

A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held in the **CIVIC SUITE (LANCASTER/STIRLING ROOMS), PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, CAMBS, PE29 3TN** on **WEDNESDAY, 30 NOVEMBER 2022** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

## **AGENDA**

### **APOLOGIES**

1. **MINUTES** (Pages 5 - 10)

To approve as a correct record the Minutes of the meeting of the Committee held on 28th September 2022.

**Contact Officer: H Peacey - (01480) 388007**

2. **MEMBERS' INTERESTS**

To receive from Members declarations as to disclosable pecuniary, other registerable and non-registerable interests in relation to any Agenda item. See Notes below.

**Contact Officer: Democratic Services - (01480) 388169**

3. **CODE OF CONDUCT COMPLAINTS - UPDATE** (Pages 11 - 14)

To provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the previous meeting.

**Contact Officer: L Jablonska - (01480) 388004**

4. **EXTERNAL AUDIT PLAN 2021/22** (Pages 15 - 66)

To receive an update on the External Audit Plan 2021/22.

**Contact Officer: S Russell-Surtees - (01480) 388524**

**5. CIPFA CODE OF FINANCIAL MANAGEMENT (Pages 67 - 88)**

To receive a report seeking approval of the CIPFA Code of Financial Management.

**Contact Officer: K Sutton - (01480) 387072**

**6. IMPLEMENTATION OF INTERNAL AUDIT ACTIONS (Pages 89 - 114)**

To receive a report from the Internal Audit Manager providing an update on the implementation of audit actions.

**Contact Officer: D Moss - (01480) 388475**

**7. INTERNAL AUDIT SERVICE: PROGRESS REPORT (Pages 115 - 138)**

To receive a report from the Internal Audit Manager detailing the performance of the Internal Audit Service for the period April to October 2022.

**Contact Officer: D Moss - (01480) 388475**

**8. CORPORATE RISK REGISTER (Pages 139 - 170)**

To update Members on the contents of the Council's Corporate Risk Register.

**Contact Officer: O Morley - (01480) 388475**

**9. CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT (Pages 171 - 172)**

To receive the Corporate Governance Committee Progress Report.

**Contact Officer: H Peacey - (01480) 388007**

22 day of November 2022



Head of Paid Service

**Disclosable Pecuniary Interests and other Registerable and Non-Registerable Interests.**

Further information on [Disclosable Pecuniary Interests and other Registerable and Non-Registerable Interests is available in the Council's Constitution](#)

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The District Council also permits filming, recording and the taking of photographs at its meetings that are open to the public. Arrangements for these activities should operate in accordance with [guidelines](#) agreed by the Council.

**Please contact Habbiba Peacey, Democratic Services Officer, Tel: (01480) 388007 / email: [Habbiba.Peacey@huntingdonshire.gov.uk](mailto:Habbiba.Peacey@huntingdonshire.gov.uk) if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee.**

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the [District Council's website](#).

#### **Emergency Procedure**

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

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## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in the CIVIC SUITE (LANCASTER/STIRLING ROOMS), PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, CAMBS, PE29 3TN on Wednesday, 28 September 2022

PRESENT: Councillor N Wells – Chairman.

Councillors A M Blackwell, J Clarke, J E Harvey, S A Howell, P Kadewere, T D Sanderson and I P Taylor.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler, J A Gray, P J Hodgson-Jones and R J West.

IN ATTENDANCE: Councillor S Ferguson.

### 17 HER MAJESTY QUEEN ELIZABETH II

The Committee stood in a Minutes Silence to reflect upon and remember the life and reign of Her Majesty Queen Elizabeth II who passed away on 8th September 2022.

### 18 MINUTES

The Minutes of the meeting of the Committee held on 13th July 2022 were approved as a correct record and signed by the Chairman.

### 19 MEMBERS' INTERESTS

No declarations were received.

### 20 ANNUAL COMPLAINTS REPORT 2021/22

*Councillor S Ferguson was in attendance for consideration of this item.*

The Committee gave consideration to a report (a copy of which is appended in the Minute Book) providing Members with information on complaints referred to the Local Government & Social Care Ombudsman (LGO) and those received by the Council between April 2021 and March 2022.

