level	Summary of Recommendation	Target Date	Status
KPIs	I	The draft Performance Management Framework lacks the specifics of a quality assurance process for KPIs: The draft Performance Management Framework should be edited to include the specifics of: • The quality assurance process that KPIs produced within BI (including where BI take data direct from source systems) undergo • Measures taken to provide assurance on data/calculation reliability for those KPIs reported to BI by officers in other CCC services. We recommend that the latter is addressed through both: a) clear delegation in the Framework of responsibility to senior officers in the services in question b) Sample testing to be carried out on some proportion of these KPIs, either by BI or Internal Audit.	01/09/21	Work is ongoing to develop an updated Performance Management framework. The draft shared during the audit is being further updated and revised in line with the new Administration's priorities; Peer Challenge recommendations; Internal Audit recommendations; and best practice. Proposals will be discussed with Chairs, Vice Chairs and JMT during September with the new framework to be developed for approval at December Strategy and Resources Committee. Revised target date: 31st December 2021
KPIs	I	The draft Performance Management Framework lacks a formal process for the adding of new KPIs to the suite, or indeed the removal of old ones: The draft Performance Management Framework should be edited to include the specifics of a formal process for the addition/removal of KPIs, including what approval is needed (presumably of the committee affected).	01/09/21	The process for adding / amending / deleting indicators is being detailed in the revised Performance Management Framework (see above). Revised target date: 31st December 2021

feeder systems	I	The Head of Service should liaise with IT to explore whether the system can be modified to: • allow for estimated placement end dates to be implemented. This could be specific to each placement or a blanket approach where every placement has an end date set at some point in the future (for example, 3 months). • Provide notifications that a placement is nearing its end date and require an in-system review and confirmation of a new end date if the placement is ongoing. • In addition to the above points, set end dates against looked after children and young people. These end dates should be set at the 16th or 18th birthday depending on the relevant car type and legal status. As an interim measure, the tracker spreadsheets should be expanded to cover external placements as well as in house cases.	30/09/21	The complexity of this has been increased now that the service is closely aligned to PCC - any changes need to happen across both councils. The service is liaising with IT re the functionality of the system to ascertain what functionality changes might be practical and achievable - but the service needs to undertake a data cleansing and reporting improvement project first and this needs to align with other IT Service priorities. There is an interim appointment planned to expediate the data cleansing and reporting work. it has been established already that the system can be configured to provide an alert 3 months in advance of a YP turning 18 - this will be implemented once the other work above has been completed. Revised target date: 30th April 2022
DR 20/21	I	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: • 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	30/09/21	This has been delayed due to covid/and other priorities. The Service has developed a Service Improvement Plan which is continually being updated. This includes introducing and embedding a new portfolio process. The introduction of new documented best practice procedures will be developed and finalised in line with the implementation of processes in the Service Improvement Plan and once the portfolio process has been embedded. A revised income policy has been drafted which is due to be reviewed internally and then circulated to Finance Business Partners for review. Following approval, we can update local guidance notes for the debt team. Revised target date: 31st January 2022

		• How ERP Gold workflows and functionality will be best utilised • Use of complaint codes • Deceased cases recovery processes		
AR 20/21	I	"Contracts or other documented agreements such as service level agreement should be agreed between the lead authority and its clients to govern the delivery of the service. This would be best addressed as part of the wider governance change process currently taking place, resultant from the change in delivery models for shared services, the repatriation of services, and the future of NCC. We have not made this recommendation in respect of Accounts Receivable provision at MKC as the service has recently been repatriated and is now an in-house service. Therefore, there is no provider/client relationship requiring documented agreements.	30/09/21	A review of SLAs for Lead Authority services is scheduled to take place as part of the wider governance changes associated with the shared services in the Lead Authority model, including the local government reorganisation within Northamptonshire that will see WNC and NNC replace NCC as partners in the model. It is anticipated that SLA reviews will be completed during Q3 2021/22 and revisions agreed by partners via the Lead Authority Board. Revised target date: 31st December 2021
AR 20/21	I	Unapplied items on customer accounts, including outcomes of reviews, should be included in the new monthly reporting regime recommended above.	30/09/21	Unapplied income is recorded on the Income Allocation performance and is also discussed in Service Review meetings as an agenda item. We provide comparison data to outline the trend in unapplied accounts. Reporting on unapplied items will be further developed to mirror the points made in recommendation 3 of this report so that detail of the frequency of unapplied item reviews and the timeliness of payment application each month Revised target date: 31st December 2021

