

AUDIT AND ACCOUNTS COMMITTEE



Thursday, 30 May 2024

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room
New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

1. **Notification of appointment of Chair and Vice Chair**
The Annual Council meeting held on 21st May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2024-25.
2. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at <http://tinyurl.com/cc-conduct-code>
3. **Minutes of the Audit and Accounts Committee held 28th March 2024 and Action Log** **5 - 16**
4. **Petitions and Public Questions**
5. **Financial reporting and value for money report** **17 - 44**
6. **External audit plan and strategy 2023-24** **45 - 80**

7.	Internal Audit Annual Report 2023-24	81 - 154
8.	Draft Annual Governance Statement 2023-24	155 - 182
9.	Audit and Accounts Committee Draft Training Plan	183 - 188
10.	Audit and Accounts Committee Agenda Plan	189 - 190

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

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

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

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

The Audit and Accounts Committee comprises the following members:

Councillor Graham Wilson (Chair) Councillor Nick Gay (Vice-Chair) and Mr Mohammed Hussain Councillor David Ambrose Smith Councillor Chris Boden Councillor Geoffrey Seeff Councillor Alan Sharp Councillor Alison Whelan

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

Audit and Accounts Committee Minutes

Date: 28th March 2024

Time: 2:00-3.30pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors D Ambrose Smith, C Boden, N Gay (Vice-Chair), G Seeff, A Sharp, A Whelan and G Wilson (Chair)

Officers: Mairead Claydon (virtual), Emma Duncan (virtual), Michael Hudson; Sarah Brown (KPMG) (virtual); Tom Kelly and Ellie Tod (relevant agenda items only)

161. Apologies for Absence and Declarations of Interest

Apologies were received from Mohammed Hussain.

There were no declarations of interest.

162. Minutes of the Committee meeting held 6th February 2024 and Action Log

It was resolved unanimously to approve the public minutes of the Committee meeting held 6th February 2024.

In relation to the Action Log, there was a query on Item 140, which related to VAT reconciliations, specifically where there were other debtor balances related to an isolated historical issue (IT systems transfer). It had been agreed that there would be a section on this in future of report. The Action Log listed this action as complete, and stated that *“Sufficient progress with this area has been made to enable an audit opinion on the 2021-22 financial statements in the near future. We have ongoing attention to balance reconciliation is part of the continuous improvement of year-end procedures.”* The Member observed that this implied that whilst the external auditors were satisfied that there had been no material misstatement, the issue had not been resolved, and a report should be provided. Officers confirmed that progress had been made but agreed that the action needed to be reopened as the issue had not been resolved. **Action required.**

Action 159 (4) relating to essential and high-risk actions overdue for three months had been picked up in the Internal Audit Progress report, and would also be included in the Annual Governance Statement.

It was noted that an update for some of the outstanding actions had been emailed to Committee prior to the meeting.

The Action Log was noted.

163. Petitions and Public Questions

There were no petitions or public questions.

164. Financial Reporting and Related Matters

The Committee considered a report on a number of items relating to the Council's financial reporting across several financial years.

In relation to BDO's determination of objections for years 2016-17 and 2017-18, the appeal period had expired, and officers were in liaison with BDO on their proposed audit fees for those matters.

EY's opinion for the 2021-22 accounts was expected shortly. It was envisaged that following the national consultation, the government would announce that a disclaimer opinion could be issued for 2022-23 accounts. The Council had responded to the national consultations. For 2023-24 the draft accounts were due by the end of May and work was progressing well with KPMG.

Following the national consultation, it was confirmed that there was no further information on the "disclaimed accounts". As previously indicated, this would have a tail effect over the next few years, so this was still a complex and uncertain area.

Each year the Council published a set of accounting policies alongside the Statement of Accounts, reflecting changes in the relevant legislation and guidance. No recommendations for changes were being suggested for 2023-24.

New international reporting standards (IFRS 16 – Leases) would be implemented in 2024-25, but these would impact on the 2023-24 accounts, as disclosure was required on the estimated impact of the transition arrangements. A targeted piece of work on this complex area would be undertaken, which would cover a large set of data across the Council.

Noting the work being undertaken on IFRS 16, a Member asked if there was any feel for the level of significance in terms of items that would be deemed capital rather than revenue, as this would impact on the Council's Capital Financing requirement. Officers agreed to provide a supplementary briefing note to Committee on this issue. **Action required.** In response to a Member question, it was confirmed that a re-evaluation exercise would be required for PFI schemes, but it would not fundamentally change the accounting processes. It was also confirmed that assets would need to be assessed against IFRS 16 every year. The Finance team would be working with the Property team to update Concerto (the Council's asset management software), and enquiries were underway as to whether this system could be used for lease accounting purposes.

In response to a Member question, it was confirmed that only accumulated gains directly related to revaluation or impairment loss for a specific asset would be considered, and this would be made clear in future reports.

The External Auditor from KPMG confirmed that they were happy with the progress being made with the 2023-24 accounts, and the accounting policies being used. They had recently met with EY colleagues to work through mutual expectations and the latest statement. Their understanding was that the 2022-23 accounts would be disclaimed, and this was likely to be at some point between June and September. They were keen to progress with the substantive work and not wait for the disclaimer, and would continue to report back to this Committee. In terms of work around risk assessment and planning, this was progressing well.

In terms of accounting policies, the External Auditor was satisfied that the report covered the requisite information. They would be reviewing the prior year files provided by EY, and conducting a more thorough review of the accounting policies to ensure these complied with KPMG's standards. It was noted that the accounting policies were very standardised across local authorities.

It was resolved unanimously to:

- i) note the report; and
- ii) agree to the Council's Accounting Policies for the 2023-24 Statement of Accounts, attached in Appendix A.

165. Draft Internal Audit Plan 2024-25

The Committee received a report which set out the draft Internal Audit Plan for 2024-25.

Whilst a flexible Internal Audit Plan was in operation, a major restatement was undertaken each year. Tables 1 and 2 in the Plan provided an analysis on different areas of risk, and definitions were provided on each audit area, along with information on how these link in with the Corporate Risk Register. The Plan proposed would provide more coverage of risk in governance, project management and safeguarding, and less time would be spent on procurement, commissioning, and ICT and information governance, reflecting the significant work already undertaken in those areas.

A Member asked if time was allocated to revisit previous Internal Audits, where further work had been identified. Officers confirmed that this was the case, and there was a follow up process where medium or higher risk actions had been agreed, and the Internal Audit team would check that actions had been completed. Audits were also included in the Plan where it was recognised that a service required review e.g. new project management arrangements for revenue and capital, where there would be a follow up on implementation, and samples selected to test that processes were in place.

A Member noted that one part of the Plan referred to 112 days being allocated to Procurement & Commissioning, but elsewhere in the document it was stated that 160 days were allocated for this area. Officers set out that the Procurement & Commissioning reviews were split across the 'core' and 'flexible' areas of the plan, but that 160 days in total was allocated to provide assurance on procurement and commissioning.

Noting that a total of 1750 productive audit days was identified in the Plan, a Member asked if this was achievable without external resource, which had been used in the current financial year. Officers confirmed that they were reasonably confident, given a number of recent key appointments within the team, but noted that further recruitment was due to take place in early 2024/5. However, the co-source partner contract was still in place, and could be used if required to supplement in-house resource.

Responding to concerns from the Strategy, Resources and Performance (S,R&P) Committee on Cyber Crime, officers advised they had completed a review of IT security in the current financial year, and an audit of IT and Digital Strategy and Service Planning was scheduled for the third quarter of 2024-25, which would be focusing on the decoupling of the ICT Service from Peterborough City Council, reviewing areas such as data security, disaster recovery and customer services. A Member observed that only 20 days was made available for that audit, and asked if that was sufficient given all the risks the Council faced? Officers commented that 20 days was a reasonable starting point for an audit of this nature, acknowledging that there was always the possibility that further work could be identified during the course of the audit. It was also confirmed that Quarter 3 was not too late in the programme, given the significant audit reviews previously completed in this area, which had been supported by specially commissioned external technical specialists. It was noted that the Cyber Security briefings requested by S,R&P Committee would be extended to this Committee and the Head of Internal Audit and Risk Management.

It was noted that because the Internal Audit Plan was an ongoing piece of work, there was no requirement for it to be approved by this or any other Committee. Moreover, the Audit and Accounts Committee was welcome to input but not direct the content of the Plan.

It was resolved to:

review and comment on the proposed draft Internal Audit Plan 2024/25.

166. Annual Whistleblowing Report

Members received an annual report on the implementation of the Council's Whistleblowing Policy.

The annual staff survey on Whistleblowing had demonstrated good awareness and confidence in the Whistleblowing process. The report also provided an update on the Whistleblowing awareness campaign, as well as an overview and breakdown of the number, nature and outcome of whistleblowing cases. It was noted that there had been an increase in the number of cases reported.

The Committee noted the outcomes of Protect's Whistleblowing benchmark self-assessment exercise. Whilst the Council's overall results were comparable with similar organisations, areas for improvement were highlighted, and an action plan developed. A revised Whistleblowing Policy would be considered at the July Committee meeting.

Arising from the report:

- one Member commented that it would be good to see number of whistleblowing cases and causes reducing. Another Member disagreed, suggesting that the increased number of cases reported was a positive thing, and the fact that there were few cases where no action was required demonstrated the value of Whistleblowing;
- a Member commented that he was impressed by the level of reassurance provided, and by the awareness and confidence of staff in whistleblowing procedures. He suggested that the Committee report should be made available

to staff, as it would give even greater confidence that the Council's Whistleblowing processes worked. Officers drew the Committee's attention to the third point in the action plan, which committed to delivering a Whistleblowing e-learning module, and designating this as essential learning for all staff. The intention was to include outcomes from Whistleblowing referrals, outlining the type of allegations received, and reassuring staff that their concerns would be treated seriously and professionally if they raised a concern. Even if ultimately concerns were unfounded, Whistleblowing referrals could highlight important transparency/perception issues that needed addressing;

- a Member commented that the reality of Whistleblowing was for many individuals a scary experience, and potentially career limiting;
- a Member asked whether the benchmarking exercise be revisited to see if matters had improved, when all actions were completed? Officers confirmed this would be the intention when the Action Plan was complete.

It was resolved unanimously to note the report.

167. Corporate Risk Register

The Committee considered an updated Corporate Risk Register.

Attention was drawn to Table 1 in the report, which detailed an overview of corporate risks, showing the static direction of travel since October 2023 for all residual risks. Strategy, Resources & Performance Committee had indicated they would like a briefing on Cyber Crime, and Audit and Accounts Committee members were welcome to join that briefing.

The Corporate Leadership Team (CLT) Risk Assurance Group had recently met to review the way Directorate Risk Registers were reported to Committee, and proposed changes were set out in the report. The report also included an update on the implementation of the Risk Strategy.

The Chair reminded Members that the Committee had important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment, and to seek assurances that appropriate action is being taken in response to risk. The Committee confirmed that they were assured that this was the case.

It was resolved unanimously to note the Corporate Risk Register.

168. Update on Audit & Accounts Committee Review of Effectiveness Action Plan

Members considered an update on the implementation of the Action Plan agreed in response to the Audit & Accounts Committee review of effectiveness undertaken in September 2023.

The Committee noted the actions already completed, and the timeline for completion of the outstanding actions. In response to a Member question, it was confirmed that it was not possible to identify how many Committee Members had reviewed reports on the Microsoft Teams site.

It was noted that for the feedback exercise on performance by key stakeholders, only one response had been received. The Chair commented that it was important to understand the views of various political Group Leaders. The Service Director for Legal and Governance agreed to follow this up and ensure that this issue was considered at both the Corporate Officers' Group and Group Leaders' meeting.
Action required.

It was confirmed that the meeting between the Committee and both the External Auditors and Head of Internal Audit and Risk Management had been postponed until 30th May 2024.

It was resolved unanimously to:

consider the update on the implementation of the Action Plan.

(Cllr Sharp left the meeting)

169. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 29th February 2024.

Presenting the report, officers highlighted the following areas:

- there were 80 outstanding audit actions overdue as at 28/02/24, representing a slight reduction from 85 outstanding actions in the previous Internal Audit Progress Report. There were no outstanding 'essential' actions. A number of actions were highlighted where there was a single common blocker e.g. five were awaiting first meeting of Information Management Board;
- the report now included revisions to target implementation dates over time, as requested by the Committee, in Appendix B. There were 12 actions which had been outstanding for over a year;
- the Internal Audit team had conducted its annual self-assessment of compliance against Public Sector Internal Audit Standards (PSIAS). The review had concluded that the team was compliant with PSIAS, however areas for further improvement have been identified and those actions would be incorporated into the team's Quality Assurance & Improvement Plan for 2024-25;
- new Global Internal Audit Standards had been released in January, and guidance was awaited from the relevant bodies on their impact on public sector standards;
- West Northamptonshire Council (WNC) had indicated that they would not be able to complete the Debt Recovery audit due to a lack of resources. Cambridgeshire's Internal Audit team had offered undertake this audit in April. The Chair was pleased to note that the team were able to pick up this audit but was disappointed that WNC were unable to deliver.

Whilst pleased to note that there were no Essential recommendations outstanding, a Member noted that a number of target dates had been repeatedly revised e.g. government procurement cards for schools. He expressed concern that the target dates being set were unrealistic. The Executive Director of Finance and Resources agreed and advised that the issue of setting unachievable target dates was being addressed, and it was being made clear to officers that they were accountable to the Committee for completing actions by those dates. He highlighted that most of the dates in the report had been agreed twelve months ago, and the culture was now changing.

A Member raised concerns about the Section 106 process, specifically uncollected Section 106 money, which could be quite significant, and was at risk of being returned to developers if unutilised. He suggested that this area required a deep dive. It was noted that work had been commissioned jointly by the Executive Director of Finance and Resources and the Executive Director of Place and Sustainability. Additionally, a Member briefing was being arranged at this complex area, which involved multiples services in addition to the District authorities. This also needed to be reported to the Strategy, Resources and Performance Committee in the Integrated Finance and Monitoring report. Action required.

It was resolved unanimously to:

consider and comment on the contents of the report.

170. Committee Agenda Plan

It was resolved to note the Agenda Plan, with the following addition:

- Whistleblowing Policy (July 2024)

Chair

Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 21st May 2024 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 28 th September 2023					
140.	Financial Reporting and related matters	Tom Kelly/ Stephen Howarth	Officers confirmed there had been progress with VAT reconciliations, but there were other debtor balances relating to an isolated historic issue relating of IT system transfer. It was suggested that the Committee may be interested in looking at this situation in further detail in future, and officers agreed to include a section on this in a future report	<p>Sufficient progress with this area has been made to enable an audit opinion on the 2021-22 financial statements.</p> <p>It was agreed at the meeting on 28/03/24 that a report to Committee was still required on this issue and we intend on including this as part of our July report.</p>	Ongoing
Minutes of 1 st December 2023					
151.	Internal Audit Progress Report	Val Thomas/ Mairead Claydon	If target date on the associated actions (related to contract management) looks likely to slip further, the Director of Public Health will be asked to submit a report to A&AC.	The Acting Director of Public Health has confirmed that the necessary actions and processes have commenced and will be completed by a revised date of the end of July 2024. An update will be circulated to the Committee.	In progress
154.	Committee Agenda Plan	Michael Hudson /Clare Ellis	Assets & Procurement Committee report on Contract Risk assessment to be reported on to Audit & Accounts	In progress: expected to come to the September meeting.	In progress

			Committee in May or September 2024.		
Minutes of 6th February 2024					
159	Internal Audit Report	Martin Purbrick	Share results of the Schools Audit (specifically deficit Recovery Plans of schools in qualifying budget deficits) with the CYP Committee.		In progress
159	Internal Audit Report	Stephen Moir/ Mairead Claydon	Provide a “deep dive” on some essential and high risk actions in future, potentially linking to the Annual Governance Statement.	<p>The Chief Executive and the Head of Internal Audit and Risk Management have held an initial discussion about how to approach this. A further meeting will be convened to agree a way forward for proposed inclusion in the Annual Governance Statement improvements/action plan for the coming year.</p> <p>The Chief Executive discussed this with the Statutory Officer Group on 27 March 2024. It was agreed this will be built into the process next year through the Annual Governance Statement 2023/24.</p>	Complete
159	Internal Audit Report	Stephen Moir	Follow up with HR issue of potential disciplinary actions, where appropriate, for individuals who resign.	<p>The Chief Executive has formally discussed this matter with the Service Director: Human Resources (HR) and work is underway.</p>	In progress

Minutes of 28th March 2024

164.	Financial Reporting and Related Matters	Ellie Tod/ Tom Kelly	Provide a supplementary briefing note to Committee on IFRS 16.	Briefing note circulated to Committee on 21/05/24.	Complete
168.	Update on Audit & Accounts Committee Review of Effectiveness Action Plan	Emma Duncan	Ensure feedback exercise on performance of Committee by key stakeholders was considered by Group Leaders and at a Corporate Officers' Group meeting.	This was considered at the Statutory Officers Group on 22 April and feedback from Group Leaders has been incorporated into the Governance Statement for 2023/24.	Complete
169.	Internal Audit Progress Report	Michael Hudson/ Tom Kelly	Raise S106 issues with Strategy, Resources & Performance Committee through Integrated Finance & Monitoring Report.	To be included in the next report at the July 2024 Committee.	Ongoing

Financial reporting and value for money report

To: Audit and Accounts Committee

Meeting Date: 30 May 2024

From: Executive Director for Finance & Resources

Electoral division(s): All

Executive summary: The Committee is updated on latest progress with matters related to external audit. This comprises the conclusion of audits relating to 2018-19 to 2021-22 financial years, 2022-23 accounts and external audit, and progress on the 2023-24 statement of accounts. A brief update on the national picture regarding public sector audit is also provided.

Recommendation: The Committee is invited to note:

- a) this report and the audit results received from the auditor for 2018-22
- b) the report from the auditor in the appendix: Interim Value for Money Arrangements Report for the year ended 31 March 2023

Officer contact:

Name: Tom Kelly
Post: Service Director: Finance & Procurement
Email: tom.kelly@cambridgeshire.gov.uk
Tel: 01223 699241

1. Background

- 1.1 This report provides an update on the conclusion of external audits for the financial years from 2018-19 to 2021-22 with the council's external auditors for those years, Ernst & Young LLP (EY), and the obtaining of signed audit certificates. The committee will be aware of the previous issues in reaching a financial statements external audit opinion as well as value for money conclusions.
- 1.2 The committee will also be aware that the 2023-24 statement of accounts are due for completion in draft form for submission to the council's external auditors KPMG by 31 May 2024. This report provides an update on meeting that deadline. The next item on the agenda is the draft audit plan received from KPMG for the main accounts audit for 2023-24.
- 1.3 There continue to be well-publicised and widespread challenges nationally with the timeliness of reaching audited and certified financial statements for local authorities.
- 1.4 The committee received an update at its last meeting on the proposal from the public sector audit 'system partners' to address the audit backlog through several phases, commencing with a 'reset' of historical audit opinions that have not been issued for years up to and including 2022-23. The council now has just one audit opinion outstanding for that period- 2022-23. The expectation is that, subject to national legislation, external auditors will be able to disclaim (i.e. not audit) financial statements for 2022-23 if an audit opinion is not given by a forthcoming date. However, at the time of writing regulations to enact this proposal have yet to be made.

2. Main Issues

2.1 2018-19 to 2021-22 Statement of Accounts

- 2.1.1 In April, EY finalised closing procedures for audits of the four financial years from 2018-19 to 2021-22 and issued audit certificates. The final audit set of accounts and audit reports can be found on the council's website:
www.cambridgeshire.gov.uk/council/finance-and-budget/statement-of-accounts
- 2.1.2 EY issue a value for money opinion alongside the external audit of the financial statements. Following on from the qualified value for money opinion issued by BDO in 2017-18. For 2018-19 and 2019-20, EY have also reached an "except for" opinion regarding value for money. This means that the auditor has concluded that in those years that in all significant respects the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for:
 - Procurement – inconsistent record keeping leading to a weakness in arrangements for working with partners and third parties
 - Manor Farm tenancy – a former deputy leader of the Council was subsequently found to have breached the Council's Code of Conduct in six areas, and there were associated recommendations for the Council. This issue was taken as evidence of weaknesses in arrangements for informed decisions and allowing for challenge and transparency.
- 2.1.3 For the years 2020-21 and 2021-22, there was a change in the form of national reporting

arrangements for value for money, and EY's narrative conclusions in those years are found in their Auditor's Annual Report, which have now been published (see the link above to the website). EY's reporting for these years includes conclusions in the following areas:

- Financial sustainability: the Council had proper arrangements in place in these years to plan and manage its resources and to continue to deliver services
- Governance: the Council had proper arrangements in place to take informed decisions and properly manage its risks. EY remark on the emergency management arrangements implemented during the pandemic and that the Council was able to illustrate by 2020-21 that it was transparency publishing the findings of an external review into the Manor Farm tenancy matter
- Improving value for money: the Council had proper arrangements in place and was using information about its costs and performance to improve the way it manages and delivers services. Steps had been taken during these years to improve procurement processes.

Receipt of a succession of audit reports and completion certificates in April 2024 is a significant and welcome milestone for the Council. It is also positive that improvements made to procurement arrangements and governance across the Council, after weaknesses identified in the years ending 2018, 2019 and 2020 have been recognised and have led to the overall conclusion there were appropriate arrangements in place. The Council's next annual procurement report will be available for Committee in July.

2.1.4 The Auditor's Annual Report for 2021-22 also confirms the conclusion and unqualified opinion on the financial statements for that year. The Committee has previously considered the findings from the financial statements audit and the adjusted and unadjusted differences as a result of the audit. The final report includes renewed confirmation that the going concern basis for preparation of the financial statements was appropriate as at the date of the finalised accounts (29 April 2024).

2.2 Audit of the financial statements for the 2022-23 financial year

2.2.1 In July 2023 the council published its draft statement of accounts for 2022-23. The external audit of those accounts, however, has not taken place. We are therefore expecting that, once a backstop date is confirmed for that year's audits, that EY will not have finished the audit by the date and therefore this year will be disclaimed by them.

2.2.2 We do, however, expect a value for money opinion to still be given by EY, and there are objections from two local electors that have been made to these accounts.

2.3.2 EY have provided an interim report on value for money arrangements in 2022-23 which is attached to this report as an appendix, for the Committee's consideration.

2.3 Statement of accounts for the 2023-24 financial year

2.3.1 KPMG LLP is the appointed auditor to the Council for the five years commencing 1 April 2023. An interim audit covering walkthroughs of key financial systems and risk

assessments has taken place. Contingent on national timelines and local circumstances, KPMG have advised the council of the intended timeframe for the main audit of the council's statement of accounts over the late summer and early autumn of 2024.

- 2.3.2 While we continue to expect the 2022-23 accounts to be disclaimed, the impact of that on audit processes for 2023-24 accounts, particularly looking at opening balances, is not fully known. As well as that uncertainty, the changeover of auditor will likely bring some challenges in terms of adjustment to processes, familiarisation with systems and alternative approaches to risk and code compliance. Nevertheless, the council has responded to all information requests from KPMG, alongside work to deliver 2023-24's accounts and finalise preceding years, to enable the audit capacity allocated to this work is well used and to ensure a smooth start to the main audit.
- 2.3.3 The council is working towards meeting the deadline of 31 May 2024 for publication of the 2023-24 draft statement of accounts. This is a significant undertaking, reducing by nearly two months from the date accounts were delivered in the two preceding years, despite the accounting work getting more complex over time. We have in particular made improvements in ensuring a completed portfolio of property valuations ahead of the start of year-end processes, have made several changes to systems and processes to streamline, and have bolstered capacity focused on the accounts in the finance team on both a permanent and temporary basis.
- 2.3.4 Once the draft accounts are published, a 30-day public inspection period commences. This is an opportunity for interested people or journalists to inspect the accounting records and supporting documents, and for local electors to lodge objections to our accounts with the external auditor. Managing the exercise of these longstanding rights by members of the public is time consuming for the finance team and for affected council services.

3. Significant implications

3.1 Finance implications

This report details progress with financial reporting matters, and the appendix sets out the approach to audit differences.

3.2 Legal implications

The principal governing legislation are the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. The Council has published appropriate notices on its website to explain how it is complying with statutory provisions notwithstanding that, in common with many local authorities, stipulated deadlines for final accounts have not been achieved

3.3 Risk implications

There are no new significant risk implications arising from this report. The auditor's work contributes to the Committee's awareness of the risk environment and assurances around stewardship of public funds.

3.4 Equality and Diversity Implications

None identified

4. Source documents

[Council and committee meetings - Cambridgeshire County Council > Meetings \(cmis.uk.com\)](http://cmis.uk.com)

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

[Local Audit Liaison Committee - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

[HM Treasury review of non-investment asset valuations | Local Government Association](#)



Cambridgeshire County Council

Interim Value for Money Arrangements Report

Year ended 31 March 2023

16 May 2024



Audit and Accounts Committee
Cambridgeshire County Council

16 May 2024

Dear Audit and Accounts Committee Members
2022/23 Interim Value for Money Arrangements Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Cambridgeshire County Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for the 2022/23 audit year.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Accounts Committee meeting on the 30 May 2024.

Yours faithfully

MARK HODGSON

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

Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit and Accounts Committee and management of Cambridgeshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of Cambridgeshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of Cambridgeshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23. The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will include our final view of the value for money arrangements as part of the Auditor's Annual Report, alongside the audit report in respect of the 2022/23 financial statements.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the s151 Officer and the Service Director for Finance and Procurement;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	We have identified a risk of significant weakness as a result of the Council not publishing the Statement of Accounts in line with the target dates set out in the Accounts and Audit Regulations.	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

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

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with Management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023.

The Council's Corporate Leadership Team (CLT) have the responsibility to provide strategic direction. This included formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five-year financial projection of the Council planned activities and service delivery. The annual budget setting process also informs the MTFS, which is subsequently reviewed and updated annually. The general underlying economic conditions prevalent in the UK have affected all Councils in recent years. From a financial planning perspective for the 2022/23 financial year, the impact of the COVID-19 pandemic, uncertainty in respect of the outbreak of war in Ukraine and other economic impacts of inflation, interest rate increases and cost of living pressures, had a significant impact on financial planning and prioritisation considerations. The Council set an original budget of £455.9 million to deliver services and achieve its corporate priorities for the year. Whilst the Council did slightly overspend against this budget by £0.7 million, this was largely due to further inflationary pressures, and was ultimately covered via the use of reserves. The Council have set a balanced budget for the 2023/24 financial year, predicated on the achievement of savings of £18.7 million.

In the previous year we reported a risk of significant weakness in arrangements to secure financial sustainability, in respect of the Dedicated Schools Grant (DSG). The Council have overspent in respect of DSG by £10.2million in the 2022/23 financial year. In line with the agreement with the Department for Education, the Council have also received additional government funding under the Safety Valve Agreement of £19.6 million. This means the cumulative deficit has reduced to £29.2 million at the end of the 2022/23 financial year.

The Council has also continued its oversight of This Land Limited (TLL), as a wholly owned subsidiary of the Council. By 31 March 2023, the Council had provided working capital loans totalling £113.9 million in TLL's business plan, which has generated interest for the Council. Although TLL reported a loss in the 31 March 2023 financial year, the Council performed a review of TLL's business taking into account cash flow analysis, business plans and the projected completion of development projects to assure itself of the financial sustainability of TLL into the future.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services .