Having had their attention drawn to some minor amendments relating to the reported statistics within the report, the Committee were informed that that LGO had received 15 complaints of which there had been five complaints investigated, four of which had not been upheld. The upheld case related to Community and the latter cases referred to Community, Planning Enforcement, Test & Trace Support Payment and Covid/Business Grants.

The Committee were advised that the LGO was an external and independent body that may investigate complaints about Councils once a Council's complaints process has been concluded.

With regards to internal complaints, it was noted that the number of Stage 1 complaints had increased to 233 from 109 when compared to the previous year. Of these, 33 had escalated on to Stage Two complaints of which 15 of these related to Development Management & Growth. It was reported that 90% and 71% of Stage 1 and Stage 2 complaints respectively had been resolved within time against targets of 90%. Late responses for Stage 2 complaints were mainly attributed to the Planning Service.

Two customers continue to be managed under the Council's Unreasonable Complainant Behaviour Policy. Finally, the Committee were encouraged to note the number of compliments which had been received over the reporting period.

The Executive Councillor for Customer Services advised the Committee that he would be regularly meeting with the Business Change Manager to look at and improve services through intelligence obtained through the complaints process.

In response to a question raised by Councillor P Kadewere, it was confirmed that a majority of the Council's complaints were predominantly received via the online complaints form.

Whereupon, it was

**RESOLVED**

that the Local Government & Social Care Ombudsman local authority report for Huntingdonshire District Council and the data relating to formal Stage 1 and Stage 2 complaints for 2021/22 be received and noted.

## **21 ANNUAL GOVERNANCE STATEMENT**

With the aid of a report prepared by the Director of Finance and Corporate Resources (a copy of which is appended in the Minute Book) the Committee gave consideration to the proposed Annual Governance Statement 2021/22.

Following a brief explanation from the Director of Finance and Corporate Resources and having been informed by the Corporate Director (People) that the statement encompassed both internal and external risks, the Committee

**RESOLVED**

to approve the Annual Governance Statement 2021/22 as outlined in Appendix A of the report now submitted and authorised the Executive Leader and Managing Director to sign the Annual Governance Statement on behalf of the Council.

## 22 IMPLEMENTATION OF INTERNAL AUDIT ACTIONS - OUTCOME OF MANAGEMENT REVIEW

Pursuant to Minute No. 22/10 and with the aid of a report by the Corporate Director (People) (a copy of which is appended in the Minute Book) the Committee gave consideration to the outcome of a review of outstanding audit actions by the Senior Leadership Team.

In introducing the report, the Corporate Director (People) reminded the Committee of the background to the report and drew the Committee's attention to the recommendations contained within it. With reference to the recommendation relating to the inclusion of a management response to all future audit reports, it was reported that this was a practice adopted by other local authorities, in particular London Borough authorities. The Committee's attention was then drawn to a number of audit actions which now had been closed. He then went on to state that the proposals would seek to encourage the Council to be proportionate and efficient with the resources available and referred to a recent example where the HR team had taken over responsibility for training, an action which previously had sat with the 3C ICT team. In his concluding remarks, comment was made that a number of open audit actions sat within Corporate Resources and that the Director for Finance and Corporate Resources would endeavour to make progress on these actions going forward.

In response to a question raised by Councillor J E Harvey, it was confirmed that the Senior Leadership Team had undertaken a review of all audit actions line by line. In doing so, Councillor J E Harvey commented that the Chair, herself as Vice-Chair and the Audit Team could have contributed to shaping the final report and proposed that a further report be brought back to the November 2022 meeting providing more specific detail on the proposals. In concurring with this suggestion, Councillor S A Howell requested that the assurance level for each audit action also be included in the report to which the Corporate Director (People) indicated that he would consider the suggestion made. The Internal Audit Manager proposed that the audit opinion could be included within the table as a way forward.