AR 20/21	I	Reports from ERP confirming the value and volume of sales orders created via manual uploads should be retained to support clear audit trails and to support any reviews or investigations pertaining to sales orders created via manual upload files.	30/09/21	We will liaise with the Business Systems Team to ensure that the relevant confirmation reports are saved at the point uploads are completed. This has been delayed due to service priorities, in particular at the two Northamptonshire Unitary Authorities. Further discussions required with Business Systems, however there is a change freeze until Jan 2022, so may be delayed until Feb 2022 Revised target date: 28th February 2022
Schools' safer recruitment 20-21	I	The Schools Improvement Service should introduce a documented escalation process for school non-compliance with important recommended actions from school inspection visits, including timescales.	31/10/21	A draft procedure document has been prepared. The expectation is that this will be approved on her return from leave in November. Revised target date: 30th November 2021
Soham Library Preschool Investigation	I	It is recommended that the Early Years & Childcare service formalise their approach to managing the potential for conflicts of interest within their workforce, by creating a written policy document. In particular, this should involve line managers ensuring that formal written declarations of interest are made and that a record is kept of how conflicts are managed and the observation and reporting lines for each such setting within the EY service, demonstrating how any conflict has been avoided.	31/10/21	This action has been delayed due to the current pressures of Covid-19 on the Education directorate, combined with staff absence. A revised target date of 31st January has been set. Revised target date: 31st January 2022

Soham Library Preschool Investigation	I	"A cross-directorate review should be undertaken within the Council (including at least: Early Years, Education Capital, Places Planning and Property), of the Council's policy on how property is awarded to early years and childcare providers, particularly including: • Ensuring a level playing field for all providers at the point of procurement and throughout the process; • Ensuring that competition for space is the norm across the sector for all provider types (schools, private voluntary and independent); • Clarifying the circumstances under which a non-competitive process would be considered (for example, based on social purpose, sufficiency data, quality, urgency); • Clarifying the approval process for any situation in which a competition is not undertaken; • A formal process for how rent holidays would be awarded; • Exploring the possibility of introducing a preferred provider framework to improve business continuity planning within the service and to mitigate against the Local Authority's role as provider of last resort."	31/10/21	It has not proved possible to meet the end of October completion date for this action due mainly to work pressures and the continued challenges of Covid-19, particularly with regard to the Education sector. As a result of this, it has proved necessary to reschedule planned meetings twice. The next meeting on this action is due to take place on 12 November and therefore the action is expected to be completed by mid-December. Revised target date: 17th December 2021
Soham Library Preschool Investigation	I	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.	31/10/21	This action has also been delayed due to work pressures and the continued challenges of Covid-19. Further progress is expected following the next cross-directorate meeting on the 12th November. Revised target date: 17th December 2021

Soham Library Preschool Investigation	I	Colleagues in Education Capital, Place Planning and Property should develop a process to ensure that where space is leased to providers outside the Less Than Best process, basic financial due diligence is undertaken to confirm the provider's viability, and in any instances where there are known concerns regarding a provider's viability, a full financial health check should be undertaken.	31/10/21	This action has also been delayed due to work pressures and the continued challenges of Covid-19. Further progress is expected following the next cross-directorate meeting on the 12th November. Revised target date: 17th December 2021

Summary of Outstanding Recommendations – over 3 months

(Recommendations due as at 5.11.2021).

Audit	Risk level	Summary of Recommendation	Target Date	Status
Fostering Contract Management	I	Double paying for home-to-school transport: Establish a suitable fee reduction to ensure travel costs are not paid for twice and publish this clearly as part of fee negotiation guidance. Before negotiations for a contract start, it should be fully established whether the child is eligible under the home to-school transport assistance policy and the fee reduction should be agreed accordingly. Guidance should be updated to state that every contract should include a note re: how Home to School transport and transport to contacts is funded, and that this should also be noted on the placement plan.	01/10/19	The process for the Access to Resources Team to request discounts / negotiated fees for provisions where Home to School Transport is provided is in embedded into the team processes. It is noted however that at present there is no formal process recorded (that is to say, the team have a procedure they undertake, but this is not a documented procedure). Commissioning are in the process of formalising the procedure and seeking ratification for it from senior managers; this process may take up to three months. As outlined previously, Access to Resources are not able to apply a 'blanket approach' to home to school transport – there are situations where a carer travels a significant distance for contact or where children attend school in two different directions, where it would not be appropriate to request a discount for