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with Management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. Our risk assessment identified a risk in respect of governance, based on the late publication of the Statement of Accounts in 2022/23.

We identified that improvements are required in the arrangements for the preparation of Statement of Accounts in 2022/23. The Authority chose not to publish its Statement of Accounts by the date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2023). The unaudited statements were published on the 21 July 2023. The Council did set out in its statutory notice, published on Council's website, the reasons for not being able to publish the draft Statement of Accounts by the 31 May. The delay was caused by prioritising the closure of the 2021/22 Statements of Accounts audit, that in turn impacted the preparation of the 2022/23 Statement of Accounts. The Council did properly advertise and hold the inspection period for members of the public to inspect the Statement of Accounts in line with Accounts and Audit Regulations 2015. We confirmed that the 2022/23 draft Statement of Accounts were arithmetically correct, agreed to the data in the general ledger, and prepared in accordance with the content required by the CIPFA Code. The Council has also performed bank reconciliations during the 2022/23 financial year. Whilst we raised this as a significant risk of weakness (Page 7), we are satisfied that the Council appropriately set out the reasons for the delay within its Statutory notice, and subsequently published the 2022/23 Statement of Accounts as soon as was practicable.

Different parts of the Council are responsible for particular types of decisions and decisions relating to particular areas of functions as mandated in the Constitution. The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year. The Council also works in partnership with other public services in the region, such as the police and NHS, to provide a unified approach to the county's social needs. The Audit & Accounts Committee plays a key role overseeing governance arrangements. It provides assurance to the Council through review and receipt of reports in relation to risk management, internal controls and audit. The Committee exists to provide challenge to officers of the Council and decisions made, ensuring that decisions are therefore will informed and risks are managed. This Committee met regularly during the financial year, considering reports including the annual Internal Audit Report, the Statement of Accounts and other regular financial reporting matters.

Internal Audit concluded their work on the 2022/23 financial year in May 2023, and concluded that an overall 'moderate' assurance opinion was reached. This is a reduction from the 2021/22 conclusion. The prior year recommendation in respect of payroll control accounts was still to be addressed.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with Management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023.

The Council's Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

The Council monitor their finances against budget with financial performance reviews taking place monthly which are reported alongside performance reports by the Corporate Leadership Team (CLT). Quarterly finance monitoring reviews take place which are then reported to Cabinet and the Scrutiny & Overview Committee. The Finance Report provides information on the revenue position each month along with their estimated projection and explanation for any variances. The Council have worked closely with a range of partners through the Covid pandemic, including a number of health Partners. The Council's Chief Executive was the joint Chair of the strategic co-ordination group, which lead on the local public sector Covid response. This also involved all the District Councils within Cambridgeshire who supported with communications, contact tracing and other outbreak management processes, as well as engaging with the vaccination process. Other significant partnerships typically have Senior Officer representation from the Council and are key to delivery of strategic priorities in a cost-effective manner.

The Council received the results of an Ofsted inspection during the 2022/23 year, which was a 'Focused visit to Cambridgeshire Children's Services'. This reflected that whilst there were still some areas for improvement, leaders of the Council recognise the ongoing challenges, which have grown as a result of the pandemic, and are taking actions to strengthen services in this area.

During 2022/23, CLT introduced new Risk & Assurance meetings. These meetings were put in place to ensure that risk registers are subject to Management review and oversight, and to take on board feedback from the relevant Committees and their review processes.

The Council has a dedicated procurement team that manages the commissioning and procurement of contracts throughout the Council. Since our previous reporting of weaknesses in this area in 2020/21, the Council have appointed a qualified Head of Procurement, that leads the procurement team and reports to the s151 Officer. This team was initially put in place during the 2021/22 year and is experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies. Contracts contain service performance measures which will broadly correlate with the KPIs associated with the service provision that is reviewed regularly through the quarterly performance reports, helping to enable poor contractual performance to be identified.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations Arrangements in place

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

As part of the Council's budget setting process, each service is required to contribute to the Business Plan. The Business Plan will detail the Council's spending for the year ahead showing the activities to be undertaken, anticipated pressures and savings to be delivered. These identified pressures per service are quantified. This is outlined within the Finance Tables. Medium term plans are highlighted under the Medium Term Financial Strategy. The Council's Corporate Leadership Team (CLT) have the responsibility to provide strategic direction. This will include formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

Each Service prepares finance monitoring reports, giving details on their financial position and performance levels achieved for each month, accompanied by forecast outturn estimates. These reports feed into the corporate Integrated Resources and Performance Report, which is presented to the Corporate Leadership Team (CLT) on a monthly basis, and the Strategy and Resources Committee (S&R) on a bi-monthly basis. The service finance monitoring reports are presented to their respective committees on a bi-monthly basis. This process helps to identify matters of concern that need remedial action. Furthermore, management subsequently factors in areas of concern identified in the MTFS forecast impact. Towards the financial year end, identified pressures during the year (noted from the budget monitoring process) are considered and factored into the MTFS and are continuously monitored.

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

When setting up the Business Plan, the Council considers if these plans have clear aims, actions for the future, and if the delivering outcomes will set out how the strategic plan aims will be delivered. The Business Plan is approved by the Full Council. Each Directorate's service plan will include proposals for tackling a budget shortfall as part of the overall Business Plan for the portfolio area.

In terms of monitoring, each Directorate is responsible for making sure they are regularly monitoring revenue and capital budgets; they will investigate any variations and take appropriate action to deal with them. Each Director will report to Full Council as part of the monitoring process, if they cannot balance spending and resources within the approved budget. The Full Council will consider these reports and make appropriate recommendations to deal with the shortfall. Unless the Full Council decides otherwise, any underspending or overspending will be carried forward to the following financial year and the approved budget will be adjusted as a result. Evaluations on the reasons and risks of funding gap would be provided by the Council in the Strategic Plan and Medium Term Financial Strategy. The Council will continuously monitor and review the funding gap via a vis savings realised on a quarterly basis. Mitigating measures may be proposed as necessary and become follow up items in subsequent meetings.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

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

CLT members are responsible for making sure there is an appropriate appraisal and prioritisation process for all new investment schemes, and it must be agreed with the Director of Finance and Resources. In addition, the Council cannot include a scheme in the capital programme unless it has been through the agreed appraisal and prioritisation processes. The project appraisal would show how the project meets one or more of the Council's strategic priorities set out in the Strategic Framework in terms of the economic, social and environmental wellbeing of the people of Cambridgeshire; how the project meets one or more of the priorities identified in the relevant plan for delivering outcomes, or be needed to help meet the Council's legal responsibilities or new legal requirements; how the project has been assessed against the agreed prioritisation process and prove the project can be supported by a clear and achievable funding strategy. Furthermore, money can only be spent from the approved revenue budget and capital programme. The revenue and capital budgets are regularly monitored by the CLT members. In the Council's Strategic Framework and Medium Term Financial Strategy, detailed strategic and statutory priorities are set up for the future and existing priorities would be reviewed and adjusted.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

All Directors liaise with their sections and come up with budgets which cover all aspects of delivery including workforce, investment and capital. These are then consolidated and deliberated by the CLT ensuring coherence amongst the various sub budgets and the Council's strategy. Both the budget strategy and how the Council manages the revenue and capital budgets are based on the principle that the budgets are a statement of the Strategic Framework in financial terms. Any spending the Council incurs should be identified through the Strategic Framework. The Strategic Framework is the primary document that shapes the Business Plan; the Business Plan is supported by a range of directorate, service and team plans across the Council. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to the Council on the adequacy of proposed reserves and the robustness of the budget, the Council will then review the earmarked reserves and provisions to ensure they are adequate and consistent with the overall Strategic Framework. The Council will perform a risk assessment on the Business Plan and consider impact in other key areas like social care and looked after children.

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

CLT members are responsible for organising how services are delivered to achieve the aims set out in the Strategic Framework (including the budget) within the resources the Council has available. Further approval is needed if there is a change in how they share the resources between services or if a spending proposal involves a new policy or a change to the policy. Additional sensitivity analysis will also be provided to assess the impact of changes under various scenarios (e.g. Council tax, Business Rate growth, Pay award, Non-pay budget) and to set out a guide to the effect of changes to the major cost elements and funding streams. In the Integrated Finance Monitoring Report, the set up of their budgets include 'Forecast Outturn Variance' as applicable with the reasons to explain the changes.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

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

The Council maintains a collated risk register with input from each department. Risks are rated within a corporate risk register tracker which is reviewed regularly by Internal Audit as the main custodian of the overall Risk Register. The Internal Audit annual plan incorporates the highest risk areas and each control area is reviewed annually with reporting including commentary on the level of assurance the council can take from the control review and actions requiring implementation to strengthen controls. Internal Audit undertakes regular follow ups to ensure actions are implemented and overseen by the Audit and Accounts Committee. Furthermore, the register is updated regularly to take into account emerging risks identified by internal controls review assessments, fraud investigations, intelligence identified internally and by external organisations, and changes to Council processes.

The Council also seeks to maintain an anti-fraud, bribery and theft culture. The Council has developed systems and procedures with efficient and effective internal controls that are tested by internal audit as part of the annual audit plan on a rotational basis. Service Managers are responsible for ensuring controls are properly maintained and documented. Regarding updates on new policies or procedures, Internal audit provide advice to ensure the risk of fraud, bribery and theft is minimised. Managers assess their risks on a regular basis and adapt the control systems as appropriate. Internal audit give advice on preventative controls during both routine work and following investigations where control weaknesses were identified.

The Annual Governance Statement and annual internal audit opinion provide an overall process for reviewing and reporting on the Council's risk and control environment across the board.

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

A meeting of the Full Council approves the Council's planned use of resources and the budget process taking into account the Council's Strategic Framework. Recommendations consider the arrangements for deciding strategy for spending capital funds, including preparing the capital programme and the process for assessing the prioritisation of individual projects. When preparing the budget, CLT members must keep to the rules, procedures and timetables set in the Constitution (Budget and Policy Framework Procedure Rules). After gathering advice from the Director of Finance and Resources, CLT will put forward recommendations to the Full Council on areas like the net revenue budget, amount spent on each service, the programme for spending capital and capital strategy, assessment of reserves and balances, council tax levels and the precept charge to be made to individual billing authorities.

The report will include comments from the Director of Finance and Resources on how robust the budget is and whether the level of reserves is in line with section 25 of the Local Government Act 2003. In addition, the Director of Finance and Resources is responsible for making sure that a capital budget, capital programme and financing plan is prepared each year for the Full Council to consider.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council's Business Plan, with clear aims, actions for the future, and delivering outcomes sets out how the Strategic Framework aims will be delivered. These plans are approved by the Full Council. At service level, CLT members need to produce plans which set out the main actions, a resourcing plan, and budget for that service for the relevant period, which must be agreed by the Director of Finance and Resources. The plans identify investment (or capital) needs as well as the revenue implications associated with delivering the stated aims. Trading and support services are set out as the basis of charges to other services.

The Council has a system in place which sets out the operational responsibilities of its staff. Under the Council's financial regulations, CLT members have the power to spend money from the approved revenue budget and capital programme. CLT members cannot spend money without approval by Council if the spending is not in line with the approved budget. CLT members are responsible for making sure they regularly monitor revenue and capital budgets. They must also investigate any variations and take appropriate action to deal with them. CLT members must report if they cannot balance spending and resources within the approved budget. The Strategy and Resources Committee (S&R) will consider these reports and, where appropriate make recommendations to deal with the shortfall. CLT members will send monitoring and outturn reports to the S&R in line with the set timetables and procedures. Unless the S&R decides otherwise, any underspending or overspending will be carried forward to the following financial year and the approved budget will be adjusted as a result. The Director of Finance and Resources is responsible for producing the Statement of Accounts and for sending it to the Audit and Accounts Committee for approval.

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

Different parts of the Council are responsible for particular types of decisions and decisions relating to particular areas of functions as mandated in the Constitution. The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year. The Council also works in partnership with other public services in the region, such as the police and NHS, to provide a unified approach to the county's social needs.

Committees have responsibility for most major decisions. When major decisions are to be discussed or made, these are published in the Council's Forward Plan in so far as they can be anticipated. The Committees have to make decisions which are in line with the Council's overall policies and budget. If they wish to make a decision which outside of the approved budget or Policy Framework, this must be referred to the Full Council as a whole to decide. In addition there are various committees responsible for scrutiny of various aspects namely Planning Committee, Audit and Accounts Committee, Constitution and Ethics Committee, and Other committees dealing mainly with appeals. Their remit is as outlined in the Council's Constitution.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

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

Arrangements in place

All elected Cambridgeshire County Councillors are required to comply with the Councillors' Code of Conduct, which sets out the framework within which Councillors must conduct themselves and the business of the Council. They must observe various rules of conduct, such as registering any employment, business or financial interests they may have, rules in relation to confidentiality and the protocol around member/officer relations.

The Code of Conduct requires all Councillors and co-opted members to register various interests, such as membership of other organisations, the ownership of land, the receipt of gifts and hospitality, and significant financial interests. Individual declarations of Interests can be found under "Members Interests" for each Councillor, and declarations in respect of gifts and hospitality (where received) are also listed under "Gifts and Hospitality", on the Councillor's page. All guidelines pertaining to the above are enshrined within the Council's Constitution.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	The Corporate Integrated Finance Monitoring Report Outturn gives an overview of the Council's progress, performance, and financial position in delivering against the Council's Strategic Plan and Delivery Plan at year end. Data and information is gathered from the quarterly reports and is used to assess the performance and Identify the areas to improve. Specific improvement plan based on the analysis above will be included in the Council's Strategic Framework for the proceeding year.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>There are a set of corporate key performance indicators that are reported to CLT and relevant committees that give a broad view of council performance. Below that, services have more detailed sets of KPIs. CLT reviews service performance alongside financial reports to assess value for money.</p> <p>As part of business planning, Chief Officers will review their services to develop proposals for savings/efficiencies, which will require thematic reviews of services to be undertaken. Individual service areas have bespoke arrangements in place for assessing performance.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>Significant partnerships will usually have a chief officer as the main Council representative, and senior leaders link in with local networks. Significant relationships are usually governed by a joint board with Council representation that scrutinizes the work of the partnership. This includes partnerships with local NHS bodies and other local authorities.</p> <p>CLT members are responsible for making sure that partnership arrangements are approved, carried out and evaluated in line with the Council's Constitution. The Council has a Strategy and Partnerships Directorate that has four core services. The Policy and Communities service area is tasked with working with the Council's Partners through its Business Intelligence Team. The Business Intelligence Service provides analysis to help the Council's services and partners make decisions based on the best possible evidence. The Emergency Planning Team also works with partners to ensure that the Council has plans in place should an emergency occur and working with colleagues to ensure the Council has robust business continuity arrangements.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations

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

Arrangements in place

The Council has a dedicated procurement team that manages the commissioning and procurement of contracts throughout the Council. This team is experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies. Contracts contain service performance measures which will broadly correlate with the KPIs associated with the service provision that is reviewed regularly through the quarterly performance reports, helping to enable poor contractual performance to be identified.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk

External audit plan and strategy 2023-24

To: Audit and Accounts Committee

Meeting Date: 30 May 2024

From: External Auditor (KPMG LLP)

Electoral division(s): All

Executive summary: Appended to this report is the Audit Plan and Strategy received from KPMG LLP, the independent auditors appointed by Public Sector Audit Appointments. KPMG will be in attendance at the Committee to present the plan.

Recommendation: The Committee is invited to note the draft audit plan and strategy for the year ending 31 March 2024 received from the external auditor

Contact: Sarah Brown and Emma Larcombe
External Auditors
KPMG LLP

Cambridgeshire County Council

Draft - Report to the Audit & Accounts Committee

External Audit Plan & Strategy for the year ending
31 March 2024

30 May 2024

Introduction

To the Audit and Accounts Committee of Cambridgeshire County Council

We are pleased to have the opportunity to meet with you on 30 May 2024 to discuss our audit of the consolidated financial statements of Cambridgeshire County Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our draft risk assessment and indicative planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach.

We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach including Going concern	6
Other significant matters related to our audit approach	16
Mandatory communications	18
Appendix	22

The engagement team

Sarah Brown is the engagement partner on the audit and responsible for the audit opinion. She has 25+ years of experience and previously worked in the Local Government audit sector.

Emma Larcombe is the engagement director on the audit. She has 15+ years of experience and shall lead the engagement team.

Other key members of the engagement team include Debbie Stokes, senior manager with 25+ years of experience respectively.

Yours sincerely,



Sarah Brown,

Partner - KPMG LLP

30 May 2023

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as ownership structure, debt arrangements, business environment, and users of accounts, when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £14.6m /65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period.

We will report misstatements to the audit and accounts committee including:

- Corrected and uncorrected audit misstatements above £1m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures. These may be updated depending on the outcome of the prior year audit.

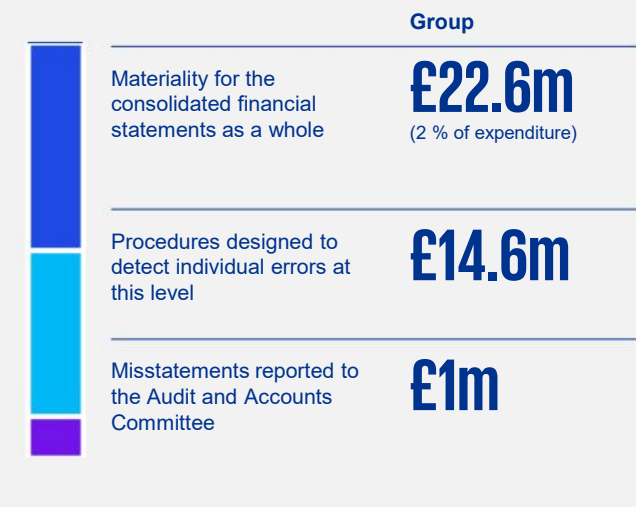
Prior year audit status

We are aware that the predecessor auditors plan to issue a disclaimed opinion for the FY23 financial statements audit. Guidance is currently being prepared by the National Audit Office and we are developing procedures internally to cover the work required over opening balances.

It is expected that our audit opinion will be modified for a number of years.

We will undertake a prior year file review with regard to the FY22 completed audit.

Council Materiality



We will report group materiality in due course.

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner, director and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in October 2023 where we discussed our audit approach and discussed management's progress in key areas;
- Due to the work of previous auditors still on-going, we will be communicating dates for audit completion at a future Committee;
- Audit and Accounts Committee meeting on 30 May 2024 where we present our draft audit plan;
- Status meetings with management where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management where we discuss the auditor's report and any outstanding deliverables;
- Audit and Accounts Committee meeting where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work
IT Audit team members	Our IT audit colleagues will perform our documentation of understanding the IT environment and any associated testing of general IT controls and/ or automated controls where identified. At the time of planning we have not identified any IT or automated controls which we will place reliance on.
KPMG Pensions Centre of Excellence	We will involve our pensions colleagues to review the pension liability valuation on the balance sheet during our audit.
Actuaries	Our actuaries will review and challenge the actuarial assumptions underpinning the valuation of LGPS liabilities.

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Cambridgeshire County Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Accounts Committee.

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

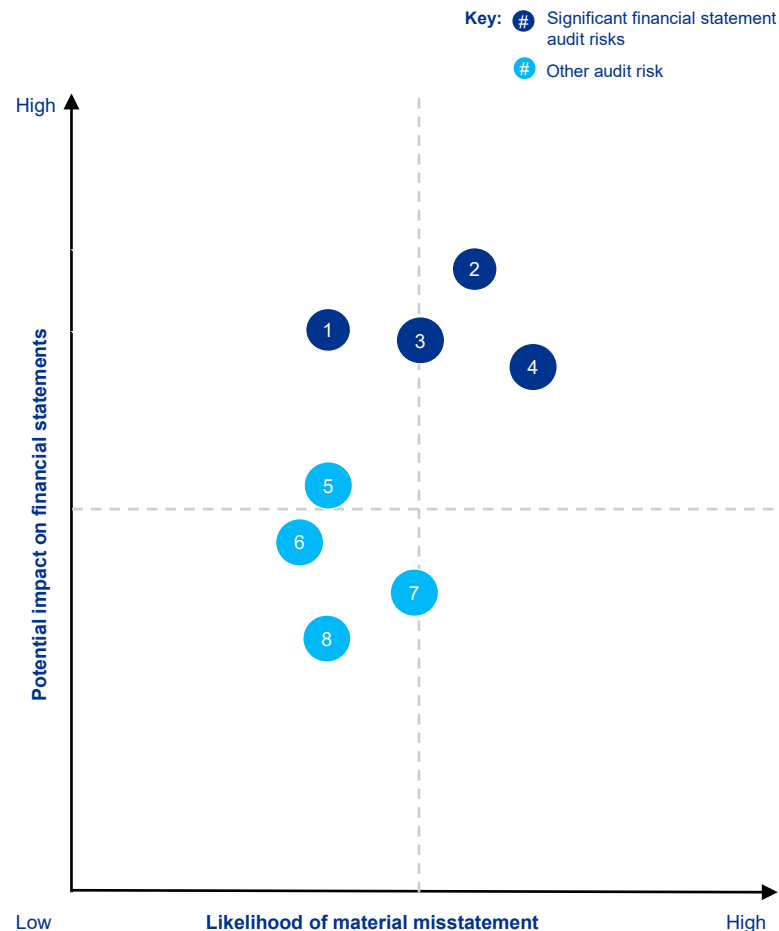
We have outlined our audit approach on page 19.

Significant risks

1. Valuation of land and buildings
2. Valuation of investment properties
3. Management override of controls
4. Valuation of post retirement benefit obligations

Other audit risks

5. Non capital expenditure classification
6. This Land
7. Compliance with laws and regulations
8. Accuracy and valuation of PFI liabilities



Audit risks and our audit approach (cont.)

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings (including Solar Farm -Triangle Farm) differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

The net book value of the Council's land and buildings at 31 March 2022 was £677m (including operational solar farm) and £45m of assets under construction.

As we progress our risk assessment we will clarify which elements of the PPE portfolio the significant risk relates to.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

The fair value of the Council's investment properties at 31 March 2022 was £130m.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property at 31 March 2024;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business, or are otherwise unusual.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

We have identified this risk in relation to the following pension scheme memberships: Local Government Pension Scheme



Planned response

We will perform the following procedures:

- Understand the processes the Councils have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)

5 Non-capital expenditure is inaccurately recognised as capital expenditure

Revenue expenditure is inaccurately recognised as capital expenditure



Other audit risk

Although we have rebutted the presumed significant risk in relation to fraudulent expenditure recognition, capital accounting requirements are complex and may contain an element of judgement in determining which costs in a project can be capitalised and which need to be expensed.

Given the size of the Council's capital programme (£200m), we have identified an Other Audit Risk regarding revenue expenditure being inaccurately recognised as capital expenditure.



Planned response

We will perform the following procedures in order to respond to the risk identified:

- We will evaluate the design and implementation of controls for classifying expenditure as capital;
- We will scan the list of capital programme for schemes which indicate an increased risk that the spend may be revenue in nature; and
- We will test a sample of capital expenditure incurred by the Council to ensure it is correctly capitalised.

Audit risks and our audit approach (cont.)

6 Recoverability of Long-Term Debtor with This Land Group

There is a risk that the Council are unable to recover the loan.



Other audit risk

This Land Limited was incorporated in June 2016. This Land Limited and This Land Group are a wholly owned subsidiary of the Council. The Group oversees the acquisition and development of land and property for subsequent resale.

As at 31st March 2022 the Council holds a Long-term Debtor balance of £113.9m in relation to the loan issued to This Land Group. The loans are repayable between 2026 and 2029.

Due to the current volatility in the housing market there is a risk that the Council are unable to recover the loan.



Planned response

We will perform the following procedures:

- We will assess the long term debtor owed by This Land Group to identify, with reference to This Land Group's financial draft balance sheet, whether they have a positive net asset value and there coverage of the debt owed; and
- We will review the Council's consideration of the valuation and recoverability of the loan to ensure this is reasonable and performed in line with the Code of Practice and the relevant accounting standard (IFRS 9 –Financial Instruments).

Audit risks and our audit approach (cont.)

7 Regulatory compliance, litigation and claims



Other audit risk

The Council will be required to confirm in their 2023/24 annual report that they comply with all aspects of the Code of Corporate Governance and other laws and regulations.

The Council will also need to be aware of any litigation or claims, which may then require disclosure or provision in the 2023/24 accounts, in particular the recent notification from the Health and Safety Executive (HSE) of intended prosecution in relation to the Guided Busway incident.



Planned response

We will perform the following procedures:

- Review evidence as to how the Council gains assurance that it complies with all aspects of the Code of Corporate Governance and other laws and regulations;
- Perform regular liaison with key members of management, those charged with governance, the Monitoring Officer, and internal audit as appropriate;
- We will consider the adequacy and appropriateness of any provisions booked by management. Using our entity level understanding we will assess the completeness and consistency of any provisions with other information such as committee minutes and communications with the regulator;
- We will continue to liaise with the Monitoring Officer in relation to the HSE investigation and consider any legal advice sought and the adequacy of any provision booked by management.

Audit risks and our audit approach (cont.)

8 Accuracy and valuation of PFI liabilities

Risk of error related to the incorrect recording of liabilities arising from assets funded through the private finance initiative



Other audit risk

As at 31 March 2022 the Council has 3 PFI assets totalling £118m with liabilities totalling £104m.

PFI schemes are based on complex financial models which, aside from needing to mirror the contractual terms, contain assumptions about future events – namely inflation.

There is a risk, due to the complexity of the financial models, that the value of the PFI liabilities recognised in the financial statements are incorrect.



Planned response

We will perform the following procedures:

- For a sample of PFI schemes, agree inputs of the model to the underlying contract, reading the contract to ensure all pertinent contractual terms are included within the model;
- Re-calculate the model, testing the validity of the formulas inherent to the model and ensuring that the model correctly calculates the different types of charges and the closing liability each period; and
- Re-calculate the financial statement disclosures in reference to the tested models.

Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that, as most public bodies are net spending bodies, in the public sector, auditors typically focus their consideration of the risk of fraud and error on expenditure.

Having considered the risk factors relevant to the Council and the nature of expenditure, our initial risk assessment is to rebut the presumption that the fraud risk from expenditure recognition is a significant risk. Specifically, we do not consider the financial position of the Council to be indicative of a position that would provide an incentive to materially manipulate expenditure recognition and we have not identified any other specific risk factors.

Due to the pressures on the financial position across the sector and our ongoing risk assessment, this may result in us revisiting our conclusion. If there are any changes to our assessment, we will update the Audit & Accounts Committee with a revised audit plan.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Other significant matters related to our audit approach

Impacts of climate risk and climate change disclosures

We will evaluate management's assessment of the potential financial implications of climate risk on the financial statements, including estimates and disclosures.

As part of our procedures on other information, we will obtain and read your climate change disclosures. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

However, financial sustainability is a core area of focus for our Value for Money opinion.