At their request, the Corporate Director (People) undertook to circulate an excel version of the appendix to Members of the Committee outside of the meeting. Following discussion on the matter and having put the recommendations to vote by way of a show of hands, it was

### RESOLVED

- (a) that recommendations 1, 2 and 3 of the report now submitted be not approved; and
- (b) that the report be revisited with additional clarification on the changes to processes recommended by Senior Leadership Team to include detail on what and when items will be considered by Senior Leadership Team and Corporate Governance Committee respectively, for submission to the Committee's 30th November 2022 meeting.

## **23 IMPLEMENTATION OF INTERNAL AUDIT ACTIONS**

With the aid of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Committee were updated on the implementation of internal audit actions.

The latest data now revealed 57% of actions being introduced on time (including those with late implementation) and 34 overdue audit actions remained outstanding. It was further reported that 26 actions had not been implemented. The target for the completion of audit actions to be implemented by the agreed date remained at 100%.

The Internal Audit Manager reported that 44 actions had been closed in the past year with all red actions having been closed. It was noted that a period of 1 months grace would be given for overdue audit actions which was agreed by the Committee. Overdue audit actions continue to be reported monthly to Senior Leadership Team.

At the request of Councillor I P Taylor, the Democratic Services Officer undertook to circulate to him copies of the Council's Treasury Management and Commercial Investment Strategies outside of the meeting.

A question was then raised about Council to Council borrowing and Councillor I P Taylor queried whether the Council had entered into any such agreements with other authorities. It was confirmed by the Director for Finance and Corporate Resources that one such loan did exist which was due for repayment in October 2022. Furthermore the Corporate Director (People) assured the Committee that Council to Council borrowing was a fairly common practice amongst authorities.

At the request of Councillor S A Howell, the Internal Audit Manager agreed to include a list of closed audit actions in future reports. Other matters that were discussed included the progress of audit actions relating to Purchase Order compliance to which the Committee received an update from the Director of Finance and Corporate Resources on progress thus far. Assurances were delivered that the actions would be progressed and that operational teams would be engaged with a view to improving current practices. The Internal Audit Manager also reported that her service would also be reviewing the use of purchase cards with a view to generating efficiencies in this area as well as providing tighter and clearer rules on their use.

Whereupon, it was

**RESOLVED**

that the content of the report now submitted be noted.

## **24 CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT**

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of actions in response to any decisions taken at previous meetings. In doing so, the Democratic Services Officer advised that there had been no uses of the Code of Procurement Waiver Procedure since the previous meeting.

Chairman

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**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Code of Conduct Complaints – Update

**Meeting/Date:** Corporate Governance Committee – 30th November 2022

**Executive Portfolio:** Councillor M Hassall, Executive Councillor for Corporate and Shared Services

**Report by:** Elections and Democratic Services Manager & Deputy Monitoring Officer

**Ward(s) affected:** All

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### **Executive Summary:**

This report provides Members with an update on complaints cases regarding alleged breaches of the Code of Conduct. The Committee is responsible for maintaining high standards of conduct by Members of the District and Town and Parish Councils, for monitoring operation of the Code of Conduct and for considering the outcome of investigations in the event of breaches of the Code.

### **Recommendation:**

**The Committee is requested to note the progress of any outstanding complaints and the conclusion of cases resolved since the meeting in July 2022.**

## 1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide a summary and update of completed or ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year.

## 2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 In accordance with the functions of the Committee, this report seeks to provide a summary of the current position in relation to the Code of Conduct complaints since the last meeting.
- 2.2 The Committee has the responsibility for promoting and maintaining high standards of conduct within the Council, including monitoring operation of the Code of Conduct which also includes Town and Parish Councils.
- 2.3 At the meeting of the Committee on 13th September 2017, Members requested that this report be submitted on a quarterly basis to notify and update on complaints that have been made, how they are being handled and whether they have been resolved.

## 3. ANALYSIS

- 3.1 Details of allegations/complaints in relation to the Code of Conduct have been outlined in the table below. Specific detailed information regarding the complaint has not been provided as this may be prejudicial to the conduct of the ongoing complaints process and to protect the identity of councillors who may not have breached the Code of Conduct.