				transport, but this is considered on a case by case basis; the process will reflect this. Revised target date: 31st December 2021.
Fostering Contract Management	I	No control process to identify errors in in-house payments: Create a payment policy document that clearly sets out the different scenarios that occur and how they are paid for, such as: respite breaks, children going to university, level 6 carers with a staying put placement etc. Include details about IFA carers transferring to in-house, and the fee agreements relating to children already in place.	01/07/19	This activity broadened resulting from the decision to align CCC and PCC fostering services into a new shared Fostering Service. The implementation of this recommendation has been delayed due to the restructuring of the service and the required staff consultation taking priority. However, new systems are in place and the payments policy has now been drafted. A consultation with Foster Carers at both CCC and PCC will to be undertaken as the next step prior to fully implementing the finalised policy. The consultation letters will be sent to carers 03/11/21 and the consultation closes 12/11/21.The Assistant Director will I reply to any queries by 29/11/21 with the expectation that the policy and new carer handbook will be officially launched by the end of December Revised target date: 31st December 2021
18/19 Ely Bypass Review	I	Limits on Delegated Authority: Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications.	31/10/19	This recommendation now forms part of the block of 26 Capital Programme Governance Review recommendations, detailed on pp.8-9 of this document. Revised target date: 31st January 2022
Accounts Payable 19/20	I	Supplier Amendment: A review of supplier classification and set up in ERP Gold should be undertaken with the desired outcome to ensure that only individuals such as care customers are classified as non-commercial suppliers in the system.	31/12/20	Progress on this action has been delayed due to a change freeze in ERP Gold, and also by the impact of the pandemic/priority work on embedding systems at the new Northamptonshire LAs, including supplier data migration work which

				has had a significant impact on the Supplier Maintenance Teams resources. Work on this is now progressing, linked to other changes in ERP to further strengthen the supplier amendment process. This has increased the complexity of the build so more time is required. Revised target date: 31st December 2021 It should be noted that the 20/21 AP report gave good assurance over controls and compliance.
Accounts Receivable 19/20	I	Income allocation is not monitored with data and performance against targets regularly reported: Reporting should be amended to provide information to management, including data on KPIs, to allow for effective monitoring in key areas relevant to performance. This should be provided on a monthly basis and include: • New suspense items cleared - value and volume • New suspense items cleared in that month - value and volume (a KPI associated with this would be better than 3 days clearance) • Total value and volume cleared each month • Volume & value (and percentage) of aged suspense items relating to each previous month) • Performance against agreed KPIs • This will help provide context to performance and help drive performance in a way that current reporting cannot. Last year it was recommended that any aged items in suspense should be allocated to a fortuitous income code once all proportionate investigations had been unable to allocate the payment. This is progressing but has not yet been fully implemented and embedded across all three clients yet. Once implemented, data on aged items allocated to fortuitous income should be included in reporting.	31/01/21	The implementation of this recommendation has been delayed due to the impact of the pandemic/the LGSS review and transition to the lead authority mode. In addition, the service was prioritising the future Northamptonshire project work. Further discussions are required with Finance Business Partners regarding the introduction of a fortuitous income code. Income suspense is reported on a monthly basis to Finance Business Partners with a RAG status and suspense items broken down into age profile. Current reporting has been enhanced and developed to include the bullet points in the recommendation (with the exception of data on items relating to each previous month) so that reporting provides detail of the timeliness of suspense account clearance each month. Enhanced reporting has been produced with more detailed age profiles on unallocated income. Further reports will be required for volumes cleared, but a change freeze has been put in place until mid-January 2022, which may delay system reports. Suggest move to end of Feb