Mandatory communications - additional reporting

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
--	--	--

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Cambridgeshire County Council

DRAFT - Value for money risk assessment

Our approach

Year ended 31 March 2024

30 May 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

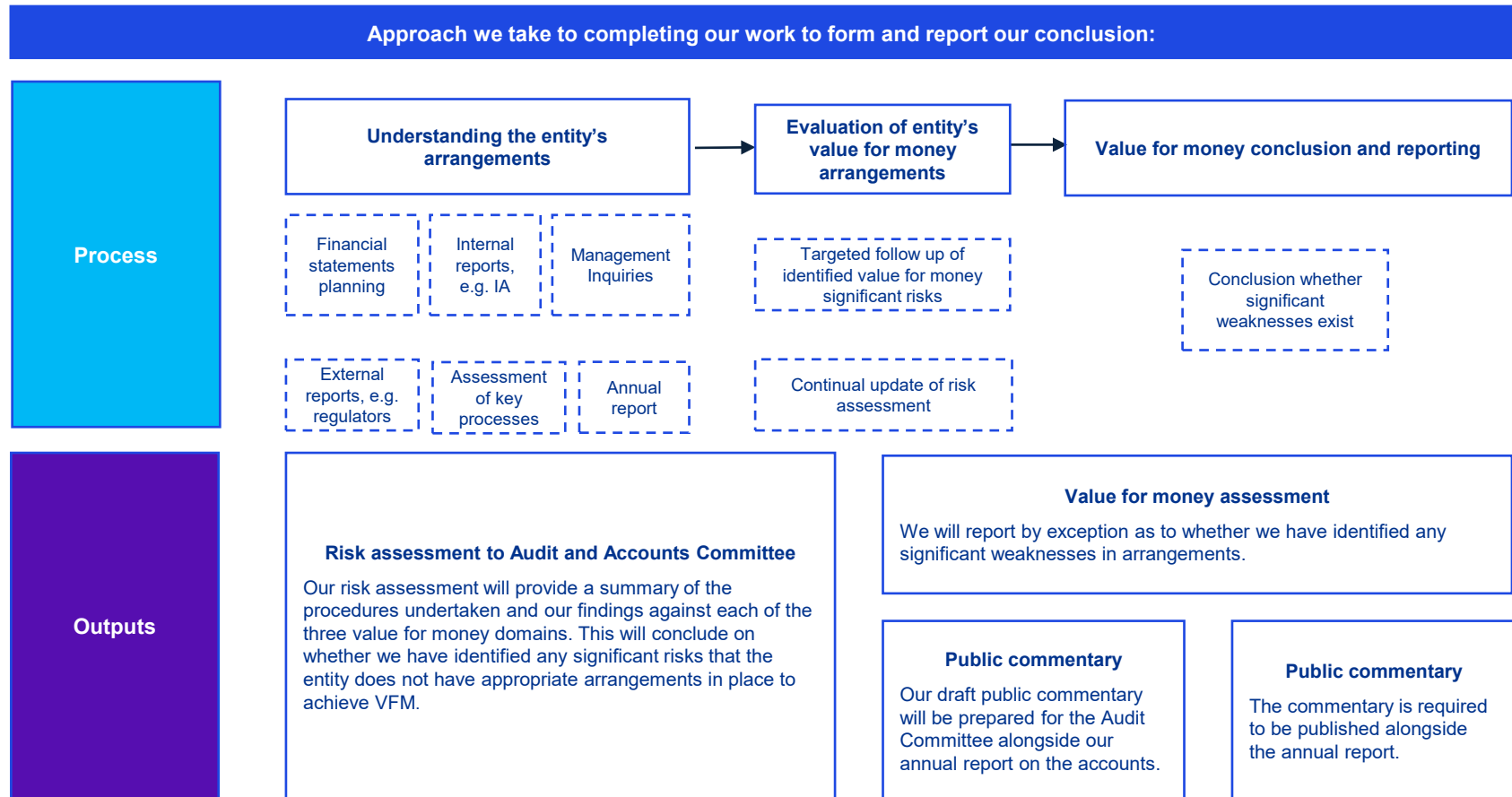
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money





Appendix

	Page
A Audit team	23
B Audit cycle & timetable	24
C Fees	25
D Confirmation of independence	26
E KPMG's Audit quality framework	28
F ISA (UK) 315 Revised: Overview	29
G ISA (UK) 240 Revised: Summary of key changes	30
H FRC's Areas of Focus	32

Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	<p>Sarah is the partner responsible for our audit. She will lead our audit work, attend the Audit and Accounts Committee and be responsible for the opinions that we issue.</p>		<p>Emma is the director who is supporting Sarah in this audit. She will attend the Audit and Accounts Committee and lead the team to complete the audit work.</p>		<p>Debbie is the senior manager responsible for our audit. She will co-ordinate our audit work, attend the Audit and Accounts Committee and ensure we are co-ordinated across our accounts and pension fund audit.</p>
---	---	--	---	---	--

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be the partners first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

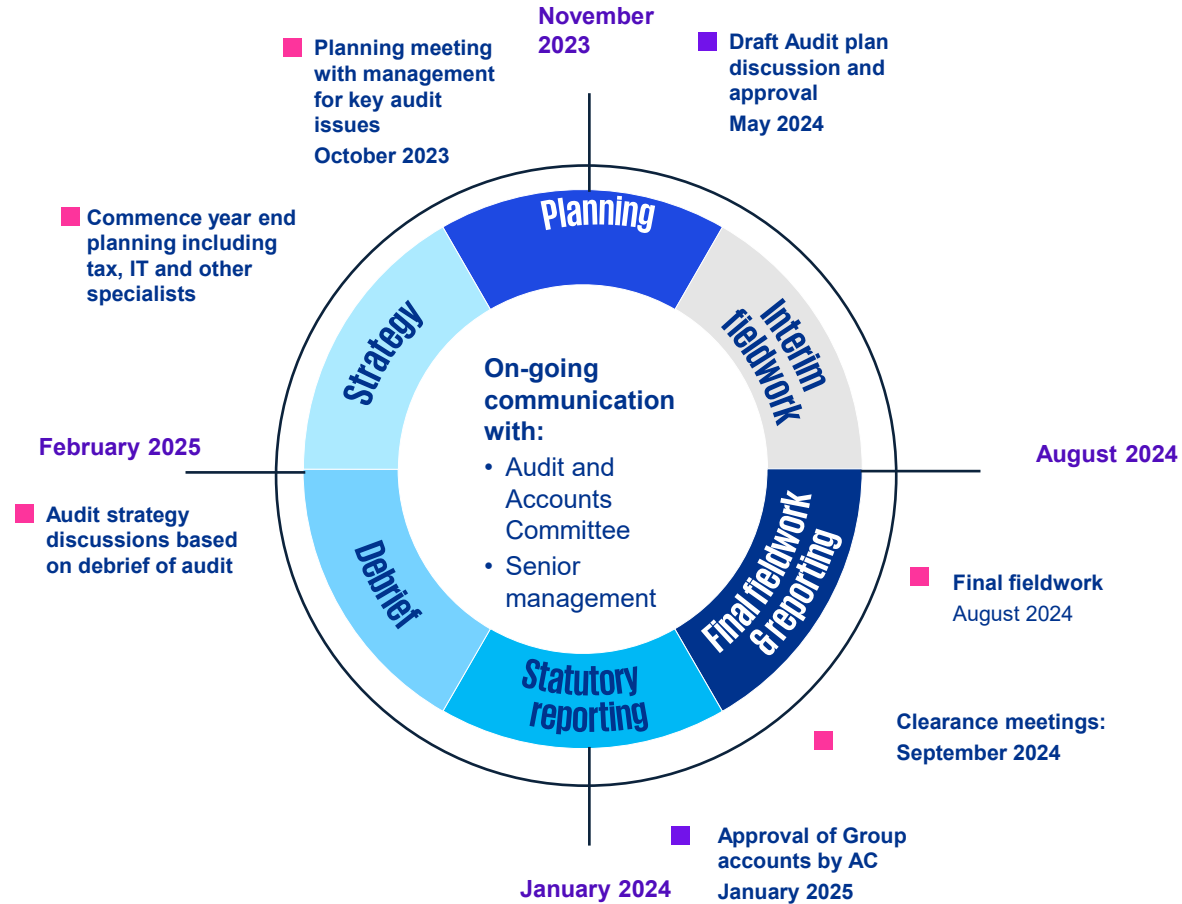
Our schedule 2023-2024

We have worked with management to generate our understanding of the processes and controls in place at the Group in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report inline with the backstop date.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Group at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change**.



Key:

- Timing of AC communications
- Key events

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2021/22 (£'000)
Statutory audit	277	*
ISA315r	5 – 10% of fee	-
ISA240	5 – 10% of fee	-
TOTAL	277	*

**fee charged by EY - your predecessor auditor.*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The Group's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Group's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Accounts Committee members

Assessment of our objectivity and independence as auditor of [entity name]

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	277
Other Assurance Services	0
Total Fees	277

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Accounts Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Accounts Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

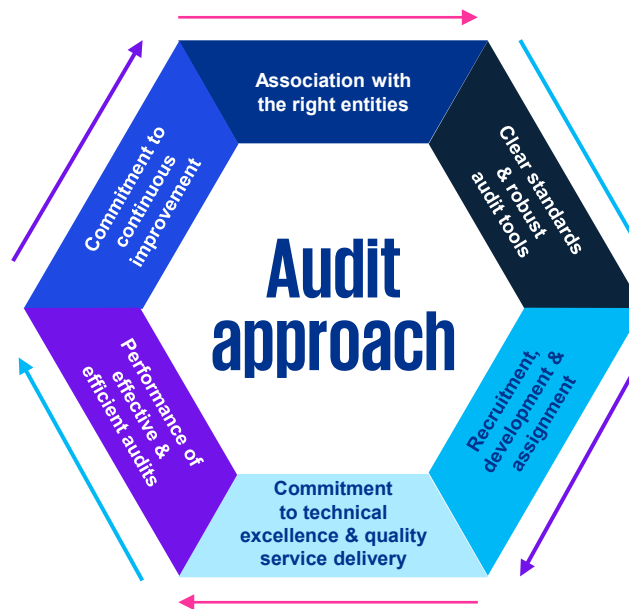
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Accounts Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none"> 1) Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence; • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in **October 2022**, along with a [summary of key matters for the coming year](#), primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the group.



Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.



Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)

2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



kpmg.com/uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Internal Audit Annual Report 2023-24

To: Audit & Accounts Committee

Meeting Date: 30th May 2024

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

Electoral division(s): N/A

Executive Summary: The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2023 – 24.

Recommendation: Audit & Accounts Committee to consider the Annual Internal Audit Report for 2023 – 24 and be made aware of the Head of Internal Audit & Risk Management's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.

Officer contact:

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

1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 The role of Internal Audit is to provide the Audit Committee and management with 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. As such, the maintenance of an effective system of internal audit management contributes to the achievement of all seven of the Council's ambitions.

2. Background

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

3. Main Issues

- 3.1 In line with PSIAS, the annual internal audit opinion, and the basis by which the opinion has been reached, is set out in the Internal Audit Annual Report attached as Appendix 1.

4. Significant Implications

- 4.1 This report is an information-only update and there are no significant implications to highlight.

5. Source Documents

- 5.1 Internal Audit Reports 2023/4
- 5.2 Location: Internal Audit team, New Shire Hall, Alconbury Weald

INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2023/24

Internal Audit & Risk Management

Annual Report 2023/24

Contents:

- 1. INTRODUCTION**
 - 1.1 The Annual Reporting Process
- 2. CHIEF AUDIT EXECUTIVE OPINION 2023 – 24**
 - 2.1 Chief Audit Executive Opinion
- 3. REVIEW OF INTERNAL CONTROL**
 - 3.1 The Basis of Assurance
 - 3.2 How Internal Control is Reviewed
 - 3.3 Internal Audit Coverage in 2023 - 24
- 4. INTERNAL AUDIT IN 2023 - 24**
 - 4.1 Overview and Key Findings
 - 4.2 Financial and Other Key Systems
 - 4.3 Risk-based Reviews
 - 4.4 Compliance
 - 4.5 Procurement, Contracts & Commissioning
 - 4.6 Information Governance and ICT Audit
 - 4.7 Grants and other Head of Audit Assurances
 - 4.8 Policies and Procedures
 - 4.9 Schools Audits
 - 4.10 Other Work
 - 4.11 Summary of Completed Reviews
- 5. ANTI-FRAUD & WHISTLEBLOWING IN 2023 – 24**
 - 5.1 Overview of Whistleblowing Cases
 - 5.2 Fraud & Governance Investigations
 - 5.3 Proactive Anti-Fraud Work
 - 5.4 National Fraud Initiative
- 6. RISK MANAGEMENT IN 2023 - 24**
 - 6.1 Overview of Risk Management
 - 6.2 Risk Management in 2023 – 24
 - 6.3 Risk Assurance Reviews
- 7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE**
 - 7.1 Delivery of the 2023 – 24 Internal Audit Plan
 - 7.2 Compliance with Public Sector Internal Audit Standards
 - 7.3 Quality Assurance & Improvement Plan

1. INTRODUCTION

1.1 The Annual Reporting Process

- 1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.
- 1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards.
- 1.1.3 This document represents the annual internal audit opinion and report for Cambridgeshire County Council for the financial year 2023/4, in compliance with PSIAS.

2. CHIEF AUDIT EXECUTIVE OPINION 2023/24

2.1 Chief Audit Executive Opinion

2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2.1.2 This annual opinion of the Chief Audit Executive for Cambridgeshire County Council in 2023/4 is presented below:

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2023/24 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2024.¹

This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2023/24 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review and the findings; assessment of other evidence and assurances about the organisation's arrangements for internal control and managing risk; and ongoing review of management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Annex A.

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

- Assurance opinions from Internal Audit reviews in 2023/24 showing a predominance of 'moderate' audit opinions. A single audit (Dedicated Schools Grant Safety Valve programme) identified findings which were deemed to have the potential for a 'major' organisational impact if the identified risks materialised. See Section 4.1 for more details.*
- Procurement and contract management continues to represent a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and the findings of audit work completed throughout the year. The Council has undertaken a range of*

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

actions to strengthen the control environment around procurement and contract management throughout 2023/4. See Section 4.5 for details.

- *Project/programme management and change has been highlighted as a risk area for the authority, based on audit work completed in 2023/4. A range of actions to strengthen both revenue and capital project management controls have been agreed as an outcome of these audits, with actions due for implementation in 2024/5, and this risk area will therefore continue to be a focus for the Audit Plan in the coming year. See Section 4.9 for details.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance, while highlighting some areas within the corporate framework which require further development. The Council has progressed the implementation of actions identified within the 2022/3 Annual Governance Statement throughout the year, resulting in a range of improvements to organisational governance.*
- *75% of agreed audit actions due for implementation in 2023/24 have been completed by the organisation. This is an improvement on the implementation rate of 62% for 2022/3 and 64% for 2021/22, despite a higher number of actions being due for implementation in 2023/4 compared to the prior year. Each action completed represents an improvement in the Council's systems of internal control. See Section 4.1 for more details.*
- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority have historically demonstrated a good or moderate assurance across all systems. At the time of writing, the 2023/4 Pensions Administration report has yet to be issued in draft by the Cambridgeshire audit team; draft opinions for the Accounts Payable and Income Processing audits are awaited from Lead Authority partners; and the Debt Recovery review has only just started fieldwork. This does reduce the assurance that can be given over these systems compared to the 2022/3 Annual Report; however, some assurance can be taken from the detailed prior-year audits of these areas carried out by the Cambridgeshire team, and the 15 actions which have been confirmed as implemented in 2023/4 to address the findings of previous audits of Accounts Payable, Income Processing and Debt Recovery. See Section 4.2 for more details.*

During 2023/24, the Council's Internal Audit service:

- *Operated in conformance with Public Sector Internal Audit Standards (PSIAS) requirements, and undertook a self-assessment against PSIAS during the course of the year. See Section 7.2 for more detail.*
- *Had unrestricted access to all areas, systems and information across the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Operated independent of the organisation, as per the Internal Audit Charter, with no compromises of Internal Audit's independence this year.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment. See Section 7.3.3 for more details.*

As a result, there are no qualifications to the 2023/24 Head of Internal Audit position statement. It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- *Mairead Claydon, Head of Internal Audit & Risk Management*

3. REVIEW OF INTERNAL CONTROL

3.1 The Basis of Assurance

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

3.1.2 The findings and assurance levels provided by the reviews undertaken throughout 2023/24 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

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

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

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

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

3.1.5 Quarterly risk assessments ensure that the timing of planned audits is always actively informed by an up-to-date assessment of the areas of highest risk, and that the flexible plan is subject to regular challenge and comment by both CLT and the Audit and Accounts Committee. This ensures the Audit Plan consistently reflects the changing public sector environment and emergence of new risks

throughout the year, and that the work completed by Internal Audit is sufficient to give an evidence-based opinion over the control environment for the year.

3.2 *How Internal Control is Reviewed*

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

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

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

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

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

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.

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

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

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

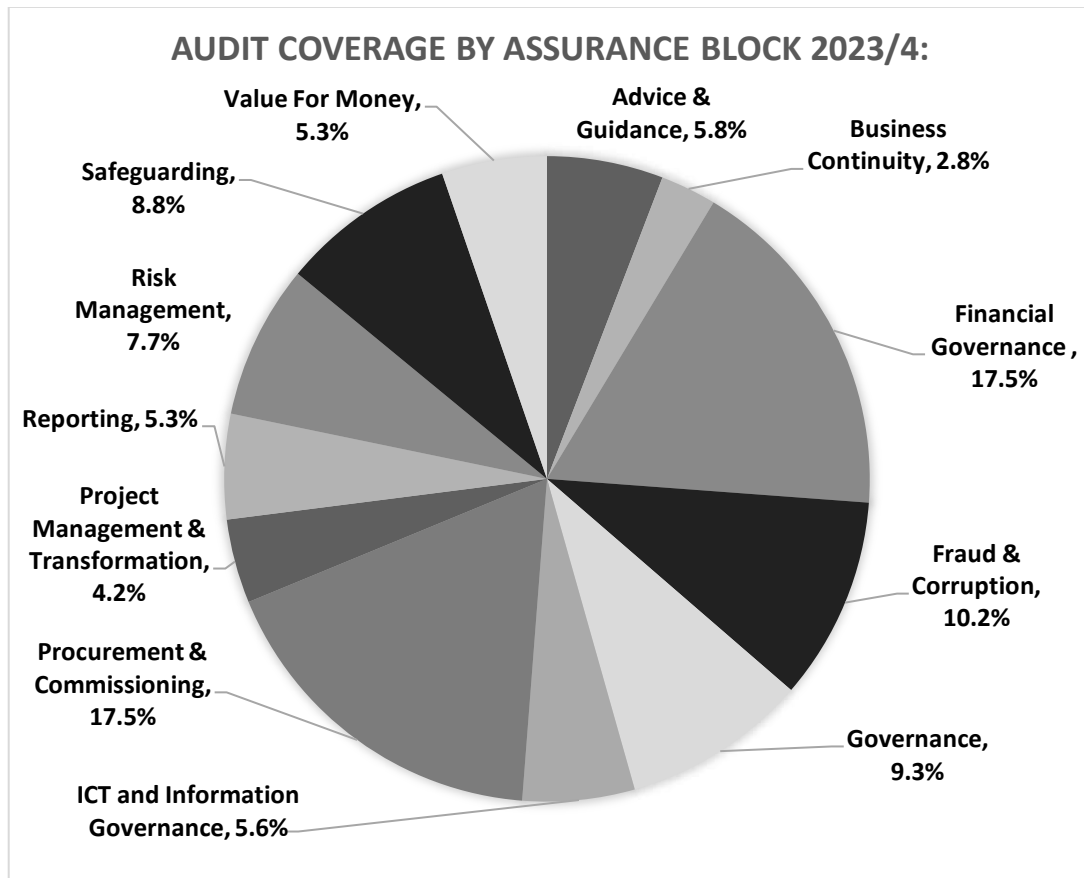
3.3 *Internal Audit Coverage in 2023 - 24*

3.3.1 The Council's Internal Audit Plan 2023/24 sought to provide assurance across the Council's entire control environment, with reviews targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, contract management, safeguarding and achieving value for money.

3.3.2 In order to give a sense of the breadth of coverage provided by Internal Audit reviews this year, Section 4 of this report provides more detailed information on the audit reviews carried out in 2023-24, by 'assurance block'. These assurance blocks are aligned to key risk areas for the Council, such as financial governance, procurement, or ICT and information governance risk.

3.3.3 The chart below seeks to demonstrate how Internal Audit time has been split across these different areas of assurance in practice during 2023/24:

Chart 1: Internal Audit Coverage in 2023/24, by Assurance Block:



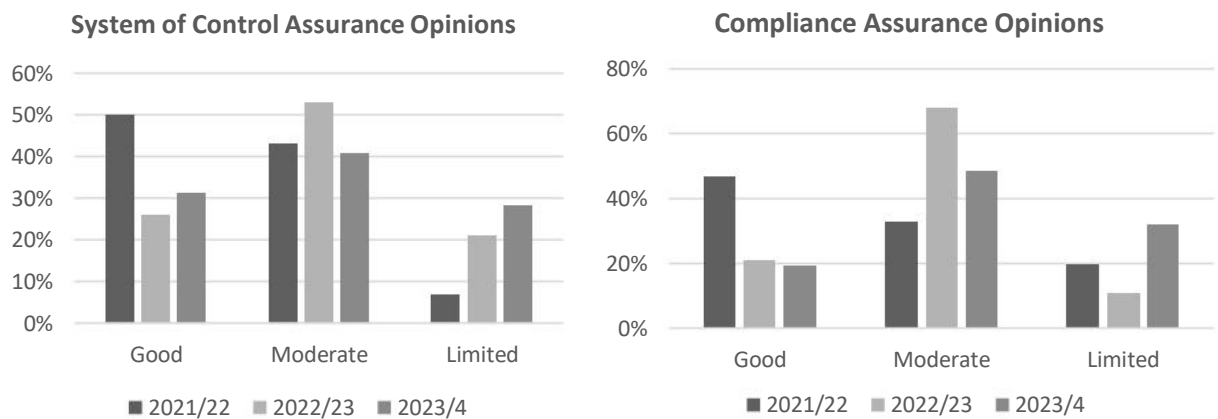
3.3.4 It should be noted however that only the primary risk assurance area for the audit has been used to calculate this chart. Some audits will provide coverage of multiple risk areas; for example, the reviews of client funds and deputyships was primarily focused on the financial governance of the service, but also considered an element of how the Council's arrangements around client funds seek to manage safeguarding risk. The true risk coverage of the audits delivered in 2023/24 will therefore be broader than that shown in the chart above.

4. INTERNAL AUDIT IN 2023/24

4.1 Overview and Key Findings

4.1.1 The charts below summarise the range of audit assurance opinions from internal audit reviews delivered in 2023/24, compared to the opinions issued in the previous financial years.² This demonstrates the predominance of ‘moderate’ assurance opinions in 2023/24, indicating that audit reviews have identified areas of medium risk to the control environment, and/or errors and non-compliance with controls. This underpins the overall ‘moderate’ assurance on the control environment.

Chart 2: Internal Audit Assurance Opinions 2023/24 vs. 2022/23 and 2021/22:



4.1.2 As the charts indicate, there has been an increase in the proportion of reviews where a ‘limited’ assurance opinion was given (28% of system opinions and 32% of compliance opinions) compared to 2022/3. It should be noted that of audits where at least one ‘limited’ opinion was given, 38% of these related to the assurance area of Project Management and Change (see Section 4.9) and 23% related to the assurance area of Procurement, Contracts and Commissioning (see Section 4.5). These are both areas where the organisation has previously recognised the need for further improvement in the control environment, and both areas have undergone considerable development throughout 2023/4. These two assurance blocks will continue to be an area of particular focus for the risk-based Internal Audit Plan in 2024/5.

4.1.3 Conversely, the proportion of ‘good’ opinions has increased for systems opinions and remained almost the same for compliance opinions, compared to 2022/3. It is positive to note that audits where at least one ‘good’ assurance opinion was given spanned a wide range of different assurance blocks, with a ‘good’ opinion given for audits covering the key risk areas of Safeguarding,

² Excluding individual schools audits.

Business Continuity, Governance, ICT & Information Governance, Financial Governance, Project Management and Change, and Procurement Contracts and Commissioning.

- 4.1.4 In 2023/4, a single audit was completed where it was considered that, if the risks highlighted materialised, it could have a 'major' impact on the organisation as a whole. This relates to the review of the Dedicated Schools Grant Safety Valve programme. A range of actions, including 2 'essential' actions, have been agreed to address the control weaknesses identified by the audit review, which are being taken forward by the new Interim Service Director of Education. Progress on implementation will be reported to the Audit & Accounts Committee in the usual way throughout the 2024/5 financial year.
- 4.1.5 For all audits, in each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommended actions to further improve the system of control and compliance. All agreed actions from Internal Audit reviews are assigned a risk rating as follows:
- **Essential** - Action is imperative to avoid exposure to a significant organisational risk.
 - **High** - Action is imperative to avoid exposure to a significant risk to the service area.
 - **Medium** - Action is required to avoid exposure to a risk to the service area.
 - **Advisory** - Consultancy recommendations which are intended to improve operational efficiency or enhance value.
- 4.1.6 In 2023/24, 6 recommended actions have been issued that were rated 'essential'. One of these actions has already been implemented in-year, with the remaining actions due for implementation in 2024/5.
- 4.1.7 It is recognised that management has the responsibility to manage risk and that recommendations may or not be accepted, or an alternative control may be agreed that achieves the same improved governance. Where the agreed actions arising from recommendations are considered to have a 'medium' or greater impact on the system of internal control, the implementation of those actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.
- 4.1.8 An overview of the implementation of actions as at 31st March 2024 is summarised in Table 1, below³:

Table 1: Implementation of Audit Actions 2023-24

³ Please note that the total reflects the number of recommendations required to be implemented within 2023-24, and therefore includes recommendations made in prior years.

Recommendation Category	Essential	High	Medium	Total
Agreed and implemented.	2 1%	31 15%	119 59%	152 75%
Agreed and due within the last 3 months, but not yet implemented.	0 0%	1 0.5%	6 3%	7 4%
Agreed and due over 3 months ago, but not yet implemented.	0 0%	7 3%	28 14%	35 17%
Agreed and due over 12 months ago, but not yet implemented.	0 0%	2 1%	7 3%	9 4%
TOTAL	2	41	160	203

Table 1a: Audit Actions Agreed but not due by 31/03/2024

Recommendation Category	Essential	High	Medium
Agreed but not due until after 31 March 2024.	4	20	51

- 4.1.9 Details of all actions which are overdue for implementation are provided at Annex B to this report.
- 4.1.10 At the end of 2023/24, the total number of recommendations outstanding was 51 (25% of all recommendations due), compared to 55 recommendations outstanding at year end 2022/23 (37% of all recommendations due). The number of recommendations more than 12 months overdue has increased from 5 at the end of 2022/23 to 9 at the end of 2023/24.
- 4.1.11 Not only has the percentage of implemented recommendations increased in 2023/24 compared to 2022/23, but also an increased volume of recommendations have become due for implementation in the 2023/4 financial year. Over the course of the year, 60 more recommendations were implemented, compared to 2022/23.