Case Number	District/Town/Parish Council	Allegation/complaint	Outcome
N/A	Parish Council	Complaint made by a member of the public against a parish councillor that allegedly failed to declare a Disclosable Pecuniary Interest	Matter referred back to the Clerk to investigate and determine whether there is a potential criminal offence that may require Police referral. Confirmed that not a DPI, raised as a point of information rather than item for discussion and vote
N/A	Parish Council	Complaint made by a member of the public against a Parish Councillor alleging she breached 3.4	Matter dismissed as complaint had been fully investigated in 2020 and further



<b>Case Number</b>	<b>District/Town/ Parish Council</b>	<b>Allegation/complaint</b>	<b>Outcome</b>
		(disrepute) and 3.5 (personal advantage) under the old Code	matter raised related to FOI requests applicable to Parish Council
22/54	Parish Council	Complaint made by a member of the public against Parish Councillors alleging they breached 3.1 (leadership), 3.2 (respect) and 3.4 (disrepute) of the Code	Matter referred back to the Clerk to investigate
22/55	Parish Council	Complaint made by a member of the public against a Parish Councillor alleging he breached 3.1 (leadership) and 3.2 (respect) of the Code	Matter referred back to the Clerk to investigate

3.2 The process for dealing with conduct complaints is set out in the Monitoring Officer Protocol but once referred to the Monitoring Officer investigation stage, they are required to consult with the Independent Person following an initial assessment and before any decisions are taken as to what, if any, further action is considered appropriate.

#### **4. LEGAL IMPLICATIONS**

4.1 There are no significant implications to report.

#### **5. REASONS FOR THE RECOMMENDED DECISIONS**

5.1 This is an opportunity for Members of the Committee to be appraised of details of completed complaints and any outstanding complaints alleged against the Code of Conduct. This is in accordance with the functions of the Committee and its duty to discharge functions in relation to the promotion and maintenance of high standards of conduct within the Council and amongst Town and Parish Councils within the District.

#### **6. BACKGROUND PAPERS**

Constitution – Members’ Code of Conduct  
The Localism Act 2011

## **CONTACT OFFICER**

Name/Job Title: Lisa Jablonska, Elections and Democratic Services Manager &  
Deputy Monitoring Officer  
Tel No: (01480) 388004  
Email: [lisa.jablonska@huntingdonshire.gov.uk](mailto:lisa.jablonska@huntingdonshire.gov.uk)

**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Subject Matter:** External Audit Plan 2021/22

**Meeting:** Corporate Governance Committee – 30th  
November 2022

**Executive Portfolio:** Executive Councillor for Finance and Resources

**Report by:** Chief Finance Officer

**Ward(s) affected:** All

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### **Executive Summary:**

- In preparation for the 2021/22 audit, Ernst and Young are required to inform those charged with governance how they plan to undertake the audit. The plan is attached as Appendix 1, and outlines:
  - an overview of the 2021/22 audit strategy;
  - the audit risks;
  - the value for money risks;
  - the audit materiality;
  - the scope of the audit;
  - the audit team;
  - the audit timeline; and
  - the auditor's independence.

### **Recommendation:** Recommendation(s):

It is recommended that the Committee reviews the attached External Audit Plan 2021/22 (**Appendix 1**) and:

- comments on the plan in general.
- with the expected number of external audit updates expected to be received by the Committee between now and the end of the audit, that the Committee comments on the level of comfort that the frequency of reporting will award (para 4.6).

## 1. PURPOSE

- 1.1 This is the fifth year that Ernst and Young will be the Council's auditor.
- 1.2 Ernst and Young are required to detail how the audit will be carried out and this is detailed in Ernst and Young's Audit Plan at **Appendix 1**.