				2022 to ensure final report is robust. Revised Target Date: 28th February 2022 Whilst this action remains outstanding it should be noted that the 20/21 AR report has now been completed which gave good assurance over controls and compliance.
Key Policies and Procedures	I	Policy Framework: A policy framework document should be drafted which includes: • 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	The Head of Policy, Design & Delivery has advised that the development of this policy framework need to align with ongoing work with JMT and Members to develop the Council's Strategic Priorities. This will be approved by Members as part of our Business Plan, therefore, there will be a delay in bringing this to JMT until that has taken place at February Full Council. Revised target date 31st March 2022
Complaints	I	Complaints Policy and Guidance: The review highlighted that the Council was operating without either a Corporate Complaints Policy or detailed guidance on local operating procedures. Instead, a corporate complaints leaflet with minimal details was in place. There was no consistent process in place for dealing with complaints across the Council. Instead, inconsistent local processes were in place in different directorates and services. These issues have been identified by the Council and plans are in place to introduce a Corporate Feedback Policy and implement a digital complaints solution across the Council to replace the various spreadsheet based local	31/03/20	The policy and guidance are now in place. However, to assist with the implementation of this policy the service planned to implement a digital complaints management solution. Progress with this system was impacted by pressure on the LGSS Digital team through the height of the pandemic, when work had to be re-prioritised to support our COVID response, and the re-patriation of staff from LGSS to the various partner authorities in, and by the backlog of digital work, particularly the creation of on-line forms, which again had to be carefully prioritised. The system has now been developed and testing has been undertaken. Some issues have been

		processes.		identified through testing which are being addressed. We still anticipate that the new system will go-live in November Revised target date: 30th November 2021
Complaints	I	Complaints Monitoring: 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. The introduction of the corporate Feedback Policy and the new digital complaints solution provides a timely opportunity to introduce monitoring and reporting arrangements.	01/10/20	Reporting is planned to commence once the digital complaints solution has been implemented and new processes have been embedded (see above). More data will need to go through the system to ensure it is robust and embedded so a revision to the target date for reporting to. 31.03.22 would allow for a full quarters data with time for analysis and reporting. Revised Target Date: 31st March 2022
This Land	I	A calendar of operational liaison meetings: A calendar of operational liaison meetings between This Land and key Council officers managing the relationship should be established with administrative support to ensure these are fully documented and an action plan is in place. These should have a set agenda in advance and regular discussion items such as KPI source data, Health and Safety related matters and progress against all developments.	01/04/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC
This Land	I	Annual Assurance Statement: An annual assurance statement should be provided to the Shareholder considering whether or not a sound system of internal control exists within the company and that the obligations documented with the Loan Facility Agreements have been met. An independent Internal Audit function should deliver an annual opinion on whether this is in	01/05/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC

		place and highlight any areas of concern. As a wholly owned company of the Council, a public body, the requirements of the Accounts and Audit Regulations apply and therefore the Council's Audit Committee has responsibilities to be assured regarding the governance, control and risk management operating within the company.		
This Land	I	Governance arrangements: A formal document is produced and presented to C&IC (as Shareholder) containing governance arrangements of: • Reporting to Shareholder; • Corporate performance indicators for delivery against the benefits identified; • Business plan; • Financing the company; • Reserved matters; • Risk, Audit, and internal control 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.	01/06/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC
This Land	I	Self-assessment: The Council (as Shareholder) requires This Land to undertake a self-assessment against the UK Corporate Governance Code (Appendix 1) to confirm the existing governance arrangements in place and produce an action plan for areas which remain outstanding. This should be produced on an annual basis and presented to C&IC for review.	01/08/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC
This Land	I	A contract to support the construction/development and bridging loans should be established: A contract to support the construction/development and bridging loans should be established, this should capture: • CCC responsible officer/team for managing the arrangements; • What CCC staff should be consulted when This Land	01/07/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC

		purchase 3rd party developments and formalise existing arrangements for purchases from the Council; • Operational performance indicators are identified for the following areas: - Delivery of individual developments to include time, quality, and cost; - Progress reports (as identified in D&C Loan Facility Agreement); - Health and safety; - Any other suitable areas consistent with the Loan Facility Agreements. • Remedial timescales and actions; • Monitoring of overall delivery or developments.		
This Land	I	Risk Appetite: This Land should determine (in consultation with the C&IC as Shareholder) a clear risk appetite of how it intends to operate, this should then be supported by a strategy for managing risk. Seeing this presented to, and discussed by, C&IC would give some assurance that there is a level of oversight of the risk appetite of This Land by the committee.	01/07/21	A major multi-disciplinary property consultancy, has been appointed as the specialist reviewer of This Land and the work has begun. Revised target TBC
AP 20/21	I	Supplier Review: A review of Virgin Media Ltd suppliers in ERP gold should be undertaken with the aim of reducing the number of suppliers for that company and ensuring that the instances where Virgin Media ltd is set up for non-commercial payments are either deleted or disabled.	30/04/21	A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites. In addition to the BAU processes above, an exercise will be undertaken specifically to review the Virgin Media Ltd suppliers but this has been delayed due to the high priority work on embedding systems at the new Northamptonshire LAs, including supplier data migration work which has had a significant impact on the Supplier Maintenance Teams resources. This action has also been delayed as any open orders on the relevant supplier records need to be reviewed and closed in advance. Revised target date: 31st March 2022

AP 20/21	I	Supplier Review: 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 suppler types is appropriate and if not if should be determined which supplier instances should be deleted or disabled.	30/06/21	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. 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. This this has been delayed due to the high priority work on embedding systems at the new Northamptonshire LAs, including supplier data migration work which has had a significant impact on the Supplier Maintenance Teams resources. This action has also been delayed as any open orders on the relevant supplier records need to be reviewed and closed in advance. This is a significant piece of work that requires considerable resource to review supplier databases. Due to Future Northants and the additional suppliers that were migrated this has increased the scope and volume of work required and linked to the work in the above action. Revised target date: 31st March 2022
DR 20/21	E	Aged Debt Review: An exercise should be undertaken to review all debt over 12 months old. The aims of this exercise should be to halt rising aged debt levels and reducing existing aged debt. The review should include: • An examination of causal factors behind aged debts • Identifying process amendments to address any causal factors identified • An examination of each customers aged debt to	30/06/21	The Debt Service has developed a Draft Improvement Plan which will be continually updated to ensure priorities are recognised and delivered. This will involve changes to service processes and will require gradual and evolving work over time. In line with this approach, the points in the recommendation are primarily being addressed by the implementation of new BAU processes.

		determine: • Whether action from the service who raised the invoice is required • What recovery activity should be undertaken • Whether the debt is considered unrecoverable and should be written off.		However, the Head of Service has confirmed that they have now also commenced a review of debts over 12 months old to establish the next steps in relation to each customer. A bid for additional resources is currently being prepared to assist with this. Aged debt reports are now reviewed on a regular basis as part of BAU. These reports are provided to budget holders so they can consider potential unrecoverable debts for write off approval, and take action where debts are in dispute. Write off approvals/processing is now done through ERP workflow processes to ensure review and authorisation is directed to the appropriate budget holder. Service Review meetings have been implemented with services, including Adult Social Care. Meetings include the sharing of granular data and categorising debt by complaint code, age, and service, to enable targeted communication and actions. The sharing of the data is allowing closer working with Finance Business Partners, who in turn are working with Budget Holders to support debt recovery and any further action required. Debt improvement groups have been implemented to work with services, including ASC, to establish debt principles for recovery, and Debt Portfolios have been implemented and assigned to recovery officers to support a more focussed, structured, and targeted approach to active debt recovery. In addition, the Head of Service has confirmed she will be reporting directly to Committee on a regular basis, providing updates on service improvement and activity.

				Revised target date: 31st March 2022
DR 20/21	I	CCG Debt: The Debt Service should meet with Corporate Finance to agree a target date for when the CCG account will be reconciled and hold regular meetings to monitor progress. It is important that this account is reconciled as a matter of priority so that debt recovery is not adversely impacted by this issue.	30/06/21	CCG is now discussed in the monthly Service Review meetings that have been implemented. A reconciliation of the CCG debt will become part of standard BAU processes. CCG accounts have been streamlined and Finance are liaising with budget holders to ascertain any potential billing issues that may be impacting this area. High level discussions are ongoing between Finance, including the S151 Officer, and CCG on this matter and work is being undertaken to reach a settlement for previous years debt balances. Revised target date: 31st March 2022
DR 20/21	I	CCG Debt: The Debt Service should arrange a review of the CCG account (with particular regard for invoicing/payment processes) in conjunction with Corporate Finance and the Income Processing Team to establish the root causes of the problem/s that have led to the current position of the CCG account and put measures in place to ensure this does not happen in the future.	30/06/21	CCG is now discussed in the monthly Service Review meetings. Some of the original Debt problem stemmed from the implementation of ERP where payments were allocated on an oldest first approach. This has particularly caused issues on the CCG accounts due to the sheer volume of invoicing, and part payments made by the CCG. A new CCG Account has been set-up to help address the problem going forward. Corporate finance and The Adults Finance Team are working with the NHS to solve issues with way the NHS's third party provider reference remittance advice notes and processes have been put in place which should improve the application of payments to invoices. Revised target date: 31st March 2022