Chart 3: Volume of recommendations due vs. implemented per rolling 12-month reporting period, 2023/4:

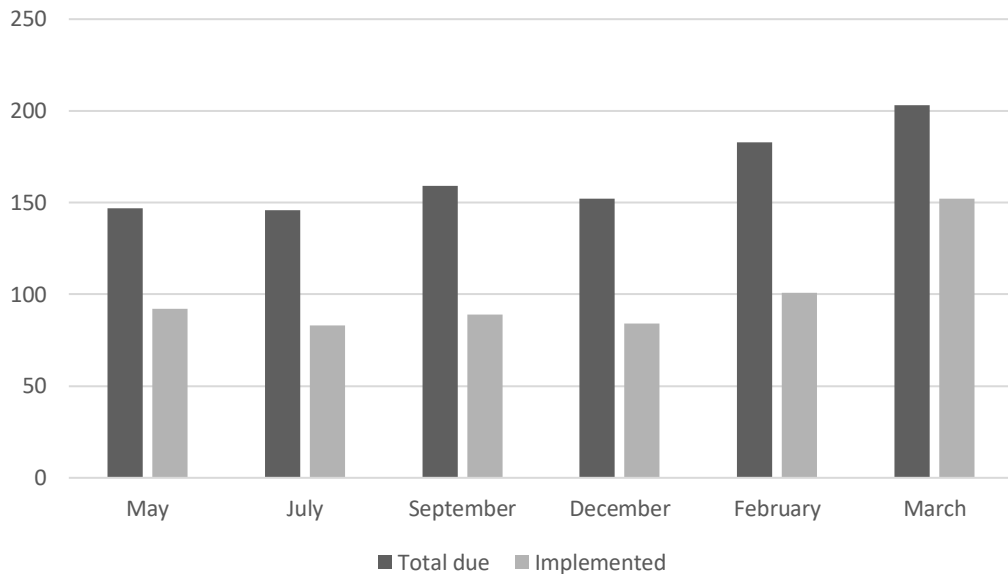
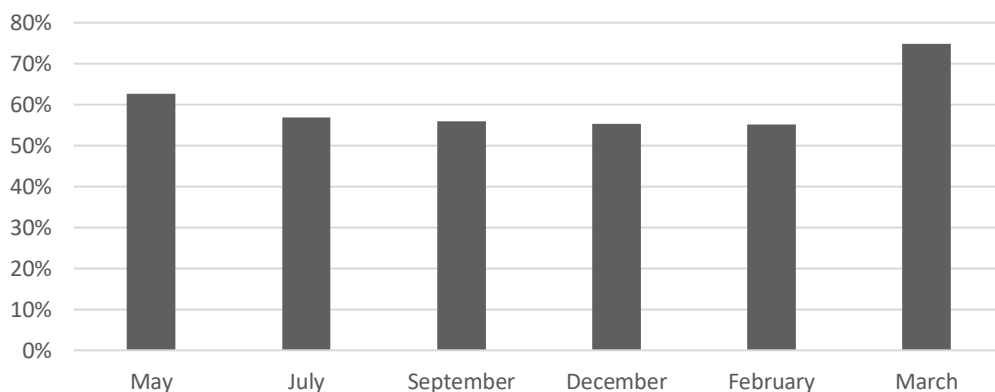


Chart 4: Percentage of recommendations implemented (per rolling 12-month reporting period) 2023/4:



4.1.12 Two essential recommendations have been implemented in 2023/24. One of these related to improving the system for removing IT access for employees and contractors. The other related to re-obtaining Public Sector Network certification, an accreditation that confirms the Council's IT infrastructure and network protection is sufficient to meet central government requirements to provide protections against malicious external activity and help ensure data is safeguarded. This is a requirement to enable the Council to interact on-line with other public bodies and is therefore an essential accreditation to facilitate effective partnership working. It is therefore a significant improvement to the Council's IT environment that this recommendation is now implemented.

4.1.13 In 2023/24, Internal Audit altered the approach to requesting progress updates from recommendation owners. The process now involves sharing spreadsheets of all recommendations in each directorate, which all action owners have access too, and requiring action owners to provide monthly updates in the directorate spreadsheet. This has enabled Internal Audit to identify cases where recommendations may have been implemented before the due date, and also to identify cases where updates are not regularly provided and contact action owners directly to discuss issues. This new process also allows for Executive Directors to have regular oversight of progress to implement recommendations in their directorates.

4.1.14 There has been good progress in implementing recommendations in general but there have also been some areas where issues have restricted progress:

- Three outstanding Accounts Payable recommendations that required changes in ERP Gold have been delayed due to the ERP Gold change freeze that was in place throughout most of 2023/24. Work is underway to implement these actions now that the change freeze has been lifted.
- There are four recommendation from the Transparency Code audit and one from the Freedom of Information & Subject Access Request audit that remain open as they are dependent on the new Information Management Board holding its first meeting. This is expected to take place in Q1 2024/5.
- There are also four recommendations from the IT Incident & Problem Management audit where the service has reported implementation has been delayed due to the disaggregation of joint IT services with Peterborough City Council. The disaggregation is required to be completed by October 2024 and the service has confirmed that the recommendations will be implemented by the end of that month.

4.1.15 Details of outstanding recommendations, with explanations and updates, are regularly reported to the Audit & Accounts Committee as part of the Internal Audit Progress Reports, and full details on action implementation to 31st March 2024 can be found at Annex B to this report.

4.2 *Financial and Other Key Systems*

4.2.1 This is the 2023/24 suite of annual core systems reviews, undertaken to provide assurance to management and other stakeholders, including external audit, that expected controls are in place for key financial systems and that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 With the agreement of the Chief Finance Officer, during 2023/24 the key financial systems audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes, North Northamptonshire

Council and West Northamptonshire Council financial systems, with the exception of the Treasury Management audit. As Cambridgeshire's Treasury Management is delivered in-house, this does not form part of the suite of joint reviews.

- 4.2.3 It was agreed that the Cambridgeshire Internal Audit team would deliver audits of the Payroll and Pensions Administration systems; North Northamptonshire the Accounts Payable audit; and West Northamptonshire were due to deliver the Income Processing and Debt Recovery system audit to the other partners. However, subsequently a staff departure in the Internal Audit Service at West Northamptonshire resulted in that service reporting that they were unable to complete the Debt Recovery Shared Service review for 2023/24. The Cambridgeshire IA Team agreed to complete this review, given that the team possess experience of delivering this audit, but were unable to commence work until April 2024 due to resource constraints. Work on this review is now underway.
- 4.2.4 The Payroll audit report has been issued as draft, with a 'moderate' assurance opinion for the control environment and a 'moderate' assurance opinion for compliance. This reflects the same level of assurance as the previous 2022/3 audit. The key findings that have contributed to these opinions include a lack of full documented procedures covering the prioritisation and timelines for processing tasks; quality assurance checklists which do not fully detail the exact checks that should be undertaken or when they should be completed; and significant volume and values of aged items in payroll control accounts.
- 4.2.5 At the time of writing, the Pensions audit report has not yet been issued as draft. The prime reason for this is that the commencement of the audit was delayed significantly due to problems gaining access to the application and data hosted on the West Northamptonshire internal network, with delays in the Audit team being able to gain access to both the pensions computer application and separately to the West Northamptonshire network. Additionally, findings made late in the fieldwork have identified some issues that require further investigation/explanation before a final assurance opinion can be provided. The fieldwork is nearly complete and the expectation is that the audit opinion will be either good or moderate, but this will not be confirmed until the full work programme is completed and signed off.
- 4.2.6 At the time of writing, Cambridgeshire has yet to receive audit reports on Accounts Payable and Income Processing from Lead Authority partners.
- 4.2.7 Table 2 below details the assurance levels of all key systems audits undertaken in 2023/24, compared to the assurance levels in 2022/23. Where reports are still at draft stage at the time of writing, the draft audit opinion is indicated.

Table 2: Key Financial Systems Audits 2023/24

Key Financial Systems:	Audit Opinion 2022-2023		Audit Opinion 2023-2024	
	Environment	Compliance	Environment	Compliance
Accounts Payable	Good	Good	TBC	TBC
Income Processing	Good	Moderate	TBC	TBC
Debt Recovery	Moderate	Good	TBC	TBC
Bank Reconciliation	Good	Good	N/A	N/A
ERP IT General Controls	Good	Good	N/A	N/A
Payroll Transactions (draft)	Moderate	Moderate	Moderate	Moderate
Pensions	Substantial	Substantial	TBC	TBC
Treasury Management	N/A	N/A	Good	Good

4.3 *Value for Money & Financial Governance*

4.3.1 This assurance block provides assurance over the control systems in place to manage the Council's financial resources effectively and in compliance with relevant laws, regulations, and internal policies. Each audit undertaken also includes consideration of value for money at its core, assessing the controls in place to ensure that the Council uses public money efficiently and effectively to achieve its objectives.

4.3.2 As well as a range of contract reviews, discussed below at 4.5, Internal Audit conducted work in the following areas to provide assurance over value for money and financial governance:

- Asset Valuations for Statement of Accounts
- Client Funds & Deputyships
- Grants to Voluntary Organisations Policy & Compliance
- Section 106 Funding

4.3.3 At the time of writing, the 2023/4 report on Rental Income is also due from the Council's co-source Internal Audit contractor, TIAA Ltd.

4.4 *Safeguarding and Health & Safety*

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

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

4.4.2 Risk-based reviews completed in 2023/24 which either focused on safeguarding/health and safety risk, or provided some assurance over these risks as part of a wider review, were as follows:

- Client Funds & Deputyships
- Safe Employment
- Multi-Agency Safeguarding Hub (MASH) (draft)

4.5 *Procurement, Contracts and Commissioning*

4.5.1 For the Council to achieve value for money from its contracts and commissioning, it is important that officers comply with legislation, policy and best practice when procuring and managing contracts. The Internal Audit team therefore conduct reviews to provide assurance over the governance of procurement and the general extent of compliance with the key procurement controls in the Council's Contract Procedure Rules. In 2023/4 this has included reviews of:

- Procurement Governance
- Procurement Compliance
- Waivers and Direct Awards Compliance (draft)
- Management of Consultants (draft)
- Agency Staff, Interims & Opus People Services

4.5.2 Additionally, in 2023/24, Internal Audit has conducted reviews of the following major Council contracts and contract frameworks, to provide assurance over this key risk area:

- Pathfinder Legal Services
- Street Lighting PFI Variations
- Supplier Resilience Management in Learning Disability Contracting

4.5.3 At the time of writing, the Internal Audit team is also awaiting the issue of a draft report on Commissioning Governance from TIAA Ltd, the Council's co-source Internal Audit contractor.

4.5.4 During the course of 2023/24, a wide range of audit actions have been implemented across the Council to strengthen controls around procurement, contracting and commissioning. This has included the introduction of a 'breach process' to ensure any breaches of the Council's Contract Procedure Rules are reported and investigated in full, and review and update of the Council's Contract Procedure Rules (CPRs) including clarification of exemptions to the

CPRs. The Procurement & Commercial service has also carried out a range of activity to increase awareness of CPRs amongst officers, including the roll-out of new training and guidance, and visiting Directorate Management Teams to stress the importance of compliance with CPRs.

4.5.5 Further audit actions to improve procurement, commissioning and contract management are due to be implemented in 2024/5 and updates on implementation will be reported to the Audit & Accounts Committee as usual.

4.6 *ICT and Information Governance*

4.6.1 Increasingly, the Council's operations are run through digital platforms which store and process large quantities of confidential data. As the Council is also subject to extensive legislation regarding its responsibilities in handling, storing and sharing data, this is a key risk area for the organisation. In 2023/24, Internal Audit has provided reviews of the following areas across ICT and Information Governance:

- Freedom of Information (FOI) and Subject Access Requests (SAR)
- ICT Incident & Problem Management
- ICT Security
- Electronic Records Management

4.6.2 A number of actions to improve controls have been agreed as a result of these audits, and the Internal Audit team continue to monitor the implementation of outstanding actions.

4.6.3 In 2023/4, an outstanding 'essential' action from a previous ICT Security audit was completed when the Council re-obtained its Public Services Network (PSN) ICT security accreditation. Looking forward to 2024/5, the re-establishment of an Information Management Board, following the decoupling from Peterborough City Council, will be a key action for Cambridgeshire, as this is a dependency for a number of agreed actions from audits in the information governance and ICT risk area.

4.7 *Grants and Other Head of Audit Assurances*

4.7.1 In 2023/24, Internal Audit testing confirmed that the following grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions:

- Supporting Families
- Disabled Facilities Grant
- Basic Needs Funding
- A14 Highways Grant

4.7.2 Internal Audit also provides assurance over expenditure made by Cambridgeshire County Council on behalf of the Cambridgeshire and Peterborough Combined Authority (CPCA). These reviews provide assurance to the CPCA that central government grants passed to the Council from the CPCA have been spent in accordance with the relevant terms and conditions. The CPCA can then place reliance on Internal Audit's work to support their returns to central government. In 2023/24, Internal Audit completed the following grant reviews for the CPCA:

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

4.8 *Schools Audits*

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

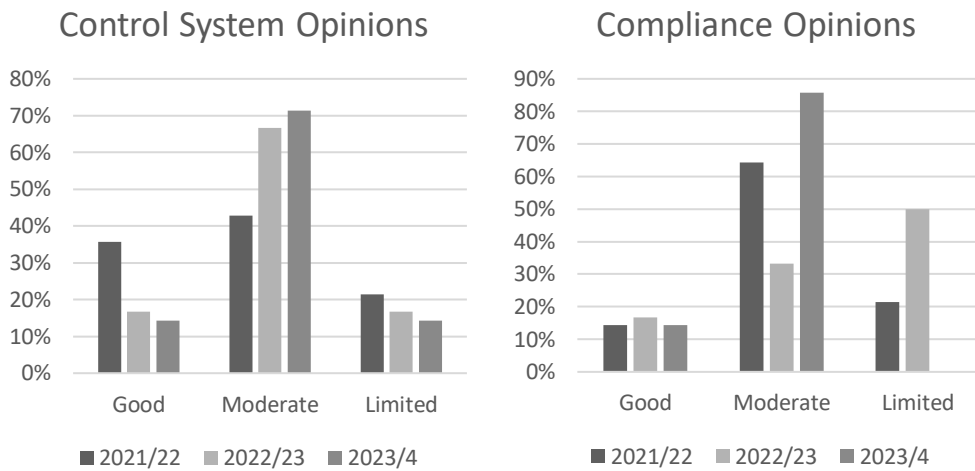
4.8.2 Internal Audit undertook 7 schools visits between September 2023 and December 2023 and issued reports to the schools. Headteachers were required to provide management responses and agree recommended actions, and return the report to Internal Audit. A final copy was then issued to the Headteacher and Chair of Governors.

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

4.8.4 The consolidated report gave a 'moderate' level of assurance over schools' financial governance, equivalent to the audit opinion provided in 2022/23. There were several actions from the 2021/11 School Audits which remained outstanding at the start of 2023/24, which have now all been closed as implemented. These were largely implemented through the new Scheme for Financing Maintained Schools and Scheme of Financial Management for Schools documents.

4.8.5 Individual assurance opinions from each of these reviews are detailed in Annex A to this report. A comparison of the assurance opinions awarded in 2023/24 with those given in the last two financial years is provided below, for reference. This shows a slight shift towards 'moderate' assurance opinions for schools financial governance, with a reduction in the number of 'limited' opinions in 2023/4 compared to 2022/23. Equally, it should be noted that the sample size of 7 schools in 2023/4 was smaller than the samples in prior years (12 and 14):

Chart 5: Outcomes of Schools Finance Governance Audits:



4.8.6 Actions recently implemented to update Schools Financial Regulations should help address outstanding risks in this area.

4.8.7 In addition, to supplement the school audit visits this year, Internal Audit also undertook a desktop exercise to review the situations surrounding schools in deficit, who are required to submit a Deficit Recovery Plan to the Council. Deficit Recovery Plans relating to the 2023/24 financial year were reviewed. A separate audit report was issued in February 2024 based on this review, which made three recommendations to increase clarity and reduce ambiguity regarding the expectations for schools in deficit, and to ensure that schools are supported in meeting those expectations. Implementation of these actions should result in better management and recovery of deficit situations by schools, and increase accountability of school staff in working to reduce deficits.

4.9 *Project Management & Change*

4.9.1 Project and programme management and the delivery of corporate change is a key part of the organisation's governance. As such, in 2023/4 the Internal Audit team has conducted a range of reviews to provide assurance over the controls in place to ensure that the Council's project and programme management and corporate change activity are managed effectively and in line with good practice, to ensure that planned outcomes are delivered and risks are mitigated.

4.9.2 This work has included reviews of individual projects and programmes, including the Dedicated Schools Grant Safety Valve programme and an energy project, as well as work to assess the overarching controls in place for both revenue and capital projects:

- Climate Change & Environment Strategy
- Dedicated Schools Grant Safety Valve Project

- Implementation of Capital Project Management Agreed Actions
- Project Management Framework & Project Assurance
- Schools Capital Programme
- Adults Business Planning Reviews (draft)

4.9.3 At the time of writing, a draft report on an Energy Contract Project review is also pending issue.

4.9.5 Project and programme management audits undertaken in the year have made a range of recommendations to strengthen the control environment in the existing and proposed project management frameworks for both revenue and capital projects. This includes increasing the focus on options appraisal and benefits realisation, strengthening gateway review processes and developing reporting and oversight processes as well as enhancing the way proposed projects are assessed for risk and impact. The audits have also included agreeing actions in respect of the link between project management and financial, budgeting and contract management processes as well as the business planning process.

4.9.6 Looking forward to 2024/5, the audit team's focus going forward will be on verifying compliance with the Council's project management frameworks in practice, through more detailed sample testing focusing on a range of both capital and revenue projects. This will provide assurance regarding how effectively these new controls are operating in practice.

4.10 *Other Work*

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

4.10.2 In 2023/24, Internal Audit was consulted for advice and guidance on a range of projects and issues across the Council. This included:

- Providing feedback on various internal proposals and guidance for officers, including:
 - Draft Partnerships Governance Guidance for officers;
 - Proposed Horizon Scanning process to feed into CLT;
 - ERP Gold Off Network Access Full Business Case;
 - Guidance on Management of Service User Finances;
 - Proposals relating to the implementation of the Provider Selection Regime;

- Responding to queries from a maintained school about money laundering checks when purchasing a new financial system;
- Contributing to the Commercial Skills Self-Survey;
- Contributing to the Partner Working Group for the Cambridgeshire & Peterborough Combined Authority, with a particular focus on risk management.

4.10.3 In addition to the consultancy work outlined above, the Internal Audit team is also involved in responding to internal and statutory returns and requests for information. In 2023/24, this has included responding to a range of Freedom of Information requests and media inquiries; providing a significant volume of information to the Council's current and former External Auditors; developing the team's Business Continuity Plan and Business Continuity Risk Assessment; and completing requests for information from the Department for Education.

4.11 *Summary of Completed Reviews*

4.11.1 A summary of all audit reports issued in 2023/24 is attached at Annex A.

5. ANTI-FRAUD & WHISTLEBLOWING

5.1 Overview of Whistleblowing Cases

5.1.1 The Internal Audit service maintains a log of all whistleblowing referrals received by the team, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.

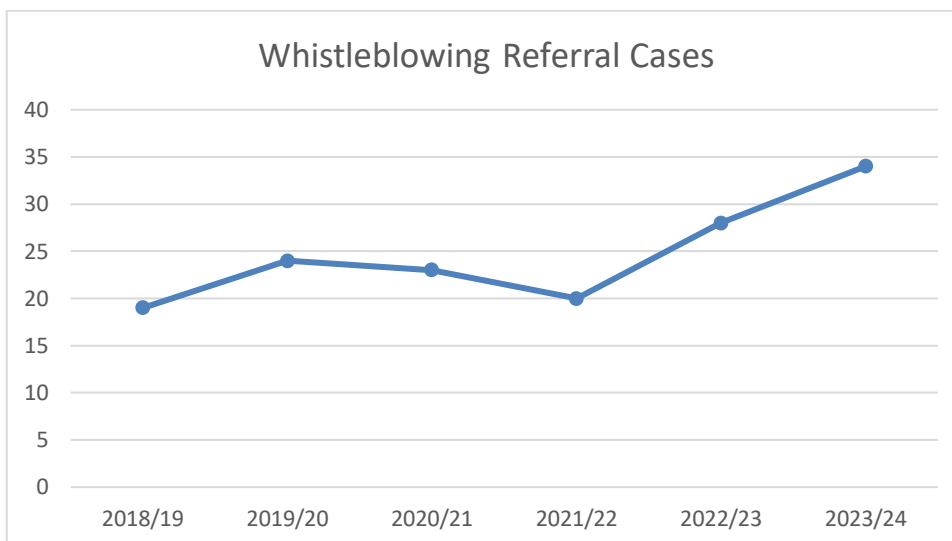
5.1.2 In 2023/24, a total of 34 whistleblowing referrals were received and processed by the Internal Audit Team at CCC. Table 3, below, shows the breakdown of these cases by the type of concern raised.

Table 3: Whistleblowing Referrals Received by Internal Audit in 2023/24:

Whistleblowing Cases reported to Internal Audit in 2023/24		Open	Closed	Total
Fraud	Third Party Fraud	0	3	8
	Bank Mandate Fraud (attempted)	2	0	0
	Blackmail	1	0	1
	Officer Fraud	1	4	5
	Direct Payments Fraud	3	0	0
	Total Alleged/Attempted Fraud	7	7	14
Governance	Conflict of Interest	0	3	3
	Internal Governance Allegation	2	3	5
	School Governance Allegation	0	1	1
	Total Governance Allegations	2	7	9
Safeguarding	Safeguarding Concerns	1	4	5
	Health & Safety	0	1	1
	Total Safeguarding Allegations	1	5	6
HR	Grievance / Respect at Work concerns (inc. schools)	0	2	2
Theft	Theft	0	3	3
Total		10	24	34

5.1.3 This represents an increase in the number of whistleblowing referrals received compared to recent years, continuing the trend seen of an increased number of referrals in 2022/3. In particular, an increase in the number of referrals relating to safeguarding concerns was seen, with 5 such referrals received in 2023/4, compared to a single referral each in 2022/3 and 2021/2.

Chart 6: Whistleblowing Referrals by Year:



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

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

5.1.4 An overview of the outcomes of referrals received in 2023/24 is set out at Table 4, below, for the 24 cases which have been closed to date:

Table 4: Outcomes of Whistleblowing Referrals Received in 2023/24:

Outcome of Case	2023/4 Cases	2022/3 Cases
No action required (<i>Initial review of the referral finds no investigation is required e.g. the issue has already been dealt with or is not serious enough to warrant a full investigation</i>)	3 (12%)	5 (21%)
Referred to relevant process (<i>Where initial review identifies that this should be dealt with through another corporate process rather than whistleblowing e.g. as a formal complaint or grievance, or safeguarding referral, and this is referred into the relevant process.</i>)	5 (21%)	7 (29%)
No powers to investigate. (<i>Where concerns raised are not within the Council's powers to investigate, for example if they relate to an academy school or District Council services. Where possible the referral is passed on to the relevant organisation.</i>)	3 (12%)	1 (4%)

Informal Audit advice & recommendations. (<i>Where a full investigation is not required but informal advice or guidance is issued to the relevant service on improving the control environment.</i>)	1 (4%)	3 (12%)
Investigation indicates no serious concerns. (<i>An investigation has been initiated but subsequently finds the allegation is not substantiated or only minor issues are found</i>)	4 (17%)	2 (8%)
Full audit investigation and recommendations.	6 (25%)	2 (8%)
Police Referral / Taken to court	1 (4%)	3 (12%)
Other External Referral	1 (4%)	0 (0%)
Recovery action (<i>Recovery action is taken to recoup losses including setting up a payment plan, recouping overspends etc.</i>)	0 (0%)	1 (4%)
Resolved within service. (<i>The issue is resolved within the relevant service without requiring a full investigation or onward referrals</i>).	0 (0%)	0 (0%)
Totals	24	24

5.2 *Fraud & Governance Investigations*

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

5.3 *Proactive Anti-Fraud Work*

5.3.1 During 2023/24 the Internal Audit team undertook a range of pro-active counter-fraud activities.

Policy Reviews and Updates:

5.3.2 Following release of the new Anti-Fraud and Corruption Policy and new Anti-Money Laundering Policy in 2022/3, Internal Audit has been developing new E-learning modules to communicate the key messages of the policies in a way which is accessible and easy to digest. A new Anti-Money Laundering E-learning was released on the Our Development portal in March, and highlighted to staff through a communications campaign including Camweb, Friday Focus emails and email cascade via Service Directors. The other E-learning module, which covers fraud, bribery and whistleblowing is still in development, and will be

highlighted using the same communications methods when it has been released.

Direct Payments:

- 5.3.4 A previous audit recommendation was for the Council to introduce a Direct Payments Fraud and Misuse Policy, which aims to strengthen the culture around identifying and reporting fraud, as well as outlining processes to be followed if Direct Payments fraud or misuse is identified.
- 5.3.5 The Head of Finance Operations for Adults, Health and Commissioning has confirmed that the policy has been completed in draft and is due for approval, after which it will be formally brought into force and deployed via the Practice, Governance and Standards Board, newsletters and factsheets. Whilst the policy is yet to be formally implemented, Internal Audit has observed that managers have considered the draft Direct Payments Fraud and Misuse Policy when responding to recent instances of suspected Direct Payments fraud or misuse.

Council Tax NFI Project:

- 5.3.6 Throughout 2023/24, Internal Audit have been providing support and advice to a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud. This aims to identify fraud by data-matching using the 'Fraud Hub', specialist cloud-based software supplied by the Cabinet Office as an optional addition to the National Fraud Initiative exercise (NFI - see Section 5.4 below for more details). As Internal Audit are the service which co-ordinates the NFI for the Council, a representative from Audit joined the project to provide specialist input on the data-matching function and the collation of datasets for the project.
- 5.3.7 At the end of September 2023, a "first phase" of the project was completed, which was undertaken based on data provided for the last NFI exercise. Sample testing of the outcomes of responses to fraud identified highlighted that the first phase was successful, resulting in £66.5k of arrears having been returned to the Council by the end of September, which was based on roughly six months of work (due to staff appointments required, the first phase running up to the end of September was shorter than six month for some Districts). NFI calculation methodologies suggest that the actual savings generated by this exercise will be higher than the £66.5k already returned, as the identification of erroneous single person discounts prevents future losses which would have occurred from the fraud continuing until the next biennial NFI exercise.
- 5.3.7 Since the results of the sample testing were presented to S151 Officers of all participating Councils in January 2024, it was agreed to continue the first phase of the project for another 12 months, to allow a longer period for analysing the actual success of the first phase. The first phase of the project is being funded by CCC, with CCC retaining the benefits generated. If it is agreed to proceed

beyond the first phase of the project in 2025, District Councils involved will begin to benefit from a percentage of the savings generated, in return for contributing towards the costs of running the project.

5.4 *National Fraud Initiative (NFI) 2023/24:*

5.4.1 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.

5.4.2 The current exercise commenced in September 2022, when the Council supplied datasets for national data matching purposes, including payroll, creditors, concessionary travel, and procurement data. Identified 'matches' were then released by the NFI in January 2023; these matches are being investigated by the Council, with oversight from the Internal Audit team. The total number of matches for CCC is 4,229 across 35 reports which have a high or medium risk rating. Given the extremely high volume of matches, a risk assessment process is undertaken to prioritise the most high-risk matches for review. Outcomes are reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

6. RISK MANAGEMENT IN 2023-24

6.1 Overview of Risk Management

6.1.1 Under the Council's constitution, the Strategy, Resources & Performance Committee is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.