The audit plan includes:

- an overview of the 2021/22 audit strategy;
  - the audit risks;
  - the value for money risks;
  - the audit materiality;
  - the scope of the audit;
  - the audit team;
  - the audit timeline; and
  - the auditor's independence.
- 1.3 The audit plan has been designed to take into account several key inputs:
- strategic, operational, and financial risks relevant to the financial statements;
  - developments in financial reporting and auditing standards;
  - the quality of systems and processes;
  - changes in the business and regulatory environment; and
  - management's view on all of the above.
- 1.4 At the completion of the audit, Ernst and Young will issue an audit report giving their opinion on whether the Council's financial statements give a true and fair view of the Council's financial position as at the 31 March 2022.

## 2. BACKGROUND

- 2.1 In order for Ernst and Young to get to an opinion on whether the financial statements give a true and fair view, the scope of the work they will complete is:
- to review and report on the Council's financial statements; and
  - to review and report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- 2.2 The review will take place under the International Standards on Auditing (UK and Ireland).

### 3. RISKS

3.1 Ernst and Young have assessed the risks that the Council is subject to, through discussion with those charged with governance and council officers. The risks can be broken down into three categories:

- financial statement risks; including
- fraud and error; and
- value for money risks.

3.2 The financial statement risks to which the Council is subject include:

- mis-statements due to fraud or error;
- risk of fraud in revenue and expenditure recognition;
- risk of fraud or error relating to covid-19 government grant support schemes;
- valuation of investment properties and other land and buildings;
- pension liability valuation;
- business rates appeals provision;
- recoverability of receivables; and
- going concern.

3.3 Value for money risks

When assessing the value for money risks Ernst and Young will determine whether the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Proper arrangements comprise:

- taking informed decisions;
- deploying resources in a sustainable manner; and
- working with partners and other third parties.

3.4 When considering the arrangements Ernst and Young will also draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that their assessment is made against a framework that should already be in place.

### 4. AUDIT APPROACH 2021/22

4.1 The audit will cover the following:

- *analytics* - Ernst and Young will use computer-based analytics tools to capture whole populations of financial data; the data will then be subject to testing to identify exceptions and anomalies. This type of analysis will give an increased likelihood of identifying errors over random sampling.

- *internal audit* - Internal Audit's work in documenting the financial systems and controls, will be used to update Ernst and Young's understanding, and to carry out walk-throughs of those systems.
- *use of specialists* - when auditing key judgements, reliance will be placed on specialists, who have expertise not possessed by the core audit team. The specialists will be used to analyse source data, assess assumptions and judge whether the findings are reflected in the accounts.
- *mandatory audit procedures* - Ernst and Young will also address the risk of fraud and error, review significant disclosures and corporate controls, report on inconsistencies in the financial statements and address auditor independence.

4.2 In this way the auditors will be able to assess key controls, identify significant risks and carry out substantive testing on transactions and balances.

### **Materiality**

4.3 The level of materiality is defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts.

4.4 The planning materiality level for 2021/22 has been set at £1.93m which represents 2% of gross expenditure on provision of services (taken from the Council's 2021/22 draft financial statements). Performance materiality has been set at £1.45m (75% of the planning materiality). In addition, mis-statements greater than £96,500 will be reported. It is possible that the level of materiality may change during the audit.

4.5 At the end of the audit Ernst and Young will form an audit opinion by reference to all matters that could be significant to users of the accounts, including the effect of misstatements.

### **Timetable**

4.6 The timetable below shows the key dates for the audit and also the dates at which Corporate Governance Committee (CGC) will receive reports and updates. The full details of the required communications to those charged with governance are shown in Appendix B of the Audit Plan.

<b>Audit Phase</b>	<b>Timetable</b>	<b>CGC Update</b>	<b>Deliverables</b>
High level planning	June to August 2022	30 November 2022	Audit plan
Year-end audit	February to March 2023		
Audit completion procedures	March 2023	22 March 2023	Audit plan update – VfM assessment; Audit results report; Audit opinion & completion certificates
Conclusion of reporting	April 2023		Auditor's annual report

### **Auditor Independence**

- 4.7 The Ethical Standards require that Ernst and Young communicate with the Council on a timely basis on all significant matters that bear on their independence and objectivity. The aim of this is to ensure full and fair disclosure to those charged with governance.
- 4.8 Ernst and Young have highlighted within the Audit Plan threats to their independence and how they expect to mitigate these. The threats include:
- self-interest threats – other on-going relationships;
  - self-review threats – fees payable to Ernst and Young are disclosed in the financial statements;
  - management threats – making decisions for the Council; and
  - other threats – advocacy or intimidation.