DR 20/21	I	KPIs and targets: KPIs and targets for debt recovery should be introduced. High level targets should be agreed with clients at a senior level, and KPIs and performance measures should be introduced within debt teams for DR Officers.	30/06/21	A new debt portfolio process is to be introduced imminently which will ensure individual debt recovery officer's priorities are outlined based on a number of factors including the value and debt age and value. This change means that introducing individual targets at this stage could mean they are unrealistic so it has been decided to review performance data once the new portfolio process has been embedded so that targets to drive team and individual performance can be based on BAU data. Further discussion are going to be held during Q3 with Lead Authority Board members as to the agreement of the new KPIS. Revised target date: 30th April 2022
DSG - High Needs Block Demand Management	I	Backlog recovery plan: A formal backlog recovery plan needs to be written to address the current backlog. The planning should include: • Writing a work plan to determine the next steps to be undertaken. • Agreeing performance targets on the basis of number of cases that should be cleared per month, and how performance will be reported. • The service should identify an agreed prioritisation of cases. Internal Audit would recommend considering prioritising completion on annual reviews for: - High value placements - Any cases where there are concerns over the current provision - For individuals with personal budgets - Schools that are requesting additional funding	01/08/21	The new Head of the Statutory Assessment Team and Deputy Manager have just come into post and the plan is now to complete this action by 30th November, as the team will be fully staffed by this point and have the capacity to develop a full formal plan. Revised target date: 30th November 2021.

Capital Programme Governance Review	I	There are 27 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/21	Work to establish progress with these recommendations is being progressed as a separate exercise. Internal Audit is working closely with the Executive Director of Place and Economy to determine the scope and approach to this work. A progress report from the Project Assurance Group, which involves audit and finance colleagues working with the service, is being prepared for the Executive Director to assess progress against the management actions from the audit. A further progress report will be provided in 6 months' time to review progress with embedding improvements to the control environment across the Highways and Transport area which will, by that point, be led by a new permanent senior management team, which is currently being recruited. Revised target date: 31st January 2022

Appendix C

National Fraud Initiative Update

1. The NFI compares different data sets provided nationally by local authorities and partner organisations. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total amount of matches for CCC is 8629 across 31 reports which have a high or medium risk rating.

2. Details of the number of matches closed, resulting outcomes and details regarding progress are provided in Table 1. Progress is dependent on priority needs and resource availability in the individual service areas but is subject to ongoing monitoring and review by the Internal Audit team. Information from customers for example Pensions is requested from next of kin of the individuals concerned which understandably takes time to write out and respond to.

3. The information relating to closed matches and outcomes is taken from the NFI portal data which is updated by services, however in cases where there are high numbers of matches these have been extracted from the portal for services to investigate. Internal Audit has contacted lead officers within these service areas for a general update on match investigations currently in progress (see service update).

4. There is no deadline for match investigation completion, NFI states "*consider other competing resource demands when planning and prioritising your work*" however it is expected they will all be reviewed prior to the next upload in October 2022.