6.1.2 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. The Council's Risk Management Policy makes provision for escalation and de-escalation of risk through the tiers. On behalf of the corporate leadership team (CLT), the Executive Director of Strategy & Partnerships champions and takes overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council, including co-ordinating identified improvement activity.

6.2 Risk Management in 2023/24

6.2.1 The Corporate Risk Register has been updated throughout the year, reviewed by the Corporate Leadership Team (CLT) Risk & Assurance group and presented to the Strategy, Resources & Performance Committee and Audit & Accounts Committee at regular intervals. No new risks were added to the Corporate Risk Register during the FY 23/24.

6.2.2 To enhance risk awareness and understanding among Members, a dedicated risk management training session was organised on September 14th 2023. This session covered the fundamental of risk management, the council's risk management policies and processes, and the role of Members in Overseeing risk management. A recording of the training is also available to all Members on an ongoing basis, via the Learning & Development portal.

6.2.3 The Internal Audit and Risk Management team continued to provide support and guidance to officers across the Council on risk management activities, throughout 2023/4. This included facilitating reviews of directorate risk registers, such as those for the Adults Health & Commissioning Directorate and the Strategy & Partnership Directorate.

6.2.4 The Corporate Leadership (CLT) Risk & Assurance group met regularly throughout the financial year, with meetings in July, October, January and March. These meetings serve as a platform for CLT to review and scrutinise the

corporate risk register, discuss risks escalated from directorate risk registers and deliberate on emerging corporate risks.

- 6.2.5 In October 2023, the CLT Risk & Assurance group undertook a comprehensive review of the risk scoring matrices used by the council. While considering alternative weighted approaches that placed greater emphasis on either the impact or likelihood scores, the group decided to retain the current 5x5 linear model. Those decision was based on the belief that changing the risk scoring methodology could potentially disrupt the ongoing effort to embedded and communicate the council's risk management approach consistently across the organisation.
- 6.2.6 To foster a more collaborative and inclusive approach to risk management, the Corporate Risk Group was reestablished in November 2023. This group comprises risk champions from various directorate and serves as platform for sharing diverse perspectives, challenging risk assessments, and ensuring consistency in the Council's response to risks. The Corporate Risk Group meets roughly quarterly, with meetings held in November 2023 and February 2024.
- 6.2.7 To streamline the reporting process for directorate risk registers (DRRs), the council developed a standardised template for presenting risks to the relevant committees. This template approved by the CLT Risk and Assurance group, aims to promote consistency in the information provided to Committees when DRRs are reported.
- 6.2.8 The Council's Risk Management Strategy (2023-26) and action plan has been developed following a Risk Maturity Assessment undertaken by the Cambridgeshire County Council Internal Audit & Risk Management service in April 2023, in line with Institute for Internal Auditors (IIA) guidance. Implementation of the action plan is detailed below in Section 6.3.
- 6.2.9 The annual report on Risk Management will be presented to Audit & Accounts Committee and Strategy, Resources & Performance Committee in July 2024. This report will provide a more detailed overview of all risk management activities undertaken throughout the year and the implementation of the Risk Strategy.

6.3 *Risk Strategy Implementation*

- 6.3.1 Throughout the year, the Internal Audit & Risk Management team and colleagues throughout the Council made significant progress in implementing the actions outlined in the corporate Risk Strategy.

- To enhance the consideration of risk in decision making processes, the Service Director of Legal and Governance conducted a comprehensive review of the Committee report template and associated guidance. The revised template, launched in November 2023, places a greater emphasis on providing sufficient information on risk management in all reports presented to committees.
- As mentioned above, the Corporate Risk Group was reestablished.
- In collaboration with the Head of Change Portfolio, the Internal audit & Risk Management team have supported the development of new project management procedures that include guidance on routine risk management for corporate projects. These procedures will ensure that all significant new revenue and capital projects are consistently assessed for risk as part of the project management process.
- To further enhance risk management awareness and capabilities, the Internal Audit and Risk Management team has initiated the development of a risk management e-learning module. This module, scheduled for launch in the first quarter of 2024/25, will be made available to all staff and will include guidance on escalating risks between different management levels and risk registers.

6.3.2 Recognising the need for dedicated resource to drive continuous improvement in risk management process, plans were put forward during the business planning process to introduce a designated Risk Manager position in the Internal Audit & Risk Management team for the 2024/25 financial year.

7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

7.1 *Delivery of the 2023/24 Internal Audit Plan*

7.1.1 The Cambridgeshire County Council Internal Audit Plan for 2023/24 was developed in early 2023, with the required resources confirmed as 1,750 days. The draft Audit Plan was reviewed by Corporate Leadership Team (CLT), and by the Audit & Accounts Committee (AAC) on the 9th February 2023.

7.1.2 Subsequently, during the year it was recognised that the Internal Audit team faced serious resourcing pressures in a challenging recruitment market. As a result, the team undertook work to identify a reduced Audit Plan which represented the minimum level of resource required to provide sufficient assurance for the annual Chief Internal Auditor opinion.

7.1.3 The reduction in days primarily came from reducing elements of the core plan which were not considered to be critical to the assurance opinion, such as time allowances for risk management, advice and guidance, fraud investigations and grants. Effort was made to retain balanced coverage of different Council activities and risk areas in the revised plan. The re-phased Audit Plan of 1,425 days was presented to CLT and then to Audit & Accounts Committee on the 28th July 2023.

7.1.4 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, the Internal Audit Plan is regularly re-assessed and updated in line with changing risks throughout the year. After the major restatement of the Plan in July, further minor changes to the 2023/4 Internal Audit Plan were reviewed and challenged by CLT and the Audit and Accounts Committee through regular progress reporting.

7.1.5 The Internal Audit team maintains and tracks Key Performance Indicators (KPIs) to monitor delivery of the Internal Audit Plan. Delivery of the Plan is measured using three key metrics:

- **Audit Plan Days Delivered:** The total number of productive days of Internal Audit staff time which has been spent on active delivery of work within the Audit Plan during the financial year.
- **Audit Plan Individual Reviews Delivered:** This measures the number of individual pieces of audit work in the Audit Plan which have been delivered to draft report stage or further by the end of the financial year (31st March). This metric also includes 'ongoing' pieces of work which are delivered throughout the year (for example, work on the Supporting Families Grant, which requires a series of grant sign-offs throughout the year, is counted as a single 'ongoing' piece of work).

- **Audit Team Productivity:** This measures the percentage of the team’s available time which is spent on active delivery of work within the Audit Plan, excluding non-productive time such as training or supervisions.

7.1.6 Considering all these metrics collectively gives the most balanced overall view of the delivery of the Audit Plan. The performance against these metrics in 2023/4 is presented below in Table 4, with comparison to the same metrics in 2022/3:

TABLE 5: Cambridgeshire County Council Audit Plan Delivery 2023/24:

Delivery KPIs	2023/4			2022/23		
	Actual	Target	%	Actual	Target	% Delivery
Delivery of the <u>core</u> Internal Audit Plan (days)	747	715	104%	738	930	79%
Delivery of the <u>flexible</u> Internal Audit Plan (days)	689	710	97%	540	820	66%
Audit Plan delivered (days)	1436	1425	101%	1278	1750	73%
% Delivery of the <u>core</u> Internal Audit Plan (individual reviews) to draft report stage or further by 31 st March.	49	51	96%	62	73	85%
% Delivery of the <u>flexible</u> Internal Audit Plan (individual reviews) to draft report stage or further by 31 st March.	20	29	69%	11	20	55%
Audit Plan delivered (% individual reviews)	69	80	86%	73	93	78%
Audit Team Productivity (%)	90.5%	85%		88.3%	85%	

7.1.7 As the Internal Audit team operates a ‘rolling’ approach to audit planning, there were a number of audit reviews which were underway at the end of 2023/24 but not delivered to draft report stage by 31st March 2023. The majority of the reports not at draft stage as of 31st March were close to finalising fieldwork and therefore have had draft reports issued at the start of the 2024/5 financial year; however the following reports have been rolled-over and will instead be delivered in the 2024/25 financial year as part of the flexible plan:⁴

- **Quality Assurance in Children’s Social Care** – This audit was placed on hold during the Ofsted inspection of children’s services in

⁴ N.B. that as these audits were originally planned to be completed in 2023/4, they have been included as incomplete in the figures at Table 4.

February/March 2023, and therefore it was not possible to complete the review in 2023/4 as planned.

- **Estate Health & Safety Inspections** – Due to delays in completion of the Rental Income audit by the Council’s co-source internal audit partner, it was decided to defer completion of this audit into 2024/5 to reduce the pressure on the Council’s Property team.
- **Establishment Control** – Completion of this audit was slowed by delays in the Payroll audit, as the Establishment Control work seeks to place reliance on aspects of the system controls reviewed as part of the Payroll audit.
- **Mosaic System** – This audit was due to be completed by the Council’s co-source external contractor in 2023/4, however the work was not started in-year.
- **Street Lighting PFI** – This audit was originally scoped as a single review of the PFI contract but was subsequently split into two audits, one focused on variations to the PFI contract (final report delivered in 2023/4) and one focused on the performance indicators within the contract (to be delivered in early 2024/5).

7.1.8 At the time of writing, the Audit team are also awaiting issue of the draft reports on Rental Income and Commissioning Governance from TIAA Ltd, the Council’s co-source Internal Audit contractor.

7.1.9 In addition to the audit days delivered to Cambridgeshire County Council, the Internal Audit team also delivers key financial systems reviews to North Northamptonshire, West Northamptonshire and Milton Keynes Councils, and delivers internal audit work to Pathfinder Legal Services. This external provision accounted for c.115 days of Internal Audit time in 2023/24; this time has not been included in the table above, which only shows delivery of the Cambridgeshire Audit Plan by the team.

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

7.2 *Compliance with Public Sector Internal Audit Standards*

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

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

Accounts Committee on the 7th March 2022. A further review is planned in 2024/5.

- 7.2.3 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) is required every five years. An external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was last completed in 2022/23. The full report on this review was presented to Audit & Accounts Committee in November 2022, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.
- 7.2.4 In line with PSIAS, a self-assessment of compliance with PSIAS is also undertaken annually, and in 2023/4 this was completed by the incoming Deputy Head of Internal Audit. The self-assessment did not identify any instances of non-conformance with the Standards; equally, while the existing charter and overall framework were found to be largely compliant and well structured, the self-assessment highlighted some specific minor areas where improvements could be implemented. These areas encompass refining the Internal Audit Charter, strengthening the quality and improvement program, and ensuring consistent adherence to best practices across key audit procedures.
- 7.2.5 The improvement actions identified will be incorporated into the CCC Internal Audit Service's Quality Assurance & Improvement Plan for 2024/5 and addressed alongside a refresh of the Internal Audit Charter. Further updates on implementation will be included in Progress Reporting to CLT and Audit & Accounts Committee throughout the year.
- 7.2.6 It should be noted that the Global Institute of Internal Auditors has released new Global Internal Audit Standards on January 9th 2024, with the Standards becoming effective 12 months from the release date, in 2025. As such, in 2024/5 the Internal Audit team will continue to maintain compliance with the current PSIAS, while awaiting further information from the UK Public Sector Internal Audit Standards Advisory Board (IASAB) on the future of the UK public sector audit standards. The team will also review the new Global Standards and assess how best to implement compliance with the new framework.

7.3 *Quality Assurance & Improvement Plan*

- 7.3.0 In accordance with the UK PSIAS Attribute Standard 1300, a Quality Assurance and Improvement Programme (QAIP) has been developed by Internal Audit. This includes both external assessments (discussed above at Section 7.2) and internal assessments to provide ongoing monitoring of Internal Audit activity and to provide assurance over the service's continued compliance with Public Sector Internal Audit Standards.

Continuing Professional Development:

- 7.3.1 Continuing professional development has been a major focus of the Internal Audit quality assurance programme in 2023/24, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality. A system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to evaluate audit activity and identify areas for development on an ongoing basis, as part of regular supervision of all staff.
- 7.3.2 The CCC Internal Audit service also uses weekly team meetings to deliver regular focused training and development to all Internal Audit staff. This includes development sessions delivered by managers within the team, as well as welcoming colleagues from other Council services to speak at Internal Audit meetings, both to enhance professional development and to encourage networking across the Council. In 2023/4, sessions delivered through regular team meetings have included areas such as:
- Presentations on the roles of the Schools Intervention Service and the Emergency Planning team;
 - A series of sessions on specific key elements of the internal audit process, including: Terms of References, Work Programmes, Analytical Reviews, Audit Evidence, Visualising Audit Findings, and Root Cause Analysis.
 - Members of the team presenting key findings and reflections from specific individual audit reviews, including audits of the Transparency Code, Climate Change & Environment Strategy.
 - Sessions focused on general professional development and sector issues including: IT skills in Microsoft Excel and Word; Auditing Culture; Artificial Intelligence in Internal Audit; the National Numeracy Challenge; Councils warning of S114 notices; and the role of Internal Audit in Enterprise Risk Management.

Staffing and Capacity:

- 7.3.3 In 2023/24, the Internal Audit & Risk Management team has experienced significant staffing challenges, in the context of an extremely competitive job market for internal audit across the UK. Feedback from other local authorities in the region suggests that maintaining sufficient qualified staffing is a common issue for public sector Internal Audit teams.
- 7.3.4 These vacancies created significant challenges in the delivery of the Audit Plan this year, which was managed through the re-phasing of the plan outlined at Section 7.1, above. As well as seeking to recruit to vacant posts, the team also commissioned external resource and a co-source partner to deliver additional audit work in-year to supplement the resources within the service; however it should be noted that this is far less cost-effective than maintaining an in-house team.

- 7.3.5 As such, it is considered that the team has had resources that are just sufficient to enable it to provide adequate coverage authority’s control environment to provide the annual opinion; however, resourcing remains a significant risk for the team in 2024/25. By the end of the 2023/4 financial year, the vacant Deputy Head of Internal Audit and Senior Auditor posts within the team had been filled, leaving one vacant Principal Auditor post and the new Corporate Risk Manager post which will need to be filled in 2024/5. The current co-sourcing Internal Audit contract is available for use in the new financial year if required to manage delays in recruitment.
- 7.3.6 A key part of the Internal Audit team’s succession planning continues to be the operation of an Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA). In September 2023, a new Associate Auditor started work in the team under this scheme; and following a successful recruitment campaign undertaken with Finance, a further new Associate Auditor is expected to start work in September 2024.

Customer Feedback Outcomes:

- 7.3.7 The Internal Audit team issue Customer Feedback Surveys to obtain feedback on the work of the team from senior management and recipients of Internal Audit reports. Surveys are issued via a short eForm, to ensure the process is straightforward and accessible for officers, and are shared when final audit reports are issued. The audit team also issued a survey requesting general feedback from CLT in March 2024.
- 7.3.8 In total, in 2023/24 nine completed surveys were returned to the team, the same number as in 2022/3. This is considered a low response rate, despite work having been undertaken by the Audit team in March/April 2024 to follow up on audits where responses had not been received, as well as to request more general team feedback from senior managers. As part of the Quality Assurance & Improvement Plan in 2024/5, the team will review whether there are any other actions that can be taken to increase the volume of feedback received.
- 7.3.9 Where surveys were completed, results were generally very positive; detail on the findings from these surveys is provided below, compared to average scores in 2022/3:

Table 6: Customer Feedback Survey Responses:

Questions:	2023/4	2022/3
	Average score:	Average score:

How far do you agree that the auditors involved were professional, knowledgeable and approachable?		4.2 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	4.2 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that auditors engaged with officers to understand key service concerns and risks during the audit?		4.1 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	3.9 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that the draft audit report gave findings in sufficient detail and there was a chance to discuss findings and recommended actions appropriately?		4 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	4.6 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that final actions agreed as a result of the audit were relevant and reflected appropriate improvements in risk management and control?		4 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	4.1 out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
Has your perception of Internal Audit changed following your experience?	Yes - positively	4 (44%)	2 (22%)
	Yes - negatively	1 (11%)	0 (0%)
	No change	4 (44%)	7 (78%)

7.3.10 There was one response where feedback was generally less positive. It is noted that this related to a specific audit report which was completed in 2022/23 financial year, rather than the 2023/4 year. The officer giving feedback on this report noted that they felt one of the recommendations in the report was a “disproportionate recommendation and did not take account of deliverability”. The officer also noted that “my general perception of audit is that it is overzealous in this authority”. In response to this feedback and the PSIAS self-assessment noted at Section 7.2, above, the team will seek to update the Audit Charter with more detailed documented information on the process by which agreed recommendations can be varied/reported as unimplemented. The team will also undertake a training session on issuing final reports, with a reminder of the process for agreeing actions with officers prior to report issue.

7.3.11 Some other comments received from officers in the surveys included:

- “Whilst the auditors engaged proactively, the processes themselves were far more involved than they normally are. It was clear that there was a degree of inexperience [...] However, I am pleased that all auditors engaged effectively and areas were amended as details were clarified”.

- “Really appreciated the supportive approach that took account of the context in which this work has been developed”.
- “Internal audit have always provided helpful assurance. The team have always conducted themselves in a supportive and transparent manner which has helped to engage the service”.
- “I have found the support & advise has been readily available during and following the audit process and that has supported the service greatly”.

CCC INTERNAL AUDIT – SUMMARY OF COMPLETED REVIEWS 2023/24

The table below summarises the Internal Audit reviews that were completed during the 2023/24 financial year. Where reports have been issued as draft but not yet finalised, this is noted and the draft opinion is given.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
<i>Key Financial Systems Reviews</i>				
Accounts Payable	Cross Cutting	TBC – Lead Authority audit		
Debt Recovery	Cross Cutting	TBC – Draft report pending		
Income Processing	Cross Cutting	TBC – Lead Authority audit		
Pensions	Cross Cutting	TBC – Draft report pending		
Payroll	Cross Cutting	Moderate	Moderate	Minor
Treasury Management	Cross Cutting	Good	Good	Minor
<i>Grant Reviews & Certifications</i>				
A14 Grant	Place & Sustainability	Grant Certification Provided		
Basic Needs Funding Grant	Children, Education & Families	Grant Certification Provided		
Disabled Facilities Grant	Adults, Health & Commissioning	Grant Certification Provided		
Local Transport Capital Block Funding (Highways Maintenance)	In conjunction with CPCA	Grant Certification Provided		
Pothole & Challenge Fund	In conjunction with CPCA	Grant Certification Provided		
Supporting Families Grant	Children, Education & Families	Grant Certification Provided		
<i>Schools Audits</i>				
Schools Financial Assurance Consolidated Report	Children, Education & Families	Moderate	Moderate	Minor
Fen Drayton Primary School Audit	Children, Education & Families	Moderate	Moderate	N/A
Orchard Park Primary School Audit	Children, Education & Families	Good	Good	N/A
Bewick Bridge Primary School Audit	Children, Education & Families	Moderate	Moderate	N/A
Huntingdon Primary School Audit	Children, Education & Families	Moderate	Moderate	N/A

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Castle School Audit (draft)	Children, Education & Families	Moderate	Moderate	N/A
Huntingdon Nursery School Audit	Children, Education & Families	Moderate	Limited	N/A
Meridian Primary School Audit	Children, Education & Families	Moderate	Moderate	N/A
Schools Deficit Recovery Plans Audit Review	Children, Education & Families	Limited	Limited	Minor
<i>Other Audit Reviews</i>				
Client Funds & Deputyships	Adults, Health & Commissioning	Moderate	Moderate	Minor
Schools Capital Programme	Children, Education & Families	Moderate	Limited	Moderate
Street Lighting PFI Variations	Place & Sustainability	Moderate	Moderate	Minor
Pathfinder Legal Services	Strategy & Partnerships	Moderate	Moderate	Moderate
Climate Change & Environment Strategy	Place & Sustainability	Good	Limited	Moderate
Freedom Of Information and Subject Access Requests	Strategy & Partnerships	Good	Good	Minor
ICT Incident & Problem Management	Finance & Resources	Limited	Good	Minor
Capital Project Management	Place & Sustainability	Limited	Moderate	Moderate
ICT Security	Finance & Resources	Moderate	Moderate	Moderate
Electronic Records Management	Finance & Resources	Limited	Limited	Minor
Dedicated Schools Grant Safety Valve Programme	Children, Education & Families	Limited	Limited	Major
Safe Employment	Cross-Cutting (CCC-wide)	Moderate	Good	Minor
Asset Valuations for Statement of Accounts	Finance & Resources	N/A	Limited	Minor
Grants to Voluntary Organisations Policy & Compliance	Finance & Resources	Good	Good	Minor
Section 106 Funding	Place & Sustainability	Moderate	Limited	Moderate
Business Continuity Planning	Strategy & Partnerships	Moderate	Good	Minor

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Multi Agency Safeguarding Hub (MASH) (draft)	Children, Education & Families	Moderate	Moderate	Moderate
Adults Directorate Business Planning Review & Challenge (draft)	Adults, Health & Commissioning	Limited	Limited	Moderate
Project Management Framework and Project Assurance	Strategy & Partnerships	Limited	Moderate	Moderate
Procurement Governance	Finance & Resources	Moderate	Good	Moderate
Procurement Compliance	Cross-Cutting (CCC-wide)	Moderate	N/A	Minor
Waivers & Direct Awards Compliance (draft)	Cross-Cutting (CCC-wide)	Moderate	Moderate	Minor
Management of Consultants	Cross-Cutting (CCC-wide)	Limited	Moderate	Moderate
OPUS People Services & Interims	Cross-Cutting (CCC-wide)	Limited	Moderate	Moderate
Energy Contract	Place & Sustainability	TBC – Draft report pending		
Commissioning Governance	Adults, Health & Commissioning	TBC – Draft report pending from TIAA Ltd		
LD Supplier Resilience Reviews	Adults, Health & Commissioning	Limited	Limited	Moderate
Rental Income	Finance & Resources	TBC – Draft report pending from TIAA Ltd		
Annual Key Policies & Procedures Review	Cross-Cutting (CCC-wide)	N/A	Good	Minor
Corporate Key Performance Indicator Framework	Strategy & Partnerships	Good	Moderate	Minor
<i>Whistleblowing, Investigations & Case Review Reports</i> <i>(n.b. this section captures larger-scale reviews and investigations where a formal investigation report was issued)</i>				
Case 111 - Conflict of Interest	Finance & Resources	HR investigation report issued.		
Case 118 - Interims	Children, Education & Families	Report issued.		
Case 125 - Guided Busway Legal Procurement	Place & Sustainability	Report issued.		
Case 126 - Transport Contracts Backlog	Children, Education & Families	Report issued.		
Case 127 – Supported Living	Adults, Health & Commissioning	Report issued.		
Case 128 - NFI Match	Finance & Resources	HR investigation report issued.		
<i>Governance, Policy & Other Internal Audit Work</i>				
Annual Governance Statement (AGS) /Code of Corporate Governance	Cross Cutting	Co-ordinated production of the AGS and review of the Code of Corporate Governance.		

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Anti-Money Laundering Training	Cross Cutting	Development of Anti-Money Laundering eLearning module for all staff.		
Council Tax NFI Project	Cross Cutting	Support and advice to project team.		
Whistleblowing Policy Review & Benchmarking Exercise	Cross Cutting	Completion of Protect whistleblowing self-assessment and benchmarking review.		
National Fraud Initiative	Cross Cutting	Co-ordinated 2022 data collection exercise.		
Public Sector Internal Audit Standards (PSIAS) Review	Strategy & Partnerships	Supporting the external peer review of the Internal Audit team's PSIAS compliance.		
<i>Risk Management</i>				
Risk Management Support	Cross Cutting	Support and facilitation to organisation-wide risk management activity		
Risk Management Strategy	Cross Cutting	Development of corporate Risk Strategy 2023 – 6.		
Risk Maturity Assessment	Cross Cutting	Moderate	Good	Minor

ANNEX B *Summary of Outstanding Recommendations*

(Recommendation status as at 31.03.2024).