### **5.0 AUDIT FEES**

- 5.1 The total audit scale fee for 2021/22 is £94,700.
- 5.2 It is possible the fee may change if additional work is required because misstatements lead to extra testing, any changes to fees will be discussed with the Council in advance. The fee levels are based on the following assumptions:

- officers meeting agreed timetable of deliverables;
- accounts and value for money conclusions are unqualified;
- appropriate quality of documentation is provided by the Council; and
- the Council has an effective control environment.

5.3 Fees for consideration of correspondence from public and formal objections will be an additional charge.

## **6. KEY IMPACTS/RISKS**

6.1 The risks associated with the actions in this report are financial statement risks and value for money risks, these risks are addressed in section 3.

## **7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

7.1 The plan including key dates and milestones that are necessary in order to complete the audit successfully are included in Section 7 of Ernst and Young's plan at Appendix 1

## **8. LINK TO CORPORATE PLAN**

8.1 Becoming a more efficient and effective Council

## **9. LEGAL IMPLICATIONS**

9.1 There are no direct legal implications arising from this report.

## **10. RESOURCE IMPLICATIONS**

10.1 The budget for External Audit Fees is £71,000, which excludes the proposed increase to the scale fee.

## **11. OTHER IMPLICATIONS**

11.1 No other implications.



## **12. REASONS FOR THE RECOMMENDED DECISIONS**

- 12.1 It is recommended that the Committee reviews the attached External Audit Plan 2021/22 (**Appendix 1**) so members can consider the audit process to be followed.

## **13. LIST OF APPENDICES INCLUDED**

- 13.1 **Appendix 1** – Huntingdonshire District Council Audit Plan 2021/22

## **BACKGROUND PAPERS**

Ernst and Young Audit Plan

## **CONTACT OFFICER**

Name/Job Title: Sharon Russell-Surtees, Chief Finance Officer  
Tel No: 01480 388524  
Email: sharon.russell-surtees@huntingdonshire.gov.uk

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# Huntingdonshire District Council

## Initial Audit Plan

Year ended 31 March 2022

9 August 2022



Corporate Governance Committee Members  
Huntingdonshire District Council  
Pathfinder House  
St Mary's Street  
Huntingdon  
PE29 3TN

9 August 2022

Dear Corporate Governance Committee Members

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

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

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

We welcome the opportunity to discuss this report with you on 30 November 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

*MARK HODGSON*

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP  
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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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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





01

# Overview of our 2021/22 audit strategy





## Overview of our 2021/22 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively (Management Override).
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Accounting for Covid-19 related government grants	Significant Risk	No change in risk or focus	The Council has received a significant level of government funding in relation to Covid-19, including a number of new grants in 2021/22. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions. As there have been new, individually material, grants received during the year, including the COVID-19 Additional Relief Fund, and the level of adjustments in this area last year, we have retained the significant risk in this area.

## Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Pension Valuation and Other Disclosures	Inherent Risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the Pension Fund Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>
Valuation of Land and Buildings and Investment Property	Inherent Risk	No change in risk or focus	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Property represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land &amp; Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work last year we did not identify any material issues with the work of the external valuer. We are also not aware of any other trigger events that would give rise to a significant risk, and therefore this remains an inherent risk.</p>
National Non-Domestic Rates (NNDR) Appeals Provision	Inherent Risk	No change in risk or focus	<p>Due to the impact of COVID-19, there is a possibility that businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. The Council's NNDR Appeals Provision is a material estimate, totalling £2.97 million for the Collection Fund as a whole. In light of this, we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.</p>
Recoverability of Receivables (Debtors)	Inherent Risk	No change in risk or focus	<p>As a result of the long term impact of COVID-19 and other market uncertainties there may be increased uncertainty around the recoverability of Receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of ongoing uncertainty and assess the appropriateness of this estimation technique.</p>



## Overview of our 2021/22 audit strategy

### Materiality

Planning  
materiality

£1.93m

Materiality has been set at £1.93 million, for the audit of the Council, which represents 2% of gross expenditure on provision of services (taken from the Council's 2021/22 draft financial statements).