Table 1: Progress to date (November 2021)

Match type	Number of high and medium risk matches	Closed Matches and outcomes from these.	Service Update
Blue Badge Parking Permit	1134	222 closed. 7 badges have been cancelled; the Cabinet Office estimates a notional saving of £4,025.00 for these.	All of the 1134 matches have been extracted from the portal and have been reviewed by the service, outcomes from these reviews will be added to the NFI portal.
Concessionary Travel	1772	57 closed. No errors or issues identified in the 57 closed.	The service is currently reviewing all remaining matches on the portal, the service

			has identified 25 matches where further investigation is needed.
Creditors	4930	4824 closed. No errors or issues identified in the 4824 closed.	The remaining matches from this report have been extracted from the portal and passed to the service for investigation.
Payroll	122	105 closed. No errors or issues identified in the 105 closed.	The remaining matches are being investigated by Internal Audit.
Pensions	553	268 closed. Overpayments totalling £63,440.03 from 41 matches have been identified and being recovered. These errors relate to un-notified date of death.	The service is currently reviewing all remaining matches on the NFI portal and will update with outcomes once complete.
Residential Parking Permits	6	0 closed.	The service is currently reviewing all matches on the NFI portal and will update with outcomes once complete.
VAT	46	0 closed.	These have all been reviewed by the service however outcomes are yet to be added to the NFI portal.
Procurement	66	28 closed. No errors or issues identified in the 28 closed.	The remaining matches are being investigated by Internal Audit.
Total	8629	5504 closed. £63,440.03 overpayments identified and being recovered. £4,025.00 in notional savings.	

Agenda Item No: 10

Financial reporting and external audit update

To:	Audit & Accounts Committee
Meeting Date:	25 November 2021
From:	Chief Finance Officer
Electoral division(s):	All
Outcome:	Committee will have considered several financial matters related to in-year budget monitoring and the external audit of last year's accounts. This will enable the committee to be informed in its role in providing independent scrutiny of financial performance, and in overseeing the financial reporting process.
Recommendation:	To note and comment on the report.

Officer contact:
Name: Stephen Howarth
Post: Assistant Director of Finance
Email: stephen.howarth@cambridgeshire.gov.uk
Tel: 01223 507126

Member contacts:
Names: Councillors Graham Wilson and Nick Gay
Post: Chair/Vice-Chair
Email: graham.wilson@cambirdgeshire.gov.uk / nick.gay@cambridgeshire.gov.uk
Tel: 01223 706398

1. Background

1.1 This report provides an update to the committee on several financial matters, specifically on the regular overall Council financial reporting and the progress of our ongoing external audit of 2020/21's accounts.

2. Main Issues

2.1 Integrated Finance Monitoring Report for August 2021:

2.1.1 At its meeting on 2 November 2021, Strategy & Resources (S&R) Committee considered the regular integrated finance monitoring report, covering the period to the end of August 2021. This report provides a comprehensive view of the whole Council's financial position, and builds on service-level finance monitoring reports that are considered by service committees. It can be found at this link, Integrated Monitoring Report link and is presented to this committee for information.

2.1.2 In that report, S&R Committee were provided with an update on the overall forecast financial position for the Council this year, particularly an increasing projected revenue underspend, up by £523k to £1.5m (0.3%). The increasing underspend mainly related to adult social care, where growth in cost of and demand for services has not been at the level expected when budgets were set. On capital budgets, the report showed a projected £1.2m (0.7%) underspend on the capital programme for the year. Key exception reports are detailed in sections 3 and 6 of the linked report.

2.1.3 As well as regular update, S&R Committee were asked to agree several recommendations relating to financial management, two of which are worth bringing to this committee's attention. Firstly, S&R Committee agreed to commit some resource for this council to join with district councils, the fire authority and the police & crime commissioner to work together to reduce Council Tax fraud and so increase local taxation receipts. Secondly, they agreed capital funding for a replacement to a farmhouse on the Council's rural estate. The farm has a sitting tenant, but it is believed that the new building is necessary due to the dilapidation of the current building, the need to comply with safety regulations as a landlord, and the desire to protect the viability of that farm estate into the future.

2.2 Update on progress of the external audit of 2020/21's accounts:

2.2.1 The Council's draft accounts for 2020/21 were published at the end of July 2021. Under the current governing regulations for local government audit (The Accounts and Audit (Amendment) Regulations 2021) this should have been approved and published in final form by the end of September 2021.

2.2.2 It was reported at the September meeting of this committee that the external audit would not be concluded in September due to sector-wise issues with resourcing local government audits and the phased approach to completing them. The Council published the statement on its website required by the regulations to explain this and to state that final audited accounts would be available as soon as possible.

2.2.3 The agreed audit plan showed that substantive testing would take place from mid-October to the end of November. Work commenced in line with that timetable, with the detailed testing work being done through November.