Audit	Risk level	Summary of Recommendation	Target Date	Status
<i>Essential Recommendations overdue</i>				
There are no 'essential' recommendations overdue.				
<i>High Recommendations overdue - over 12 months</i>				
Fire Risk Assessments	H	Property Compliance Team, Estates and Facilities Management should ensure that a review is undertaken to identify a definitive list of all properties for which the Council is required to undertake FRA's. If any such properties identified have not had an FRA in the last three years, the Property Compliance Team Manager should ensure that a FRA is undertaken as a matter of priority.	31/03/2023	<p>The Service Director: Property confirmed that they will have the amended final list by Thursday 23 May, and will circulate accordingly, which will enable the action to be completed.</p> <p>Revised target date: 30th May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 31 March 2024 • September 2023 - 31 March 2024
Integrated Drugs and Alcohol Treatment System Contract	H	Public Health should alter financial monitoring so that, for budget variances as uncovered in the review of SMS reporting within quarterly contract monitoring meetings, are reconciled to prime evidence, as allowed by clauses 34.1 and 34.2 of the contract. This represents a shift to more open book financial reporting. To assist with this Public Health should utilise the detailed pricing schedule which includes a detailed list of allowable costs against each pricing element. This	31/03/2023	<p>The Head of Diligence and Best Value alongside the PH Commissioning Team Manager has met with CGL colleagues to discuss the principles and scope of implementing OBA on the CGL drug/alcohol treatment contract.</p> <p>This will begin immediately with the Q4 23/24 CGL financial reporting. The Head of Diligence and Best Value will guide and advise commissioners through the process.</p>

		<p>pricing schedule can be the basis for challenge in contract monitoring meetings allowing for efficient detection of budget variances. It will also allow the council to distinguish costs that should be absorbed by CGL.</p> <p>If the Service considers this unfeasible, they should consult with the Head of Diligence and Best Value for advice and guidance on how to implement a more open book financial reporting approach.</p>		<p>Detailed financial 'backing data' (prime evidence) will be requested on any areas of the budget that requires further exploration e.g. in respect of variances. CGL are in agreement to provide this information.</p> <p>In addition, the Head of Diligence and Best Value developed with colleagues an appropriate Open Book Accounting training programme for members of the Public Health Directorate. They are now in the process of arranging dates and times.</p> <p>The Interim Director of Public Health has confirmed an informal progress update on these actions will be shared with the Audit & Accounts Committee.</p> <p>Revised target date: 31st July 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • December 2023 – 30 April 2024 • September 2023 – TBC
<i>Medium Recommendations overdue - over 12 months</i>				
Accounts Receivable Income 21/22	M	<p>A policy should be developed to govern how credit only customer accounts should be treated and managed. The policy should include at what point in time a credit only account should be considered as aged. For example, an aged account could be defined as one that has not had any invoices raised for 6 months. The policy should include a check to ensure that a credit only account is not due to failure on behalf of the Council to raise an invoice prior to any further action being taken.</p>	31/12/2022	<p>The Service has confirmed that Policy is in place for CCC, and credit accounts are now refunded to an agreed code. The reporting element of this action has not been implemented but the service is working through the data and will implement reporting once this is completed.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC

		<p>Once this policy has been developed, exception reporting should be developed to identify aged credit only accounts so that action can be determined and taken in line with the policy.</p> <p>Data on credit only accounts should be incorporated into the current reporting regime and in conjunction with unapplied items reporting (recommended above) and should include:</p> <ul style="list-style-type: none"> • The number of credit only accounts • The value of transactions on credit only accounts • The volume of transactions on credit only accounts • Narrative on any issues and action taken in relation to clearing transactions from credit only accounts. 		<ul style="list-style-type: none"> • December 2023 - 31 January 2024
DSG - High Needs Block Demand Management	M	<p>A detailed written training package should be developed and implemented by the local authority and distributed to schools and special educational needs coordinators (SENCO), with information on how to conduct an annual review meeting and how to amend an Education, Health and Care Plan (EHCP) after an annual review has taken place. The service should also seek to identify schools which repeatedly supply annual review forms that do not meet the standard requirements expected by CCC and retrain them, in addition to challenging paperwork sent by schools if it is not completed correctly.</p>	01/09/2022	<p>A new training package has been developed on the EHCP 20 week process and AR process, which will soon be delivered to schools. There is also inhouse training on annual reviews delivered by a member of the SAT team.</p> <p>Revised target date: 31 July 2024.</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - 31 July 2024. • September 2023 – 31 January 2025.
General Ledger 20/21	M	<p>Action is taken in conjunction with the Payroll and HR Transactions Manager to address the weaknesses in the quality and accuracy of payroll control accounts.</p>	30/09/2021	<p>The Strategic Finance Manager confirmed that system changes have been implemented that have resolved the root cause issue in relation to two control accounts. Latest analysis shows a significant reduction in aged items. Work is still ongoing with the payroll team; dependent on capacity in both teams to progress.</p>

				Revised target date: TBC. While progress has been made, Finance Colleagues have confirmed it will take some time to clear the remaining historic transactions.
Insurance Fund	M	The Claims Handling Manual should be updated following implementation of an Insurance Strategy, this should ensure that the service goals and objectives are supported by operational processes which target management resource accordingly. This could also include: current reporting review processes, betterment circumstances.	31/12/2022	<p>A New Head of Insurance started in post at the end of April and as such is expecting to be able to provide a more detailed update on progress for the next committee. The draft Insurance Strategy has been completed and has been reviewed and commented upon by the S151 Officer previously. The strategy will need to be reviewed by the incoming Head of Insurance and then go to Lead Authority Board for approval, as the document will support all councils the Insurance Service supports.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 – 31 March 2024 • December 2023 - 31 January 2024 • September 2023 - 1 December 2023
Insurance Fund	M	An Insurance Strategy is developed to provide a clear framework for the service goals and objectives including a structured approach to the Councils insurance arrangements. For example, this could include the following information: The strategic aims of the service, a breakdown of the risks the council self-insures and policies the council holds with external insurance providers, the process for projecting future risk profile, management and recharging arrangements, claims management processes and processes for reviewing the insurance strategy.	31/01/2023	<p>A New Head of Insurance started in post at the end of April and as such is expecting to be able to provide a more detailed update on progress for the next committee. The draft Insurance Strategy has been completed and has been reviewed and commented upon by the S151 Officer previously. The strategy will need to be reviewed by the incoming Head of Insurance and then go to Lead Authority Board for approval, as the document will support all councils the Insurance Service supports.</p> <p>Revised target date: TBC</p>

				<p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 – 31 March 2024 • December 2023 - 31 January 2024 • September 2023 - 1 December 2023
Key Policies and Procedures	M	The Partnership Governance Advice and Guidance to be allocated an owner, reviewed depending on the last review date and published on Camweb.	30/11/2022	<p>The Partnership Governance Advice & Guidance document has been reviewed by CLT and an approach to self-assessment has been agreed. A further discussion was requested by CLT with the Monitoring Officer and Democratic Services. Once these meetings have taken place, and any amendments made, the document will be published on Camweb.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - 31 March 2024 • December 2023 - 31 January 2024
Fire Risk Assessments	M	Once a definitive list has been identified of all council properties requiring FRAs, a column should be added to the corporate portfolio spreadsheet to indicate where an FRA needs to be completed for a property, so the Compliance Team can regularly reconcile against their own FRA compliance spreadsheet to ensure they are carrying out required FRAs. An area of good practice would be to add another column for the rationale if a FRA is not required, as this would prevent the need to duplicate work if staff move on. The live corporate portfolio list should then be made available to all Teams to ensure that they are	31/03/2023	<p>The Service Director: Property confirmed that they will have the amended final list by Thursday 23 May, and will circulate accordingly, which will enable the action to be completed.</p> <p>Revised target date: 30th May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 31 March 2024 • September 2023 - 31 March 2024

		aware of when new properties are added or when properties are deleted.		
<i>High Recommendations overdue - over 3 months</i>				
Healthy Child Programme	H	Once a detailed Pricing Schedule has been developed for the contract, the Public Health team should implement quarterly open-book monitoring against the pricing schedule. This should include a detailed breakdown of actual costs incurred by the providers, with this information being reviewed and challenged by the Authority. The service should also ensure the year-end reconciliation of reported costs to actuals takes place in line with the Section 75 Agreement document.	30/06/2023	<p>The Director of Public Health has confirmed that the Service is working with the Head of Diligence Best Value has developed with colleagues an appropriate Open Book Accounting training programme for members of the Public Health Directorate. They are now in the process of arranging dates and times.</p> <p>The Interim Director of Public Health has confirmed an informal progress update on these actions will be shared with the Audit & Accounts Committee.</p> <p>Revised target date: 31st July 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • December 2023 – 30 April 2024 • September 2023 – TBC
Direct Payments Consolidated Report	H	<p>Internal Audit has consulted with staff in social care, Finance and Debt Recovery and drafted a proposed Direct Payments Fraud and Misuse Policy, attached as Appendix A. The Executive Director of People Services and the Service Director of Finance & Procurement should review this policy, make any amendments, and adopt the policy on behalf of the Council.</p> <p>Once the policy is adopted, it should be communicated to staff in social care and finance, alongside an</p>	30/04/2023	<p>As at 20th May, the Draft Fraud and Misuse Policy has received feedback for amendments from other service areas such as Safeguarding. Aim is to formally deploy the policy alongside the revised Direct Payment Agreement once related staff return from annual leave.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • April 2024 - 31 May 2024 • March 2024 - 31 March 2024

		awareness-raising exercise through the Council's internal corporate communication channels.		<ul style="list-style-type: none"> December 2023 - 1 February 2024 September 2023 - 31 October 2023
Government Procurement cards (GPC)	H	Clear guidance to schools on GPC use should be developed. This should include clear guidelines regarding prohibited categories of expenditure and requirements to review and approve spend. This could be the same as the CCC standard GPC guidance document, or a separate document if it is believed this is required to suit school's needs. Once agreed, a copy should be circulated to all maintained schools and should be shared when schools apply for new GPC or to change a cardholder/approver	01/08/2023	<p>The service has confirmed the GPC Team are working on developing guidance for schools regarding the use of school GPC cards. This will be produced in line with the overarching Council user guide.</p> <p>Revised target date: 31 August 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> March 2024 - 30 June 2024 January 2024 - 31 March 2024 December 2023 – 31 December 2023 September 2023 - 30 September 2023
Transparency Code	H	<p>An Information Management Strategy (or equivalent) should be produced to establish how information should be produced and published.</p> <p>It should include:</p> <ul style="list-style-type: none"> A clear process for key officers to check that all required datasets are published correctly and on time ensuring compliance that the information is published quarterly and annually. A timetable for key officers to get in touch with service contacts who own the datasets, to remind them that publication is due in advance of deadlines. Guidance for ensuring if any delayed or absent publication is identified that it is discussed to find out the reasons for this with the officers involved and to establish whether there are ongoing issues with timeliness of publication and to identify the root cause. Processes to ensure that personal information is redacted appropriately. 	30/06/2023	<p>Internal Audit has seen a copy of the draft Freedom Of Information Publication Scheme & Local Government Transparency Code Policy.</p> <p>The policies have been reviewed but need to go to the new Information Management Board (IMB) for final review and approval, when the Board has been set up.</p> <p>In order for the Board to be established, first CLT needed to approve a paper proposing the Board. This was approved at their meeting on 13 November. Awaiting the TOR for the IM board and subsequent first meeting.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> March 2024 – 30 April 2024 January 2024 - 31 March 2024 December 2023 - 28 February 2024 September 2023 - 16 January 2024

<p>Transparency Code</p>	<p>H</p>	<p>Key Officers need to be identified in the Council who are responsible for ensuring that the Transparency Code data is published in line with requirements. This should include identifying, in a written document (such as the Information Management Strategy referenced at Recommendation 1):</p> <ul style="list-style-type: none"> • The central team (i.e. the Information Governance team) with responsibility for requesting data due for publication; collating the data; ensuring that data accuracy checks have been completed; and publishing the data on the Council's external website. • For each individual dataset, identifying which team within the Council is responsible for owning and producing the data and supplying the data to the central team. This should include identifying a named key contact within each team for producing the data. • For each dataset, identifying the checks that should be conducted to verify that the information published is accurate and is compliant with the format requirements of the Transparency Code, by the key officers. This can then be followed consistently when officers change to ensure that the process is consistent. 	<p>30/06/2023</p>	<p>Internal Audit has seen a copy of the draft Freedom Of Information Publication Scheme & Local Government Transparency Code Policy.</p> <p>The policies have been reviewed but need to go to the new Information Management Board (IMB) for final review and approval, when the Board has been set up.</p> <p>In order for the Board to be established, first CLT needed to approve a paper proposing the Board. This was approved at their meeting on 13 November. Awaiting the TOR for the IM board and subsequent first meeting.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - 31 March 2024 • December 2023 - 28 February 2024 • September 2023 - 16 January 2024
<p>Fostering Payments (In-House)</p>	<p>H</p>	<p>Reconciliations should be expanded to include a tracker for all CCC Young People with a Peterborough City Council (PCC) carer. CCC should be made aware of the amount of weekly expenditure for these payments and reconcile quarterly as the recharge process commences, and before it is finalised. This would reduce the risk that CCC are paying above the actual agreed weekly expenditure for these placements. There is concern, given that we have little detail on CCC young people in PCC care (including the level of the carers they are with) that CCC could be being</p>	<p>01/10/2023</p>	<p>The service will complete this in partnership with Finance. Recent recharges are understood to have been completed.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - 31 March 2024 • January 2024 - TBC • December 2023 – 31 January 2024

		overcharged by this authority. To help reduce the budget gap going forward, the service could explore the volume of CCC YP in PCC care and compare this to the number of PCC YP in CCC care to consider whether it may be worthwhile		
Fostering Payments (External)	H	The service should aim to accelerate timescales for onboarding thus creating a wider scope of providers on the Dynamic Purchasing System to reduce the need for spot placements. Procurement and Commissioning should review the frequency of the onboarding process and investigate whether the 6-monthly evaluation rounds could be completed on a more frequent basis to increase Dynamic Purchasing System provider base. Periods at which onboarding occurs should be formalised and frequent.	30/09/2023	<p>p-DPS (Dynamic Purchasing System) is open for applications - evaluations will be conducted in July with onboarding of successful providers from September 24.</p> <p>Sufficiency Board TOR's updated at May meeting - will continue to meet monthly.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - 30th April 2024 • December 2023 – 31 January 2024
<i>High Recommendations overdue - under 3 months</i>				
Case 125 - Guided Busway Procurement	H	The service should consult with the Head of Procurement & Commercial and the Monitoring Officer regarding the areas of non-compliance with Contract Procedure Rules and Public Contracts Regulations outlined within this report (including the expert witness spend, etc) and agree the approach that should	31/03/2024	Under the new Procurement Breach Process which takes effect from April 2024, it is expected that the breaches will be reported to Assets & Procurement Committee. The exact timeline for this is yet to be confirmed but is currently expected to go to the October 2024 meeting of Assets & Procurement.

		<p>be taken to regularise the expenditure. In particular, this should include:</p> <ul style="list-style-type: none"> • Agreeing to report the non-compliance with Contract Procedure Rules to Committee retrospectively under the new breach process (see Recommendation 6); • Undertaking an exercise to identify, as far as possible, from service records the full amount spent with each contractor prior to the 1st April 2018 cut-off which has applied to the figures in this report. • Where costs are ongoing (such as with the land matters), this exercise should include identifying how best to bring any further spend into line with Contract Procedure Rules. 		<p>The service has confirmed that they have sought advice from Procurement on regularising the spend going forward and have already completed some steps to regularise the spend including obtaining a delegated decision from Highways & Transport Committee regarding one category of expenditure.</p> <p>Revised target date: 31st October 2024</p> <p>Not previously overdue.</p>
<i>Medium Recommendations overdue - over 3 months</i>				
Government Procurement cards (GPC)	M	<p>It is recommended that the CCC FAQ document is used as the primary guidance for acceptable use. As an internal document, it can be tailored to be consistent with the policies of CCC. The RBS User Guidance provides a more general guidance, and details of the responsibilities of Cardholders, Approvers and the GPC team. The User Guide, CCC FAQ Document and Travel and Expenses Policy should be consolidated and updated to ensure that guidance on staff subsistence is clear and consistent to all staff, including those in Client Funds and Social teams where exceptions may be permitted.</p>	01/06/2023	<p>This has been delayed as guidance was going to be updated in line with the proposed new change request to utilise workflows in ERP for approvals and submitting of forms. CRs have been scoped and meetings have been held with Business Systems colleagues. Feasibility testing has been completed and the design of the build requirements is in progress. Documentation will be updated in line with these new processes.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - 30 June 2024 • January 2024 - 31 March 2024 • December 2023 – 31 December 2023 • September 2023 - 30 September 2023

Government Procurement cards (GPC)	M	Conditions and exemptions for spend (usually purchases on behalf of service users) within prohibited categories should be clearly specified in the CCC FAQ document	01/07/2023	<p>This will be completed at the same time that GPC recommendation 2 (above) is complete as they both relate to new GPC guidance.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - 30 June 2024 • January 2024 - 31 March 2024 • December 2023 – 31 December 2023 • September 2023 - 30 September 2023
Chartwell Assurance	M	<p>To maximise transparency, it is recommended that a checking mechanism is included within Project Management Office (PMO) gating or within project commissioning working procedures, that requires commissioning officers/project managers to consider whether related party and/or conflict of interest declarations apply to their project and, if they do, document a plan for managing this.</p> <p>Declarations and linked management plans can be reported to and governed by the relevant project boards/groups. This may include the Capital Programme Board and Corporate Leadership Team for larger scale projects.</p>	01/06/2023	<p>The new Project Management Framework includes a clear process for declarations of interest. It was presented to the Change Board on 22nd April, where it was sent back for tweaks to be made. Once these tweaks have been made it will be re-presented to the Change Board for formal approval, who are next meeting on 31st May. The final version will then be launched.</p> <p>Revised target date: 31st May 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • January 2024 – 28 February 2024 • December 2023 - 31 January 2024 • September 2023 - 31 October 2023
Income Processing 22/23	M	The Business Systems Team should ensure that the discrepancy in the CCC ZAR10 control account reconciliation is resolved. Once completed the details of the issue and resolution should be reported to the CCC Head of Finance.	31/07/2023	<p>Finance has realised that the initial plan won't clear the balance, indicating a need for further investigation. The Business Systems team cannot proceed any further action until Finance confirms the action plan.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles:</p>

				<ul style="list-style-type: none"> • March 2024 - TBC • January 2024 – TBC • September 2023 - 31 December 2023
FOI and SARS	M	The Information Governance Team should review all policies and procedures on both Camweb and the Council's external website.	31/07/2023	<p>Policies have been reviewed and will be taken to the first Information Management Board meeting.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - 30 April 2024 • January 2024 - 31 March 2024 • December 2023 - 28 February 2024 • September 2023 - 16 January 2024
Fostering Payments (In-House)	M	The service should undertake a review of its success to date in using IFA 'top up' fees to recruit and retain in-house foster carers and consider whether a higher level of payment should be rolled out across the board to attract and retain more in-house carers. If payment of higher fees significantly improves the availability of in-house placements, the additional cost of the 'top up' fees may be offset by the reduction in the need for external placements. This should be fully explored by the service.	01/08/2023	<p>The service has undertaken an exercise reviewing carer retention over the last 12 months and considered key factors related to recruitment success. An additional 7% uplift was agreed for fostering payments which is being implemented. The service remains behind the curve with fostering payments made to young children, however utilisation remains high in this area. The service has agreed to spend this financial year reviewing the fostering payment structure.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - 31 March 2024 • September 2023 - 31 March 2024

Transparency Code	M	<p>A process should be introduced for reporting on compliance with the Transparency Code to the Information Management Board and/or senior management to include any issues with production of or access to data.</p>	30/06/2023	<p>The policies have been reviewed but need to go to the new Information Management Board (IMB) for final review and approval.</p> <p>In order for the Board to be established, first CLT needed to approve a paper proposing the Board. This was approved at their meeting on 13 November. Awaiting the TOR for the IM board and subsequent first meeting.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - 31 March 2024 • December 2023 - 28 February 2024 • September 2023 - 16 January 2024
Transparency Code	M	<p>The process that the Information Governance Team undertakes for correcting published data which is subsequently identified as inaccurate is not documented.</p> <p>The process that the Information Governance Team undertakes for correcting wrongly published data should be documented so it is consistent.</p>	30/06/2023	<p>The policies have been reviewed but need to go to the new Information Management Board for final review and approval.</p> <p>In order for the Board to be established, first CLT needed to approve a paper proposing the Board. This was approved at their meeting on 13 November. Awaiting the TOR for the IM board and subsequent first meeting.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - 31 March 2024 • December 2023 - 28 February 2024 • September 2023 - 16 January 2024

Accounts Payable 22-23	M	<p>The current process for manual spreadsheet uploads should be reviewed to ensure that only budget holders can approve manual uploads, that they can only approve upload payments against their own budget, and that they cannot approve individual payments in excess of their agreed limit in line with each Council's scheme of financial management.</p> <p>If the process is to remain it should be agreed with S151 Officers at each Council.</p>	30/09/2023	<p>Following detailed technical discussions with Business Systems Colleagues it is not currently possible for spreadsheets to be approved by the system where there are multiple cost centres and budget holders. Discussions are required with Audit and 151 Officers as to the use of spreadsheet in the future and a suitable approval process. Recommendation to be reviewed with Audit.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC • December 2023 - 31 December 2023.
Direct Payments Consolidated Report	M	<p>The Council's Direct Payment Agreement should be amended to require Council approval for all arrangements where close family are paid as Personal Assistants via a Direct Payment, regardless of whether they live in the same household, and to specify that the Council may ask for the return of any money paid to family members without prior approval. Payments to family members should only be made where this has been written into the service user's Care & Support Plan and signed off accordingly.</p>	30/09/2023	<p>The action owner confirmed that amendments will be made to DP agreements and they will be deployed at the same time as the Fraud/Misuse policy.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC • December 2023 - 1 February 2024
Direct Payments Consolidated Report	M	<p>Social care procedures should be updated to specify that when individuals with a Direct Payment are reassessed and a new Care & Support Plan drawn up, they should also be issued with the current version of the Direct Payment Agreement/Authorised Person Agreement alongside the Care & Support Plan and requested to return a signed copy.</p>	30/09/2023	<p>The action owner confirmed that amendments will be made to DP agreements and they will be deployed at the same time as the Fraud/Misuse policy.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC • December 2023 - 1 February 2024

Direct Payments Consolidated Report	M	Direct Payments Monitoring Officers procedures should be updated to include a check of whether there is a signed and up to date (within the last 3 years) Direct Payment Agreement (DPA)/Authorised Person Agreement on file when conducting their annual account	30/09/2023	<p>The action owner confirmed that amendments will be made to o operational processes and they will be deployed at the same time as the Fraud/Misuse policy.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC • December 2023 - 1 February 2024
Debt Recovery 22/23	M	The Head of Finance Operations should decide if procedures should be amended to reflect the current practice and detail the approval time-out procedure, or whether to amend the system workflow in ERP for write-offs to ensure that budget holder approval must be given before write-offs are progressed. In conjunction with Recommendation 5, the procedure could vary for different values of write-offs.	30/09/2023	<p>The new process has been agreed and the change request in respect of the ERP write-off process has been submitted and is with Business Systems to implement in Q1.</p> <p>Process improvements will enhance the information provided to budget holders and the final approver in line with each Council's scheme of delegation.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - 30 June 2024 • January 2024 - 30 June 2024 • December 2023 - TBC
Fostering Payments (In-House)	M	To avoid the need for complicated payment suspensions and delays in record updating, fostering finance management should be given access to edit payments within ContrOCC on notification of an error or change. There appears no need for this to be completed by IT, especially as they do not request any	01/09/2023	<p>The Service Manager and fostering Team Manager now have access to ContrOCC in order to address payments. When officers have gained confidence in using these functions, the risk will be fully mitigated and implementation complete. The service continues to recruit</p>

		evidence of the change to verify any change request. Likewise, for SOC 408 changes, provided the change has been approved and this is verified by the finance team on receipt of the 408 notification the responsibility to update payment records could be shared by the finance, ART and Duty teams.		a lead finance officer. A ContrOCC lead is being brought in to provide assistance. Revised target date: TBC Revised target dates from previous reporting cycles: <ul style="list-style-type: none"> • March 2024 – 31 March 2024 • January 2024 - 31 March 2024 • December 2023 - TBC
Fostering Payments (In-House)	M	The service should expand internal and external guidance for the outstanding elements that have not been addressed by the external Foster Handbook and Independent Fostering Agency (IFA) transfer guidance. These outstanding elements include allowances for children entering higher education and confirming allowances for pocket money/savings and respite placements, as these currently are quoted within the Handbook guidance as ‘under review’.	01/09/2023	The service will address this need and is in the process of reviewing the handbook. Estimated completion date June 2024. Revised target date: 30 June 2024 Revised target dates from previous reporting cycles: <ul style="list-style-type: none"> • March 2024 – 31 March 2024 • December 2023 - TBC
ICT Change Management	M	ITDS staff should investigate how the Hornbill system can be configured such that extracted lists of changes (e.g. in the Request List screen) include columns to specify the change type and whether changes have been approved, rejected, or neither. These functionalities should then be introduced.	30/09/2023	The service confirmed that this has been requested but is yet to be actioned as it requires Hornbill themselves to implement. No change since last update. Revised target date: TBC Revised target dates from previous reporting cycles <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • December 2023 - 28 February 2024
IT Security 23-24	M	We recommend that the Council defines its requirements with regard to privileged accounts. This should include:	30/09/2023	This has not yet been fully developed and is a work in progress. Other priorities have taken precedence.

		<ul style="list-style-type: none"> • Processes and procedures for request and approval. • A role-based matrix highlighting the users/roles for which privileged access would be appropriate. • Review of privileged accounts in line with a least privilege model to evaluate and reduce the volume of privileged accounts. • Requirements for a minimum number of shared service accounts and increased password changes. • Formalised approval pathways which ensure an appropriate level of approval is sought from an individual other than the requester. • Regular review of privileged access accounts, with disablement of unused/inactive accounts. • Requirements for review and management of tools such as KeePass and LAPS to ensure secure configuration and usage. <p>In conjunction with these requirements, the Council should conduct a review of active privileged accounts. Enterprise and Domain Admin accounts should be reviewed for appropriateness and reduced to a lower number of individuals, applying the principle of least privilege. Consideration should also be given to those accounts which are inactive. IT management, in conjunction with the Information Security Manager should take action to disable or delete these, as appropriate.</p>		<p>However, an external review was undertaken as part of the Public Sector Network application and award.</p> <p>The Security Operations Manager confirmed reviews are being undertaken but that the approach has not yet been formalised or agreements reached on approach to 'dormant' super user accounts.</p> <p>Revised target date: 30th June 2024.</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 - TBC • January 2024 - TBC • December 2023 - TBC
Fostering Payments (In-House)	M	<p>ART should endeavour to ensure that a 408 form is signed for every young person placed.</p> <p>The Fostering service should endeavour to obtain a signed copy of the placement plan (72 hrs) prior to the start of any placement. In cases of emergency, where this is unfeasible, they should endeavour to collect this at the earliest opportunity. The Fostering service should undertake a review of all current in-house foster carers to confirm that a signed, up-to-date foster care agreement is on file for them. In</p>	01/10/2023	<p>Fostering service is auditing the FCA which will be complete by end of May.</p> <p>Revised target date: 31 May 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024 – 31st March 2024 • January 2024 – 31 March 2024

		<p>cases of existing placements which do not have a signed fostering agreement, corporate parenting should liaise with the foster parents to obtain these. All signed agreements should be documented in a shared folder to ensure any problems can be quickly settled with foster carers.</p> <p>The Fostering service should endeavour to complete 408 notifications to include all information (including weekly placement fees), to confirm changes to placements have been authorised and to increase the likelihood of accurate commitment records and trackers.</p> <p>Ongoing assurances for the above should be provided via regular spot-checking on a sample of files on an intermittent basis as part of a wider quality assurance process. Outcomes of which could be reported within ART dashboard to maintain oversight of compliance performance.</p>		
Fostering Payments (External)	M	<p>Prior to commencement of a fostering placement, the ART team should endeavour to obtain the individual placement contract (signed by both relevant council officers and care providers). This agreement should be stored in a centralised repository such as Liquid Logic, where information for each individual YP is held, to be available to access across all different involved teams (including ART, Duty and Finance). Access rights to the chosen central repository should be reviewed to ensure it is accessible to all relevant teams and officers.</p> <p>In the case of emergency, where care must be provided but an agreement has not be signed by the provider, must be agreed and signed off by the relevant manager (depending on cost of placement).</p>	31/12/2023	<p>E-Sign is being used for all contracts / IPAs. Regular reviews by the Commissioning Manager / Head of Service to ensure that any outstanding are chased to ensure we meet the contracted maximum 5 day turnaround.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - 30th April 2024 • December 2023 – 31 January 2024

		<p>Any outstanding contracts, for which the council has not obtained a signed copy of the contract by the provider, should be chased as a matter of urgency, to reduce the risk that services provided are not obligating. Regular spot checks of placement case files may assist in flagging instances where contracts have not been completed and signed. The service should consider recording unsigned contracts in a separate filing area/folder (prior to being uploaded to the centralised repository when signed) and implementing regular monitoring of this area with a target set for this to be as empty as possible. Furthermore, regular 'completeness' reviews on a set number of random case files could provide assurances against this risk on an ongoing basis.</p>		
Fostering Payments (External)	M	<p>Quoted costs and potential applicable discounts should be noted against response checklists and considered when evaluating responses by IFAs to ensure that if multiple appropriate placements are available, the Council is selecting the lowest cost option, as per existing policy guidance.</p> <p>Internal Audit recommend implementing quality assurance monitoring processes to ensure compliance with the above. This could include regular spot checks on a sample of placements to ensure that lowest cost options are being selected as standard, with any instances of non-compliance reported and escalated to senior management to investigate. Outcomes of quality assurance checks could be reported as part of the ART dashboard.</p>	31/12/2023	<p>The service have stated that this is happening with all placements. For recommendation to be closed, a meeting will be held with Audit before the end of June to demonstrate proof of this process.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> January 2024 - 30th April 2024
Fostering Payments (External)	M	"Proof of exhaustion of in-house options before a decision is made to search IFA should be documented in all cases and recorded on the CYP Chronology notes as per current process guidance. If this cannot be	31/12/2023	Commissioning Manager continues to spot check fostering placements on a monthly to ensure compliance. Change to