Performance  
materiality

£1.45m

Performance materiality has been set at £1.45 million, which represents 75% of materiality.

Audit  
differences

£96,500

We will report all uncorrected misstatements relating to the primary statements (Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and Collection Fund) greater than £96,500. Other misstatements identified will be communicated to the extent that they merit the attention of the Corporate Governance Committee.

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

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

# Overview of our 2021/22 audit strategy

## Audit scope

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

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

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

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

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

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

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

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

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

# Overview of our 2021/22 audit strategy

## Value for money conclusion

We include details in Section 03 but in summary:

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

## Timeline

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

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





# 02 Audit risks





## Audit risks

### Our response to significant risks

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

Misstatements due to fraud or error \*

#### What is the risk?

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

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

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

#### What will we do?

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

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

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

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

## Our response to significant risks (continued)

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

### Financial statement impact

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

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

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

### What is the risk?

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

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

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

### What will we do?

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

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

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





## Audit risks

### Our response to significant risks

#### Accounting for Covid-19 related government grants

#### Financial statement impact

The Council continues to receive a significant level of government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2021/22 statements.

#### What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. We are aware of new Covid-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) where the Council has received £4.1 million.

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

#### What will we do?

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

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as an agent or a principal; and
- ▶ Encourage the finance team to provide its assessment of grant accounting well before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

## Audit risks

### Other areas of audit focus

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

#### What is the risk/area of focus?

##### **Pension Liability Valuation & other pension disclosures**

The Authority makes extensive disclosures within its financial statements regarding its membership of Cambridgeshire Pension Fund Scheme administered by Cambridgeshire County Council. Per the draft financial statements, the liability totalled £69.84 million.

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

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

##### **Valuation of Land and Buildings and Investment Property**

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

Per the draft accounts the net book value of PPE was £77.23 million, and the fair value of Investment Properties was £69.52 million. We note that within PPE, our focus is on Land and Buildings and Surplus Assets.

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

#### What will we do?

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

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

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

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.





## Audit risks

### Other areas of audit focus (continued)

#### What is the area of focus?

##### **National Non-Domestic Rates (NNDR) Appeals Provision**

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

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

#### What will we do?

We will consider the Council's estimation of the NNDR appeals provision by performing the following:

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

##### **Bad debt provision and recoverability of debtors**

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

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

- ▶ Review the calculation of the Bad Debt Provision for reasonableness and accuracy; and
- ▶ Consider the recoverability of debts in testing a sample of trade receivables.



# 03

## Value for Money Risks



## Council's responsibilities for value for money

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

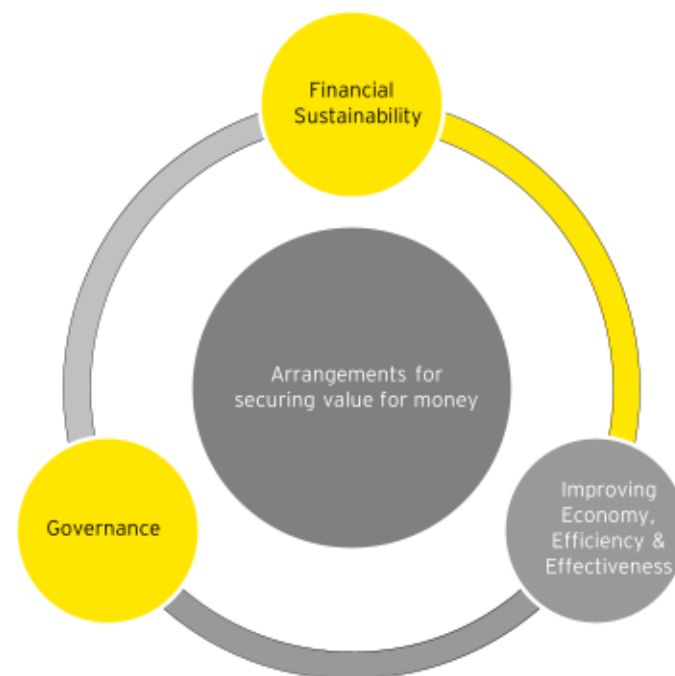
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