2.2.4 As at 17 November, that testing is progressing well. All main areas of work have commenced except for journals and pensions, and Cambridgeshire staff are successfully responding the majority of testing requests within agreed timeframes.

2.2.5 Several key focuses of the audit are:

- Grants – the very significant additional grant funding received by the Council in 2020/21 to address the pandemic, as well as the large recognition of Greater Cambridge Partnership grant funding covering several years, will mean grants are reviewed closely in the audit.
- Property, Plant & Equipment – work started very early in the audit and reviewing this requires information from the Council's external valuers.
- Payroll – this work requires a large amount of information from the payroll service (who also need to provide similar for external audits of the other councils they serve). Some information remains outstanding and is being requested urgently.

2.2.6 An element of contingency was built into the plan for the audit, and both EY and the Council have faced some sickness absence that has delayed several items, which has consumed most of the planned slippage. At the same time, the Finance team is also supporting the business planning process, in-year monitoring and continues to support the administration of pandemic-related grants.

2.2.7 With testing planned to be completed by the end of November, we expect to resolve outstanding queries and make any required adjustments over December, with a view to reporting in the new year.

2.2.8 The external auditor has received a single objection made to the Council's accounts by a local resident.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

3.2 A good quality of life for everyone

There are no significant implications for this priority.

3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications
Section 2 sets out the resource implication.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications.

4.3 Statutory, Legal and Risk Implications
The external audit is a statutory process as set out in section 2.2

4.4 Equality and Diversity Implications
There are no significant implications.

4.5 Engagement and Communications Implications
There are no significant implications.

4.6 Localism and Local Member Involvement
There are no significant implications.

4.7 Public Health Implications
There are no significant implications.

4.8 Environment and Climate Change Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral
Explanation:

4.8.2 Implication 2: Low carbon transport.
Neutral

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

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral

4.8.5 Implication 5: Water use, availability and management:
Neutral

4.8.6 Implication 6: Air Pollution.
Neutral

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

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

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? N/A
Name of Officer: N/A

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

Have the equality and diversity implications been cleared by your Service Contact?
N/A
Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications?
N/A
Name of Officer: N/A

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

Have any Public Health implications been cleared by Public Health?
N/A
Name of Officer: N/A

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

5. Source documents

5.1 Source documents

Integrated Finance Monitoring Report for August 2021 presented to S&R Committee
The Accounts and Audit (Amendment) Regulations 2021/

5.2 Location

The IFMR was considered as item 4 at the 2 November meeting of S&R Committee. That paper is here: Integrated Monitoring Report link

The Accounts and Audit (Amendment) Regulations 2021

Audit and Accounts Committee Forward Agenda Plan

Updated 12th November 2021

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/Justine Hartley/Michelle Parker
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update and Update on the value of the National Fraud Initiative. 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 Officers: Neil Hunter/Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
25/11/21 (12/11/21)	Arrangements for appointment of an external auditor from 2023		Director of Resources and Chief Financial Officer	Tom Kelly
	Annual Report to Full Council		Head of Internal Audit	Neil Hunter
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)		Data Protection Officer/Head of Information Governance	Ben Stevenson
	BDO External Audit Final report on investigations into Objections to the 2016/17 and 2017/18 Accounts	Out-standing report from Previous External Auditors	Lead partner - East Anglia/Head of Public Sector Assurance BDO	Lisa Clampin, BDO Barry Pryke, BDO
	Manor Farm Update		Monitoring Officer	Fiona McMillan
10/02/22 (01/02/22)	Update Report in respect of Consultancy expenditure and compliance with the Policy		HR/ Procurement	Janet Aitkin
	MID Update (to be included in the Internal Audit Report)		Head of Internal Audit	Neil Hunter
	Manor Farm Update		Monitoring Officer	Fiona McMillan

	Performance Report	Quarterly	Head of Business Intelligence	Tom Barden
	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
31/05/22 (17/05/22)	Section 106 Update Report	Annual	Deputy Section 151 Officer	Tom Kelly
	Performance Report Quarter 3	Quarterly	Head of Business Intelligence	Tom Barden

Annual Whistle Blowing Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Annual Governance Statement	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Internal Audit Annual Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter

+ = 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