		<p>evidenced, no IFA search should be agreed (unless in emergency or exceptional circumstances). Decisions should be formally signed off and recorded on the CYP Chronology notes.</p> <p>Internal Audit recommend implementing quality assurance monitoring processes to ensure compliance with the above. This could include regular spot checks that IFAs are not progressed without appropriate evidence in place, with any instances of non-compliance reported and escalated to senior management to investigate. Outcomes of quality assurance checks could be reported as part of the ART dashboard."</p>		<p>the current process was implemented from February, and is being embedded.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – 30 April 2024 • January 2024 - TBC
Accounts Payable 22-23	M	The Business Systems Team should undertake an investigation, supported as required by AP, to establish why historic open AP transactions from prior periods and years remain open and determine whether these transactions can be cleared.	31/12/2023	<p>AP to review all aged open items and liaise with professional finance colleagues. However discussions have been ongoing and a final list will be sent over post year end activity.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - TBC • January 2024 - TBC
Accounts Payable 22-23	M	A review of suppliers in ERP should be undertaken to identify any instances where the same supplier is set up multiple times. Each case should be reviewed to establish if the existence of multiple supplier records in ERP Gold is appropriate and if not, it should be determined which supplier records should be deleted.	31/12/2023	<p>This is a very labour intensive piece of work as every duplicate supplier needs to be reviewed and where there are open orders discussions are required with budget holders to close and realise the PO on the prime supplier. Where there is a primary supplier alternative suppliers may be being used for interface transactions, and further dialogue is required with service areas to update details on source systems. Volumes will naturally reduce due to auto closing of suppliers within set business rules. Also Xelix duplicate payment software, mitigations any</p>

				<p>duplicate payments where there is more than one supplier.</p> <p>Revised target date: 30 September 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - TBC • January 2024 – 31 March 2024
Accounts Payable 22-23	M	A review of suppliers in ERP should be undertaken to identify any instances where the supplier record on ERP Gold is set up for both commercial and non-commercial payments. Each case should be reviewed to establish if the existence as both payment types is appropriate and if not, if should be determined which payment type should be disabled.	31/12/2023	<p>Now that the AP team is fully resourced, the cleansing of these suppliers is being carried out by the AP team as part of monthly housekeeping, this includes reviewing all non-commercial payments that have been made. This will ensure that all payments via this method are in line with policy and process. Any payments that are identified that are being made incorrectly are addressed at the time and the supplier is updated accordingly.</p> <p>Revised target date: TBC</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 - TBC • January 2024 – 31 March 2024
Incident & Problem Management 22-23	M	<p>Problem management procedures should be amended to incorporate the following:</p> <p>a) The ICT Service should consider how Hornbill can be utilised in the problem management process. Once established the documented procedures should be amended to give clarity and guidance on the use of Hornbill for problem management.</p> <p>If it is decided Hornbill will not be utilised a rationale should be recorded as a note in the procedures.</p> <p>b) The service should add tables to the guidance listing the priority systems and sites for problem</p>	31/12/2023	<p>This action has been delayed due to the separation of the joint ICT Service, as part of the decoupling process due to end in October 2024. The Hornbill system will be split so that CCC will have its own version of the software. Policies and documented procedures will be updated as part of the disaggregation process and finalised in October when the disaggregation of ICT is completed.</p> <p>Revised target date: 31 October 2024</p> <p>Revised target dates from previous reporting cycles:</p>

		<p>management and resolution. This would bring the guidance in to line with incident management and provide consistency in information for officers.</p> <p>c) Procedures should be amended to provide clear criteria for identifying when a problem should be recognised and classified as a major problem. This should be considered in conjunction with recommendation 3 in this report to ensure priority systems and sites are factored into the criteria for major problems.</p> <p>d) Procedures should be amended to confirm the complete process required to be undertaken in relation to major problems.</p> <p>e) Procedures should be amended to include a problem communication / notification process. Notifications to end users should include a description on how resolution should impact service users, steps being taken to resolve the problem and the estimated time required to resolve.</p>		<ul style="list-style-type: none"> • March 2024: TBC • January 2024 - TBC
Incident & Problem Management 22-23	M	<p>A more detailed major incident response plan should be developed and incorporated into procedures. This should include a more detailed system and site prioritisation matrix that should either:</p> <ul style="list-style-type: none"> • Rank systems and sites in priority order • Have a clear process for determining and agreeing the key priority should more than one critical system or site be impacted at the same time 	31/12/2023	<p>This action has been delayed due to the separation of the joint ICT Service, as part of the decoupling process due to end in October 2024. The Hornbill system will be split so that CCC will have its own version of the software. Policies and documented procedures will be updated as part of the disaggregation process and finalised in October when the disaggregation of ICT is completed.</p> <p>Revised target date: 31 October 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024: TBC • January 2024 - TBC

Key Policies and Procedures	M	<p>The policies that are not on the policy library need to be added.</p> <p>The policies on the policy library where information is not complete needs to be reviewed and updated.</p>	31/12/2023	<p>The Service has confirmed that good progress has been made with this recommendation. They have decided to implement this by uploading policies to the relevant areas on the CCC Useful Links area on Camweb and set it out into sections to make it easier for staff to navigate to find key policies (rather than a separate policy library) as site usage figures show that Useful Links is consistently one of the most viewed pages on Camweb confirming that this is a better route to access policies than through a generic policy library. The Service will continue to develop this further and ensure all policies are uploaded to the relevant area in the useful links tab.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – 30 June 2024 • January 2024 - TBC
Key Policies and Procedures	M	A regular formal communication plan based around the policy framework should be produced to ensure that all 'key' policies are communicated to staff at least once annually via the normal internal comms channels.	31/12/2023	<p>Having got material in place on Camweb, the Service are now planning an internal campaign to raise the profile of the key policies and procedures staff need to know which we will be launching through our re-vamped internal newsletter.</p> <p>Revised target date: 30 June 2024</p> <p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – 30 June 2024 • January 2024 - TBC
<i>Medium Recommendations overdue - under 3 months</i>				
Incident Problem	& M	New classification should be introduced in Hornbill that allow for incidents to be clearly identified and reported	31/03/2024	This action has been delayed due to the separation of the joint ICT Service, as part of the decoupling process

Management 22-23		<p>on. This could be achieved through the introduction of a mandatory field to classify and case as either a service request or incident.</p> <p>Reporting on actual incidents and their resolution should be introduced and provided to the Service Director and Executive Director.</p> <p>Once a base line has been established KPIs for incident resolution should be established.</p>		<p>due to end in October 2024. The Hornbill system will be split so that CCC will have its own version of the software. Policies and documented procedures will be updated as part of the disaggregation process and finalised in October when the disaggregation of ICT is completed.</p> <p>Incidents and service requests can be reported separately, but reporting is not yet in place due to the disaggregation on the ICT service.</p> <p>Revised target date: 31 October 2024</p> <p>Revised target dates from previous reporting cycles:</p> <ul style="list-style-type: none"> • March 2024: TBC • January 2024 - TBC
Incident & Problem Management 22-23	M	<p>SMART KPIs and Critical Success Factors for Problem Management should be developed and included in procedures.</p> <p>Once established, performance monitoring reporting should be introduced. This should include reporting on ongoing/unresolved problems.</p>	31/03/2024	<p>This action has been delayed due to the separation of the joint ICT Service, as part of the decoupling process due to end in October 2024. The Hornbill system will be split so that CCC will have its own version of the software. Policies and documented procedures will be updated as part of the disaggregation process and finalised in October when the disaggregation of ICT is completed.</p> <p>Revised target date: 31 October 2024</p>
Key Policies and Procedures	M	<p>The Project Management Framework to be published on Camweb once revised.</p>	31/01/2024	<p>The new Project Management Framework was presented to the Change Board on 22nd April, where it was sent back for tweaks to be made. Once these tweaks have been made it will be re-presented to the Change Board for formal approval, who are next meeting on 31st May. The final version will then be launched, including publication on CamWeb, after its approval.</p> <p>Revised target date: 31st May 2024</p>

Case 125 - Guided Busway Procurement	M	<p>The Executive Director of Place & Sustainability should conduct a review of record keeping in relation to the Busway and ensure that there is a clear filing structure in place which enables officers to find all key information and records in relation to:</p> <ul style="list-style-type: none"> • All procurements conducted in relation to the busway construction, dispute, remedial works, and HSE investigation; and critical contract management documentation such as performance reporting from contractors, contract extensions or variations, disputes etc. • All critical decision points in relation to the busway construction, dispute, remedial works and HSE investigation, including reporting to both Committee and CLT and any decisions taken under the powers of the Executive Director or the Busway Dispute Resolution Group. • Ensuring that clear and appropriate retention schedules are in place for information held in relation to the above two points (with support from the Information Governance service if required). <p>The Executive Director of Place & Sustainability should consider broadening the remit of this review across the entire Directorate to provide assurance that critical decisions and procurements undertaken within the service can be evidenced when needed.</p>	31/03/2024	<p>Service has confirmed that this is being done as part of a service-wide filing exercise and is not yet complete.</p> <p>Revised target date: TBC</p> <p>Not previously overdue.</p>
Case 127 - Supported Living		<p>Overarching, detailed, updated guidance on petty cash, service user cash and imprest bank accounts should be implemented and made available on CAMWEB. This should cover:</p> <p>a) controls around authorisation/separation of duties</p>	28/02/2024	<p>Corporate Finance are still in process of developing the revised imprest guidance. This is dependent on capacity that is also directed towards closure of our accounts</p> <p>Revised target date: TBC</p>

	<p>regarding petty cash and service user cash expenditure; b) records; c) retention of receipts; d) storage of cash; e) reconciliations of petty cash, service user cash, and imprest bank account reconciliations; f) the imprest bank account claim process; g) returns/information to be provided to Finance and/or Accounts Payable.</p> <p>2b (Advisory) Consideration should be given to require</p> <ul style="list-style-type: none"> • cash taken; • expenditure; • cash returned; and • the rolling cash balance <p>to be recorded in the petty cash book and service user cash records as part of updated procedures .</p> <p>Corporate procedures as recommended through this report should give clear detail on what journals, if any, should be undertaken in relation to service user loans.</p> <p>Once corporate procedures have been developed and implemented, the Operational Lead Officer should ensure that a finance officer reviews the journals noted above to determine if any corrective action is required.</p> <p>Corporate procedures as recommended through this report should give clear detail on exactly how imprest claims to top up the imprest bank account should be undertaken. This should include the account codes to be used in the process.</p>		<p>Revised target dates from previous reporting cycles</p> <ul style="list-style-type: none"> • March 2024 – TBC
--	--	--	---

		Once corporate procedures have been developed and implemented, the Operational Lead Officer should ensure that a finance officer reviews the imprest claims to determine what corrective action is required and ensure it is undertaken.		
Local transport Capital Block Funding (grant)	M	<p>A time recording system should be implemented across Place and Sustainability to ensure any Service, Team or Officer time that is charged to project or other work is accurately recorded to reflect actual time and costs associated with delivery.</p> <p>Such a system could be:</p> <ul style="list-style-type: none"> • an extension of the timesheet process currently used by some teams • free software available online; or • software that is either procured or built internally that is located on Council servers. <p>The system should be able to:</p> <ul style="list-style-type: none"> • Apply different staff rates, including overheads and risk percentages, for each project. • Calculate staff costs for each project based on the applied rates. • Interface with/upload data to ERP Gold to provide an efficient way of updating project ledgers with staff costs. Internal Audit recommends that whatever time recording system is chosen is used consistently across the board to ensure the most efficiency. 	31/03/2024	<p>The Service has confirmed that the implementation of a timesheet system is a corporate issue and is being progressed with Corporate PMO. The service has confirmed they are actively liaising with the IT Service to progress this with the Corporate PMO and the Assistant Director Project Delivery as key stakeholders.</p> <p>Revised target date: TBC</p>

Draft Annual Governance Statement 2023-24

To: Audit & Accounts Committee

Meeting Date: 30th May 2024

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

Electoral division(s): N/A

Executive Summary: This report presents the draft Annual Governance Statement (AGS) and Action Plan for 2023 - 24 for consideration and input from the Audit & Accounts Committee.

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

Recommendation: The Committee is recommended to consider whether the draft AGS at Appendix A and the Action Plan at Annex A are consistent with its own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.3 below. Suggested amendments can then be actioned in advance of the AGS's inclusion in the Council's accounts.

Officer contact:

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

1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 The Annual Governance Statement (AGS) summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. Effective governance arrangements contribute to the achievement of all seven of the Council's ambitions.

2. Background

- 2.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 2.2 The draft AGS is presented to the Audit and Accounts Committee in order to ensure that the final statement is produced with the benefit of Members' insight and input. It should reflect the Committee's knowledge and experience of the Council's governance and control.
- 2.3 The final statement will be signed by the Chief Executive and the Leader of the Council and incorporated into the Council's accounts.

3. Main Issues

- 3.1 The draft AGS (at Appendix A) has been compiled with the input of a range of senior officers including the Corporate Leadership Team; Statutory Officers Group; the Assistant Director for Policy, Insight & Programmes, and the Heads of Service for Internal Audit & Risk Management, Procurement & Commercial, and Democratic Services. It is based upon the following:
- A review of the Council's governance framework and the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - Self-assurance statements prepared by directors;
 - An assessment of the Council's governance and control environment against the principles set out in the Centre for Governance & Scrutiny's *Governance Risk & Resilience Framework*;
 - The Head of Internal Audit's opinion on the Council's internal control environment, which will also be reported to the Audit & Accounts Committee on 30th May 2024.
- 3.2 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:
- The Council's responsibilities for ensuring a sound system of governance;
 - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the

governance environment;

- An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
- The identification of any significant governance issues, and an agreed action plan (Annex A) showing actions taken, or proposed, to address identified governance issues;
- Reference to how issues raised in the previous year's Statement have been resolved;
- A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.3 'Significant Governance Issues' are those that:

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

4. Significant Implications

4.1 Finance Implications

N/A

4.2 Legal Implications

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

4.3 Risk Implications

N/A

4.4 Equality and Diversity Implications

N/A

5. Source Documents

5.1 Annual Internal Audit Report (to be presented at the 30th May 2024 meeting of the Audit & Accounts Committee).

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement Action Plan

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

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

Action	Owner	Target Date
i. Extent of recognition of individual and collective responsibility for good governance		
Implement a module within the Member Induction Programme to include training on decision making and Member/Officer Protocol.	Democratic Services Manager	1 st June 2025
To include in Manager Induction a module on decision making at Cambridgeshire County Council.	Service Director: Legal & Governance	31 st March 2025
To review process for completion of Annual Governance Statement to ensure that the process is directed and owned by those charged with governance.	Joint Administration/Statutory Officers Group	31 st March 2025
Embed new client-side management arrangements with Pathfinder Legal Services and implement action plan following audit review.	Service Director: Legal & Governance	31 st March 2025
Ensure external auditors finalise their sign-off of outstanding accounts and value for money opinions.	Executive Director: Finance & Resources	31 st March 2025
Implement Whistleblowing Action Plan following Protect benchmarking exercise.	Head of Internal Audit & Risk Management	31 st March 2025

ANNUAL GOVERNANCE STATEMENT

Fully implement system of Change Boards throughout the Council.	Executive Director: Strategy & Partnerships	31 st March 2025
Complete a review of client-side governance in the Council's relationship with This Land Ltd.	Service Director: Legal & Governance	31 st March 2025
ii. Awareness of political dynamics		
Deliver training to Extended Leadership Team on political dynamics and awareness.	Service Director: Legal & Governance	31 st March 2025
Deliver further training and communications to Extended Leadership Team as needed to embed understanding and awareness of key governance issues and developments.	Service Director: Legal & Governance	31 st March 2025
iii. How the council looks to the future to set its decision-making priorities		
Work with the Corporate Leadership Team to enhance awareness and understanding of the political nature of strategic planning and decision-making, including a session focused on the Local Government Association guidance on setting up joint arrangements.	Service Director: Legal & Governance	31 st March 2025
Delivery of Cambridgeshire's Local Productivity Plan outlining the Council's plans for transforming the way it designs and delivers services to make best use of resources and how it intends to take advantage of the use of data and technology to improve decision-making.	Statutory Officers Group	1 st July 2024
iv. Officer and councillor roles		
Consider adoption of the Local Government Association Model Councillor Code of Conduct.	Service Director: Legal & Governance	31 st March 2025
Delivery of procurement and contract management training to officers with responsibility for managing contracts.	Head of Procurement & Commercial	31 st March 2025

ANNUAL GOVERNANCE STATEMENT

Review the Constitution to develop a structure that is easier to read and understand.	Service Director: Legal & Governance	31 st March 2025
v. How the council's real situation compares to its sense of itself		
Implement new Performance Management Framework.	Assistant Director, Policy Insight & Programmes	31 st October 2024
Develop and implement an Action Plan to address the key recommendations from the March 2024 Ofsted Inspection of Local Authority Children's Services.	Executive Director, Children Education & Families	31 st October 2024
Conduct a self-assessment of Cambridgeshire County Council against the 2024 statutory guidance on the Best Value Duty for local authorities in England.	Corporate Leadership Team	31 st December 2024
vi. Quality of local (external) relationships		
External LGA healthcheck on the Council's approach to communications and consultation.	Executive Director: Strategy & Partnerships	30 th September 2024
Development and publication of a new Consultation & Engagement Strategy.	Assistant Director Policy, Insight & Programmes	31 st August 2024
Launch partnerships self-assessment tool.	Assistant Director, Policy Insight & Programmes	31 st October 2024
Implementation of the Complaints Action Plan in Adults, Health & Commissioning.	Executive Director: Adults, Health & Commissioning	31 st March 2025
Formal review and update of the Adults Social Care Complaints Policy.	Executive Director: Adults, Health & Commissioning	31 st March 2025

ANNUAL GOVERNANCE STATEMENT

vii. The state of member oversight through scrutiny and audit		
Update the Terms of Reference for the Audit & Accounts Committee.	Head of Internal Audit & Risk Management	31 st December 2024
Continue to implement the new processes in relation to selection and scoping of Health scrutiny items for Adults and Health Committee.	Democratic Services Manager	31 st March 2025
Increasing emphasis on the role of Health scrutiny in the Members 'Training programme.	Democratic Services Manager	31 st March 2025

ANNUAL GOVERNANCE STATEMENT

Contents of the Annual Governance Statement 2023 - 24

1. Background and Scope

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

2. Review of Effectiveness

- 2.1 Approach and Scope for the Review of Effectiveness
- 2.2 Review of Effectiveness
 - i. Extent of recognition of individual and collective responsibility for good governance
 - ii. Awareness of political dynamics
 - iii. How the council looks to the future to set its decision-making priorities
 - iv. Officer and councillor roles
 - v. How the council's real situation compares to its sense of itself
 - vi. Quality of local (external) relationships
 - vii. The state of member oversight through scrutiny and audit

3. Conclusions and Approval

- 3.1 Key Governance Developments in 2023/24
- 3.2 Significant Governance Issues
- 3.3 Future Governance Considerations
- 3.4 Conclusions
- 3.5 Leader of the Council and Chief Executive Statement

ANNEX A: Annual Governance Statement Action Plan

ANNUAL GOVERNANCE STATEMENT

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

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

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

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

The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Officers Group, Corporate Leadership Team (CLT), the Audit and Accounts Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

This statement summarises the outcomes of the Council's review of the effectiveness of the governance arrangements in place throughout 2023 -4; explains how the Council has complied with its Code of Corporate Governance; and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of

ANNUAL GOVERNANCE STATEMENT

effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the Annual Report and Statement of Accounts.

1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are outlined in the Code of Corporate Governance and include:

Leadership and Decision-Making:

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

Monitoring the Achievement of Objectives:

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

Oversight and Scrutiny:

ANNUAL GOVERNANCE STATEMENT

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- There are embedded arrangements for whistleblowing under the Public Interest Disclosure Act, as well as routes for raising other types of concerns including safeguarding, information security and employment concerns. There are policies in place for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.
- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

In 2016 CIPFA/SOLACE issued revised best practice guidance for Delivering Good Governance in Local Government, setting out seven principles that should underpin the governance of each Local Authority. This has also now been supplemented by work done by the Centre for Governance and Scrutiny through the *Governance Risk and Resilience Framework (2021)* which give authorities a method of strength testing their governance control environment against the CIPFA principles.

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

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

- The work of the Statutory Officers Group comprising the Chief Executive, Monitoring Officer and s151 Officer. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to Council improvement.

ANNUAL GOVERNANCE STATEMENT

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment, including the completion of Self-Assurance Statements by all directors.
- The Head of Internal Audit and Risk Management's annual report and opinion on the internal control environment, which draws upon the outcome of audit reviews undertaken throughout 2023/4; and an annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

In 2023/4, the *Governance Risk & Resilience Framework* has been used as the structure for the review of effectiveness, which was conducted by key officers including the Chief Executive, Monitoring Officer, s151 Officer and Head of Internal Audit.

2.2 REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below, grouped against the seven characteristics of governance in the *Governance Risk & Resilience Framework*. This report reflects the structures in place during the 2023/24 financial year and highlights any changes during the course of the year.

i. Extent of recognition of individual and collective responsibility for good governance

Considerable work has been undertaken in 2023/4 to develop the Council's approach to decision-making, ensuring that early financial and legal discussion is considered fundamental for all decisions. The Council has implemented a new Policy & Service Committee template which prompts a strong focus on evidencing consideration of financial, legal and risk implications for all proposals as well as ensuring that alternative options have been considered in full. The Monitoring Officer has led work to engage with Pathfinder Legal Services, the Council's legal services provider, to improve the embedding of PLS into the organisation as well as developing better client-side management of legal commissioning by the Council. This work will continue to be a focus in 2024/5.

The Chief Executive meets weekly with Group Leaders, and service Spokes meetings take place monthly or six-weekly to consider key issues and future issues for decision. Chairs and Vice-Chairs of Committees meet with Corporate Leadership Team (CLT) and Group Leaders maintain deputies.

The CLT itself is recognised as having a key role in ensuring good governance and establishing a culture of transparency, accountability and ethical decision-making across the organisation. Weekly CLT meetings are convened at which the Corporate Leadership team are able to escalate and share emerging risks and issues, discuss and approve proposed policy and operational changes, and review key performance and financial information.

ANNUAL GOVERNANCE STATEMENT

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities.

Under Public Sector Internal Audit Standards (PSIAS), Internal Audit teams are required to undertake an annual self-assessment of their compliance with PSIAS, and undergo an external review of compliance every 5 years. The most recent external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was completed in 2022/3, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The Internal Audit team self-assessment conducted in 2023/4 also confirmed that the team is operating in compliance with the Standards.

From the audit reviews undertaken during 2023/24, in each instance where it has been identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided her annual report to the Audit Committee on 30th May 2024. The report outlined the key findings of the audit work undertaken during 2023/24, including areas of significant weakness in the internal control environment. It is the opinion of the Head of Internal Audit that:

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2023/24 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2024.¹

This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2023/24 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review and the findings; assessment of other evidence and assurances about the organisation's arrangements for internal control and managing risk; and ongoing review of management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of the Annual Internal Audit Report and at Annex A to the report.

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

- *Assurance opinions from Internal Audit reviews in 2023/24 showing a predominance of*

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

ANNUAL GOVERNANCE STATEMENT

'moderate' audit opinions. A single audit (Dedicated Schools Grant Safety Valve programme) identified findings which were deemed to have the potential for a 'major' organisational impact if the identified risks materialised. See Section 4.1 of the Annual Internal Audit Report for more details.

- *Procurement and contract management continues to represent a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and the findings of audit work completed throughout the year. The Council has undertaken a range of actions to strengthen the control environment around procurement and contract management throughout 2023/4. See Section 4.5 of the Annual Internal Audit Report for details.*
- *Project/programme management and change has been highlighted as a risk area for the authority, based on audit work completed in 2023/4. A range of actions to strengthen both revenue and capital project management controls have been agreed as an outcome of these audits, with actions due for implementation in 2024/5, and this risk area will therefore continue to be a focus for the Audit Plan in the coming year. See Section 4.9 of the Annual Internal Audit Report for details.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance, while highlighting some areas within the corporate framework which require further development. The Council has progressed the implementation of actions identified within the 2022/3 Annual Governance Statement throughout the year, resulting in a range of improvements to organisational governance.*
- *75% of agreed audit actions due for implementation in 2023/24 have been completed by the organisation. This is an improvement on the implementation rate of 62% for 2022/3 and 64% for 2021/22, despite a higher number of actions being due for implementation in 2023/4 compared to the prior year. Each action completed represents an improvement in the Council's systems of internal control. See Section 4.1 of the Annual Internal Audit Report for more details.*
- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority have historically demonstrated a good or moderate assurance across all systems. At the time of writing, the 2023/4 Pensions Administration report has yet to be issued in draft by the Cambridgeshire audit team; draft opinions for the Accounts Payable and Income Processing audits are awaited from Lead Authority partners; and the Debt Recovery review has only just started fieldwork. This does reduce the assurance that can be given over these systems compared to the 2022/3 Annual Report; however, some assurance can be taken from the detailed prior-year audits of these areas carried out by the Cambridgeshire team, and the 15 actions which have been confirmed as implemented in 2023/4 to address the findings of previous audits of Accounts Payable, Income Processing and Debt Recovery. See Section 4.2 of the Annual Internal Audit Report for more details.*

During 2023/24, the Council's Internal Audit service:

ANNUAL GOVERNANCE STATEMENT

- *Operated in conformance with Public Sector Internal Audit Standards (PSIAS) requirements, and undertook a self-assessment against PSIAS during the course of the year. See Section 7.2 of the Annual Internal Audit Report for more detail.*
- *Had unrestricted access to all areas, systems and information across the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Operated independent of the organisation, as per the Internal Audit Charter, with no compromises of Internal Audit's independence this year.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment. See Section 7.3.3 of the Annual Internal Audit Report for more details.*

As a result, there are no qualifications to the 2023/24 Head of Internal Audit position statement. It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- *Mairead Claydon, Head of Internal Audit & Risk Management*

The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee on 30th May 2024.

The Internal Audit Plan for 2024/25 presented to the Audit and Accounts Committee on 28th March 2024 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2024/25.

The role of external audit, and the relationship between external audit and the Council, is also an important part of the governance framework. External audits ensure that statutory accounts are independently verified, trustworthy and comprehensible to users, as well as encouraging strong governance and adherence to financial and regulatory frameworks. External auditors provide assurance that local authorities are achieving value for money through their use of public resources. However, the delivery of external audits in the UK public sector is facing several challenges including a high backlog of overdue audit opinions, with 771 overdue audits as of 31st December 2023.

Cambridgeshire County Council has also been affected by the sector-wide issues and has experienced a backlog of overdue opinions from its former external auditors. In 2023/4, progress has been made towards resolving some of the most overdue work; the outstanding objections to the 2016/17 and 2017/18 accounts were determined by the Council's former auditor BDO and subsequently audit completion certificates have been received for both of these years. The Council's former auditors EY are working to complete the outstanding 2018/19 – 2021/22 accounts, and regular updates on progress have been provided to the Audit & Accounts Committee throughout the year.

These delays over a period of several years have impacted on the extent to which the Council has been able to take assurance over its governance arrangements from the work of external audit. However, the completion of the outstanding BDO audits and the updates received from EY regarding their outstanding audit work means that this position has improved in 2023/4.

ANNUAL GOVERNANCE STATEMENT

Issues highlighted by interim EY reporting include consistent findings of inconsistent record-keeping in respect of the procurement of goods and services, but recognise that the Council was aware of a number of weaknesses around procurement and was implementing action to respond to these issues prior to receipt of external audit reporting. In 2023/4 there has been a strong focus on improving the organisational culture around procurement and contracting, and ensuring that expectations around compliance with Contract Procedure Rules are clearly communicated to all officers. The authority has implemented a new Breach Procedure to ensure that any non-compliance with Contract Procedure Rules is reported and addressed, which will be in place for the start of the 2024/5 financial year. In line with the interim value for money reporting from external auditors, strengthening procurement and contract management controls will continue to be a key area of focus for the Council in 2024/5.

In December 2022, PSAA confirmed the appointment of KPMG LLP as external auditor of Cambridgeshire County Council for five years from 2023/24 to 2027/28. The 2023-24 Statement of Accounts are due for completion in draft form for submission to KPMG as our external auditors by 31 May 2024

In addition to the work of internal and external auditors, the Council maintains robust and effective whistleblowing systems. The Audit & Accounts Committee receive regular updates on whistleblowing, and on 28th March 2024 received the Annual Whistleblowing Report, which provides an overview of whistleblowing cases and outcomes, the results of the staff survey on whistleblowing, internal communications exercises and more. The annual staff survey conducted in November/December 2023 indicated a high degree of staff awareness of and trust in the whistleblowing policy, and a self-assessment benchmarking exercise was undertaken in early 2024 with the whistleblowing charity Protect. This has led to the development of an action plan to further develop whistleblowing arrangements, with a particular focus on staff training, which will be implemented in 2024/5.

Significant work has been undertaken in 2023/4 to develop the corporate approach to programme and project management and introduce clear lines of reporting and accountability for projects and programmes. During 2023/24 we have put in place a governance process to oversee the delivery of our Change Programmes across the organisation, with a council-wide Change Board being chaired by the Chief Executive. This will strengthen our grip on the delivery of change in relation to our council priorities, our business plan and related savings and our principal council-wide strategies. A new Project Management Framework and project assurance arrangements have also been developed, and Internal Audit reviews have been completed both on the draft Project Management Framework and on project governance within capital projects and the schools capital programme, with actions for further development in these areas agreed by management.

The full implementation of the Change Board system and the new Framework in 2024/5 will support the Council's ability to demonstrate strong governance arrangements across all projects and programmes. In line with this, going forward the Council needs to continue developing its ability to effectively deliver work which cuts across the organisation's line management structures, as well as developing the organisational culture to support cross-cutting work.

ii. Awareness of political dynamics

ANNUAL GOVERNANCE STATEMENT

Developing improved awareness of political dynamics has been a key area of focus for the Council in 2023/4 and will form a significant element of the Annual Governance Statement Action Plan in 2024/5. Cambridgeshire operates a Committee system of governance, and it is recognised that officers and Members who are used to operating within authorities which follow a Cabinet system may be less familiar with the decision-making processes and powers within a Committee system.

Officer awareness of how to work effectively in a political environment remains an area for development at Cambridgeshire, in particular the need for officers to understand the role of Members, political decision-making processes, and how and when to share information with Members. Ensuring that Members are always kept informed of developments in their local area is also an area for improvement.

Equally, the Council would also benefit from increasing the level of understanding across the wider Member cohort in respect of organisational and decision-making responsibilities and boundaries, with a focus on distinctions between operational and strategic decision-making. In 2023/4, this split between the 'strategic' role for members and 'operational' role for officers has been strengthened and reinforced; work on this will continue going forward and the Council will begin making plans for Member induction following the May 2025 elections. In particular, during 2023/24 we have re-established our approach to routinely updating Committee cross-party Spokes on key issues that include items that sit outside of the business agendas of each committee. This will ensure our political leaders are more effectively briefed on council matters.

iii. How the council looks to the future to set its decision-making priorities

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

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

During 2023/24 we have revised and comprehensively documented our Business Planning process. This has included developing a detailed guidance document for officers, with clarity on the roles and responsibilities of different officers, directorates, corporate leaders and includes a 'gated' timeline. This process now embeds evidence gathering and dissemination at the heart of this work. Part of this evidence is the residents' Quality of Life Survey, which we carried out for the first time in 2023. This will be repeated and extended to include more work with hard-to-reach groups in 2024.

This strengthened process means that we have a more robust way of assuring that we have an evidence-based approach to future decision-making priorities. The Business Plan, including the refreshed Strategic Framework for 2024/5 was approved by Full Council on 13th February 2024. A separate s25 Report was considered by the Strategy, Resources and Performance Committee in the setting of the 2024/25 budget.

ANNUAL GOVERNANCE STATEMENT

The Council has also sought to learn from the work undertaken in 2023/4, with the Business Planning process having been refreshed by the Corporate Leadership Team and the launched with Extended Leadership Team in March 2024, introducing a phased approach with distinctive stages, clear timelines and preplanned decision points. This revamped process aims to streamline and enhance the effectiveness of the business planning activities. Work with the Corporate Leadership Team to enhance awareness and understanding of the political nature of strategic planning and decision-making is planned in 2024/5, including a session focused on the Local Government Association guidance on setting up joint arrangements.

Going forward, the Council will continue seeking to enhance its ability to clearly demonstrate the alignment of its strategic framework and business plan with its day-to-day operations, ensuring that the Council's strategy guides decision-making at all levels, informs organisational culture, and is explicitly linked to the organisation's performance management systems.

In support of these objectives, Cambridgeshire County Council has undergone extensive restructuring in recent years; in part this has sought to develop and solidify the Council's corporate core, ensuring sufficient professional expertise in place for key functions which protect and support the organisation's governance framework. Cambridgeshire has also undertaken work in 2023/4 to enhance the effectiveness of its relationship with its legal services provider Pathfinder Legal Services, and particularly to ensure that appropriate legal advice is always commissioned in a timely way in advance of decision-making by the Council.

All decisions are now tracked through the Corporate Clearance Group (CEX, MO, S151) that meet regularly to monitor reports coming forward. All have mandatory finance, legal and equalities sign offs. A new report writing guide and template and have been produced and circulated, and work has also been done to strengthen Officer Delegated Decisions so that these are tracked and monitored as well as published.

In 2024/5 the Council will seek to develop full awareness of organisational capacity and capability amongst political leadership to ensure that motions presented at Council meetings have gone through sufficient prior consultation and are presented with full understanding of the organisation's capacity to respond and implement the agreed actions.

iv. Officer and councillor roles

All Council employees and Members must conduct themselves in accordance with the terms of the Officers' Code of Conduct and Members' Code of Conduct as set out in parts 5-1 and 5-2 of the Council's Constitution. These Codes are intended to promote high standards of behaviour for officers and members, and include requirements to declare financial interests, gifts and hospitality in line with the officer and Member declarations of interests process. The Member's Code of Conduct was most recently updated in October 2022, while the Officer's Code of Conduct was refreshed in May 2023; in 2024/5 the Council intends to formally adopt the Local Government Association Model Councillor Code of Conduct.

The Constitution also contains a clear Protocol on Member / Officer Relations, and a Code of Practice for elections and referendums. In October 2023, these were supplemented with a new media protocol, setting out a series of principles and protocols for proactive communications with media and social media. The shared objective of these codes is to enhance and maintain the

ANNUAL GOVERNANCE STATEMENT

integrity of local government governance, in alignment with the seven Nolan principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The Council also maintains a clear process by which individuals may raise a complaint about the behaviour of a Councillor or co-opted member, if they believe that he or she has breached the Code of Conduct.

In general, Member behaviour is consistently in line with the Code of Conduct. This municipal year, the Monitoring Officer has received and assessed 36 complaints under the Council's assessment framework in conjunction with the Council's independent person. In most cases the assessment indicated that the threshold had not been met for an investigation.

More generally, the Council's Constitution has been kept under review throughout the year with oversight from the Constitution and Ethics Committee and its working group. During 2023/4, the Constitution has been updated a number of times to reflect best practice and provide clarification over delegations and the allocation of responsibility for functions. Updates have been made in line with outcomes from the Centre for Governance & Scrutiny report, including updates and changes to the Contract Procurement Rules, the Budget Debate and Motions.

This year, following a survey of users, the Committee will be considering a wholesale review of the Constitution led by the working group to make it more understandable and easier to navigate.

In respect of the role of key officers, the statutory functions undertaken by the Head of Paid Service, Monitoring Officer, Section 151 Officer, Director of Public Health, Director of Children's Services (DCS) and Director of Adult Social Services (DASS) were effectively fulfilled during 2023 - 24 and up to the date of this report.

There have been several changes in statutory officers at Cambridgeshire County Council during the course of 2023/24, with a new Executive Director for Children, Education and Families (DCS), and new Executive Director for Adults, Health and Commissioning (DASS) both taking up post in the summer of 2023.

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

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

ANNUAL GOVERNANCE STATEMENT

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

The Council's People Strategy 2023 – 28 was approved by Full Council on 16th May 2023 and the Council's commitments to recruiting, retaining and developing its staff as set out within the Strategy will continue to be a focus in the 2024/5 financial year.

In 2023/4, personal development of officers and Members has been an area of development. Mandatory e-Learning courses are now in place for staff, covering key areas including information security, health and safety, and the Council's Climate Change and Environment Strategy. This will continue to be rolled out in 2024/5, and further targeted training is also planned, including delivery of procurement and contract management training to officers with responsibility for managing contracts. Additionally, documented guidance is available to all officers on the Council's intranet regarding understanding decision making processes, delegated decisions, writing reports to Committee and more.

As part of our 2023/24 year-end Our Conversations appraisal process we have implemented a form to capture compliance with mandatory training relevant to officers' roles and responsibilities. This will help reinforce individual responsibility with respect to good governance.

In 2023/4, a newsletter for Members has been introduced, and Members are also now able to access recorded training sessions in addition to a live programme of training. A Member Development Panel oversees the Member Development Programme, and the Panel makes good use of the training sessions offered by the LGA. The Council will continue to work to increase the consistency of Member training and development, and support greater attendance and engagement in these development sessions from Members.

v. How the council's real situation compares to its sense of itself

The establishment of an Assets and Procurement Committee in 2023/4 following a review of governance by the Centre for Governance & Scrutiny has provided more time for the Council's Strategy, Resources, and Performance Committee to fulfil its role in relation to risk and performance management.

The Council's performance management systems and processes have been undergoing review, and a new Performance Management Framework is going to Strategy, Resources and Performance Committee for approval in July 2024. The new framework includes a revised approach to oversight of performance through our Policy and Service committees, and will clarify the role of each of these committees in overseeing performance in relation to their respective terms of reference. This framework will facilitate a more effective and more comprehensive reporting of performance across all aspects of our activity – business as usual service delivery and improvement, delivery of our portfolio of change programmes and projects, delivery against our capital plans and our savings targets.

The Council produces an Integrated Finance Monitoring Report (IFMR) for the Corporate Leadership Team on a monthly basis. IMFRs are also presented regularly to meetings of the

ANNUAL GOVERNANCE STATEMENT

Strategy, Resources and Performance Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees.

The Council maintains an approved Risk Management Policy and Risk Management Toolkit, which were completely revised and updated in July 2023, as well as a Risk Management Strategy. The Strategy includes an Action Plan to further strengthen the Council's risk management activity, following a Risk Maturity Assessment exercise undertaken in April 2023 in line with Institute for Internal Auditors guidelines. In 2023/4, key actions completed from within the Strategy include reintroducing an officer Corporate Risk Group and including specific prompts to include risk information in decision-making reports, as part of the introduction of a new report template for Policy & Service Committees. Implementation of the Strategy will continue in 2024/5.

The Corporate Risk Register has been updated throughout the year and presented to both the Strategy, Resources and Performance Committee and Audit & Accounts Committee at regular intervals, with risk management training delivered for all Members in September 2023. There is a need for the Council to continue developing its risk maturity and as part of that, to support Members in taking the lead on setting the corporate risk tolerance and risk appetite, and developing Member confidence in scrutinising risk management activity.

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

The Council undergoes third party reviews by external regulators and other bodies and aims to consistently deliver improvements against any recommendations made by external parties. In March 2024, the Council underwent an Ofsted inspection of its local authority children's services the outcome of which was an assessment that these services "require improvement to be good", although evidence of concrete and significant improvement in recent months was also noted. In 2024/5, Cambridgeshire will develop and implement an action plan to address the key risks and recommendations raised by the Ofsted report.

vi. Quality of local (external) relationships

Cambridgeshire County Council consistently meets statutory deadlines for publication of agendas, information, reports and decisions, with information published both on its corporate website and through the Cambridgeshire Insight website which acts as a shared research knowledge base for the Cambridgeshire and Peterborough local area. The Council also maintains a good track record in its response to Freedom of Information (FOI) requests, with FOI performance improving in 2023/4.

Cambridgeshire does have potential to develop its approach to public consultation further, and this may be an area of focus for future Annual Governance Statements. In 2024/5, the authority is intending to undertake an external LGA healthcheck on its approach to communications and consultation and further actions to improve the Council's performance in this area may be identified through the healthcheck process.

ANNUAL GOVERNANCE STATEMENT

In 2023/4 and into 2024/5, the Council has continued to decouple its partnership working with Peterborough City Council, with ICT and Public Health arrangements for the two Councils in the process of being separated. This separation has stood Cambridgeshire County Council in good stead, ensuring that the Council is engaging directly with its local communities and partners and allowing the Council to refocus and re-energise relationships with its external partners, particularly Cambridgeshire Police.

Cambridgeshire County Council recognises that it has a significant role in system leadership for the public sector in Cambridgeshire and that its partnership relationships are important both to the Council and local communities. Our local stakeholder and partnership relationships with bodies such as the Integrated Care Board and the Cambridgeshire & Peterborough Combined Authority are crucial to ensuring that work across the public sector in Cambridgeshire is conducted effectively. Relationships with the community and voluntary sector in Cambridgeshire are generally positive and engaged, and the Council and public sector partners are effective at ensuring that partners are informed of key upcoming developments across the local area. In particular in 2023/4, the Council has worked closely with other local public bodies on the Anti-Poverty Strategy and supporting improvement work at the Combined Authority.

Financial relationships represent a significant element of the risk associated with partnership arrangements, and this is particularly true of relationships with the NHS which are often high-value in nature. In 2023/4 Cambridgeshire made the decision to end its pooled budget arrangement relating to the Learning Disability Partnership and has recognised the risk of failure of key partnerships on its Corporate Risk Register.

The Council's Partnerships Governance Framework and toolkit has been refreshed and updated in 2023/4 and we have also mapped our principal partnerships across the council. In 2024/25 we will test and launch a self-assessment tool for officers to use to help us evaluate the effectiveness of our partnerships to inform actions for improvement and to help with the management of risk, in what is a very complex partnership environment.

Looking to 2024/5, the Council also needs to review and refresh its processes around complaints from members of the public to ensure these are used to consistently drive improvement where needed. In particular, the Adults Social Care Complaints Policy will be reviewed and updated.

vii. The state of member oversight through scrutiny and audit

Cambridgeshire County Council operates a Committee system, meaning that scrutiny is intended to operate as an inherent part of the committee process, and there are no separate standalone scrutiny committees. Items for decision are scrutinised in detail before a decision is taken at the meeting and some specific items are also scrutinised at working groups. In 2023/4, work on report writing and report templates for Committees was undertaken to improve the quality of reports; looking ahead to 2024/5, there is further work for the authority to develop consistency in the Council's approach to scrutiny and ensure this is embedded. This will include increasing the emphasis on scrutiny within the Member's training programme.

The Adults and Health Committee has delegated authority to discharge the Council's statutory health scrutiny function. It is supported in this role by five non-voting co-opted members

ANNUAL GOVERNANCE STATEMENT

representing the city and district councils. Delivery of the health scrutiny function was reviewed by the Centre for Governance & Scrutiny in 2023, as part of its wider review of the Council's Governance process. As a result of this review, new work programming arrangements have been introduced for 2024/25 to make health scrutiny more outcome-focused. This has included the Committee collectively agreeing the criteria against which potential scrutiny topics should be assessed, a committee workshop to identify scrutiny priorities for 2024/25 and the introduction of a formal scoping process.

Executive decisions were made by one of the Council's seven cross-party Policy and Service committees and the Strategy, Resources and Performance Committee, which has an overarching and co-ordinating role and has authority for oversight, operation and review of Corporate Services. Executive decisions may be reviewed following request by at least 9 full members of the Strategy, Resources and Performance Committee, which must be made within 3 days of a decision being published.

In line with its Terms of Reference, the Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit and Accounts Committee. The Audit and Accounts Committee met regularly during 2023/24, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year. Additionally, in 2023/4 the Committee conducted its first Review of Effectiveness in line with best practice, identifying a number of development actions for the Committee to undertake to improve its effectiveness overall. A number of key actions, including implementing a shared drive to allow all Committee members to access Internal Audit reports and conducting a feedback exercise, have been completed. In 2024/5 further action to strengthen the role of the Committee will be undertaken, including a review of its Terms of Reference.

3. CONCLUSIONS AND APPROVAL

3.1 KEY GOVERNANCE DEVELOPMENTS IN 2023/24

Where key governance processes or developments in the 2023/24 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

i. This Land Ltd:

The shareholder governance surrounding This Land were strengthened in 2023/4 through the establishment of the Shareholders Review Group (SRG). The Council continues to review the strength of loans to This Land, although the financial reserves were amended to reflect a greater risk.

ANNUAL GOVERNANCE STATEMENT

ii. ICT Service Decoupling:

The Council is decoupling its ICT services from a Shared Service s113 Agreement with Peterborough City Council and will need to assess its control environment during and as a result. Public Services Network (PSN) IT security accreditation was secured in 2023.

iii. Guided Busway Legal Procurement:

An Internal Audit review of legal procurement relating to the Council's Guided Busway identified some weaknesses in respect of compliance with the Council's Contract Procedure Rules. A number of actions were agreed following the review including the new Breach Procedure to investigate and report any non-compliance with Contract Procedure Rules.

iv. Dedicated Schools Grant Safety Valve:

Due to a cumulative deficit of £48.6m at the start of 2023/2024 in the Council's Dedicated Schools Grant (DSG) budget, the Department for Education (DfE) enacted a "Safety Valve" Agreement with the Council in March 2023. This agreement was for DfE to pay CCC an additional £49m in DSG funding between 2022/23 and 2026/27, on the condition of CCC complying with the terms of a Safety Valve Agreement. As part of this, the Council committed to reach a positive in-year balance on its Dedicated Schools Grant account by the end of 2026/27. The Council has implemented a programme to deliver the terms of the Agreement.

The agreement is subject to review by the DfE, and in November 2023, the DfE invited CCC into the Enhanced Monitoring and Support (EMS) programme and it was agreed in November 2023 the project should be 're-set' to start the process again. Delivery of the Safety Valve programme will remain a focus for the Council in 2024/5.

3.2 SIGNIFICANT GOVERNANCE ISSUES

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

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;

ANNUAL GOVERNANCE STATEMENT

- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

Cambridgeshire County Council has been notified that the Health & Safety Executive intend to prosecute in relation to the deaths on the guided busway route. A court summons has been served and the Council is awaiting the receipt of prosecution papers which it will need to consider in advance of the hearing date. Appropriate governance arrangements have been put in place to ensure legal advice and expenditure relating to this is managed in accordance with the Council's rules and procedures.

In 2024/25, the Council will also need to assess options regarding the provision of its Waste Disposal PFI contract closely for financial consequences and impact to ensure this is affordable.

3.3 FUTURE GOVERNANCE CONSIDERATIONS

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

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

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

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

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

The key principles of the framework are outlined below;

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

ANNUAL GOVERNANCE STATEMENT

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

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

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

3.4 CONCLUSION

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

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

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

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

3.5 LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

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

ANNUAL GOVERNANCE STATEMENT

Councillor Lucy Nethsingha
Leader of the Council

Dr Stephen S. Moir
Chief Executive

Councillor Graham Wilson
Chair of the Audit and Accounts Committee

May 2024

Audit and Accounts Committee Draft Training Plan

To: Audit and Accounts Committee

Meeting Date: 30 May 2024

From: Executive Director for Finance and Resources

Electoral division(s): All

Outcome: The Committee is asked to consider an updated proposed training programme to support members awareness and understanding in carrying out their functions on this Committee.

Recommendation: The Committee is asked to:

- i. Note the report;
- ii. Consider both the format and content of the draft training plan attached at Appendix 1, noting any changes in that or timings.

Officer contact:

Name: Michael Hudson
Post: Executive Director, Finance & Resources
Email: Michael.hudson@cambridgeshire.gov.uk
Tel: 01223 699013

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated position statement on local authority, and police, audit committees in 2023. Included in those suggestions, which took account of other reviews such as the Redmond Review, was advice that while expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance. None of the national bodies have set a prescribed standard of training with suggestions ranging from specific training to encouraging committee members to participate in networks and forums established for the purpose of sharing good practice.
- 1.2 In response to this the Audit and Accounts Committee approved its annual training plan in May 2023 to look at providing a strong framework that covers the areas covered by the Committee as well as emerging changes. This report assesses the application of that, lessons learnt and suggestions for the coming years plan.

2. Main Issues

- 2.1 During the last 12 months training has been provided as planned on Risk Management, Treasury Management and Accounts. This was a mixture as planned of on-line and in person, as well as using both officers as well as external advisors, such as the Treasury Management training. Feedback captured informally after the sessions was positive and will continue to be sought and learning from.
- 2.2 Training planned on financial sustainability did not take place due to the reporting to the Strategy, Resources and Performance Committee but it is suggested this is rolled forward to the 2024/25 training plan. E-learning planned on changes relating the audit landscape, code and regulation has been deferred due to delays in changes planned by audit governing bodies. Likewise the planned training on the skills framework has been deferred to the next 12 months for the same reasons. As such progress has been slower than anticipated on e-learning provision and work on this is to be prioritised in the coming months. It is proposed a lot of this will initially be video presentation on subject matters, although alternative arrangements such as self-directed learning will be examined.
- 2.3 Looking forward progress and emerging expectations are expected around best value and governance. As such it is suggested that these areas will be built into the future programme. It is also noted that a joint session with Strategy, Resources and Performance Committee on Cyber Planning is planned for July 2024.
- 2.4 As such an update proposed training plan for 2024-2026 is attached at Appendix 1.
- 2.5 It is suggested this programme could inform the future Annual Report presented to Full Council by the Chair of the Audit and Accounts Committee to demonstrate the effectiveness of the Committee.

3. Significant implications

3.1 Finance implications

None identified.

3.2 Legal implications

None identified.

3.3 Risk implications

None identified.

3.4 Equality and Diversity Implications

None identified

4. Source documents

4.1 Previous committee report - [Audit and Accounts Committee paper 26 May 2023](#)

Proposed Audit & Accounts Committee DRAFT / POTENTIAL Training Programme 2024-2026

Face to face training:
2024/25
Financial Sustainability: This will focus on how the Council assesses factors that affect its long-term financial viability, including commitments, budget monitoring and management of reserves.
Internal Audit: A focus on the role of IA, qualitative factors and measures, resourcing, risk based approach including three lines of defence, as well as good reporting and follow up.
Business Continuity: This will focus on what is Business Continuity, when does it apply, how it is managed and what an Audit Committee should look at in assessing the effectiveness of an organisations response to incidents.
Constitution: This training will coincide with the planned update of the Authority's Constitution as part of its Annual Governance Statement work. As such it will look at what is a constitution, what does it cover and how is it applied.
Fraud and Money Laundering: A guide to legislative requirements to safeguard public funds. How we plan and undertake checks within our controls to mitigate these risks.
Best Value and Governance: What is the national guidance framework and how do we assess and monitor that, such as the Annual Governance Statement.
2025/26
Induction & Role of an Audit Committee: Basic introduction to the purpose of an Audit Committee, the Terms of Reference, Frequency and agenda of meetings, where to find further information and introduction to key officers and partners.
Accounts (1): Basic introduction to the format and content of the Council's Statement of Accounts.
Accounts (2): More in depth analysis of the content of the Council's Statement of Accounts, including Property, Plant and Equipment Valuations, Capital reporting and pension fund.
Treasury Management: This will inform members of the Councils Treasury Strategy, the reasoning behind risk, as well as how and where the Council invests / borrows its money. The cashflow forecasting employed and the accounting for treasury management.

Potential E-Learning modules
2024/25
Audit Landscape: Changes taking place around how external and internal audit are set out, delivered and governed are expected, including Codes of Practice.
Role of the Statutory Officers: who are statutory officers, what are they responsible for, where is their role defined and what does that mean for the way we work.
Partnership Governance: How do we work with our partners; what difference factors do we need to consider in making decisions across partnerships.
Ombudsman: Which Ombudsman bodies cover local government, how do they operate and how do we respond.
Transparency & openness: why is this such an important principle of the public sector and what does it mean? How do we interpret and ensure we are in line with standards? Where do the 'grey lines' lie?
Skills Frameworks: This programme will focus on the core competencies of audit and finance, including risk based audit, estimation and forecasting.
2025/26
External & Internal Audit: Who are they, what are their powers, what areas do they look at, how are they different. Introduction to our auditors as well as plans of work and ways of reporting to Committee.
Risk Management: What is it, how do we do this and what is the role of councillors and this Committee in risk management.
Financial reporting: How the Council sets, monitors and reports its finances.
Internal Audit: A focus on the role of IA, qualitative factors and measures, resourcing, risk based approach including three lines of defence, as well as good reporting and follow up.

Audit and Accounts Committee Forward Agenda Plan

Updated 21st May 2024

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Financial Reporting and Related Matters Update – Monitoring at each meeting, covering Integrated Finance Monitoring Report. Lead officers: Tom Kelly/Stephen Howarth/Michelle Parker/Eleanor Tod.
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update, Update on the value of the National Fraud Initiative and Risk Register. Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date. Lead Officer: Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
30/05/24 (21/05/24)	External Audit Plan	Annual	External Auditor/Service Director: Finance & Procurement	Sarah Brown/ Tom Kelly
	Draft Annual Governance Statement 2023-24	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Annual Internal Audit Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Notification of appointment of Committee Chair and Vice Chair	Annual	Democratic Services Officer	Dawn Cave
30/07/24	Draft Cambridgeshire County Council Statement of Accounts 2023-24	Annual	Service Director: Finance & Procurement	Tom Kelly
	Review of the Committee Terms of Reference		Head of Internal Audit & Risk Management	Mairead Claydon
	External Audit Plan for Cambridgeshire Pension Fund 2022-23	Annual	External Auditor/ Investments and Fund Accounting Manager - Pensions	Sarah Brown/ Ben Barlow

	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Annual Procurement and Commercial Report	Annual	Head of Procurement and Commercial	Clare Ellis
	Annual Risk Management Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
31/10/24	Audit & Accounts Committee Annual Report 2023-24	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	External Audit Plan for Cambridgeshire County Council 2022-23	Annual	External Auditor/ Head of Finance	Sarah Brown/ Stephen Howarth
	Pension Fund Annual Report and Statement of Accounts 2023-24	Annual	Investments and Fund Accounting Manager - Pensions	Ben Barlow/ Fiona Coates
	Corporate Risk Register	Six monthly	Head of Internal Audit & Risk Management	Mairead Claydon
	Debt Management Update		Head of Revenue & Benefits	Alison Balcombe
30/01/25	Cambridgeshire County Council Statement of Accounts 2023-24 and Audit Results Report	Annual	External Auditor/ Head of Finance	Sarah Brown/ Stephen Howarth
	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
27/03/25	Draft Internal Audit Plan 2025/26	Annual	Head of Internal Audit & Risk Management	Mairead Claydon

+ = indicates Exempt report

FACT/HACT – Future meeting