## Auditor responsibilities

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

The specified reporting criteria are:

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





## Planning and identifying risks of significant weakness in VFM arrangements

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

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

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

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

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

We should also be informed by a consideration of:

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





# Value for Money

## Responding to identified risks of significant weakness

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

## Reporting on VFM

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

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

## Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM risk planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability - including the impact of Covid-19 on the medium term financial planning.

We will provide an update on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements at a future Corporate Governance Committee meeting.



04

## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2021/22 has been set at £1.93 million for the Council. This represents 2% of the Council's gross expenditure on provision of services (taken from the draft financial statements). It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts. We have provided supplemental information about audit materiality in Appendix C.



### Key definitions

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

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.45 million for the Council which represents 75% of planning materiality, This reflects the relatively lower level expectation of misstatements in our 2021/22 financial statement audit.

**Audit difference threshold** - we propose that misstatements identified below these thresholds are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

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

**Specific materiality** - We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £1,000 in line with bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.

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

### Materiality

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

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

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





**05**

## Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

#### 1. Financial statement audit

##### Our opinion on the financial statements:

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

##### Our opinion on other matters:

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

##### Other procedures required by the Code:

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

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

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

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

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

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

#### Analytics:

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

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

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

#### Internal audit:

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





06

Audit team



## Audit team

### Audit team structure:

Mark Hodgson  
Audit Partner

Dan Cooke  
Audit Manager

Jacob McHugh  
Audit Manager

Claire Sulam  
Senior

EY Real  
Estates (EYRE)

PwC (consulting  
actuary) and EY  
Actuaries

### Working together with the Council

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

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

## Use of specialists

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

Area	Specialists
Pensions disclosure	Management's Expert - Hymans Robertson - Actuary to Cambridgeshire Pension Fund EY Pensions Team
Valuation of Land and Buildings & Investment Properties	Management's Expert - Montagu Evans EY Real Estates (if required)
Financial Instruments	Management's Expert - Arlingclose

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

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

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



# Developing the right Audit Culture

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



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

There are three elements underpinning our culture:

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

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



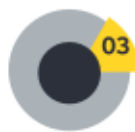
#### Tone at the top

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



#### Exceptional talent

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



#### Accountability

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



#### Audit technology and digital

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



#### Simplification and innovation

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



#### Enablement and quality support

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

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

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

#### 2021 Audit Culture Survey result

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

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

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

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

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

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

Sir John Thompson  
Chief Executive of the FRC





07

# Audit timeline







## Audit timeline

### Timetable of communication and deliverables

#### Timeline

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

Audit phase	Timetable	Corporate Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	June - August 2022	Corporate Governance Committee - 30 November 2022	Audit Plan
Year end audit	February - March 2023		
Audit Completion procedures	March 2023	Corporate Governance Committee - March 2022	Audit Plan Update - VFM Risk Assessment Audit Results Report Audit opinion and completion certificates
	April 2023		Auditor's Annual Report



08

# Independence



# Introduction

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

## Required communications

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

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

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



## Relationships, services and related threats and safeguards

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

### Overall Assessment

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

### Self interest threats

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

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

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

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

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

### Self review threats

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

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

### Management threats

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

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

### Other threats

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

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

## Other communications

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### **EY Transparency Report 2021**

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



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Appendices





## Appendix A

### Fees

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

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

	Planned fee 2021/22	Final Fee 2020/21
	£'s	£'s
Scale Fee - Code work	40,992	40,992
Submitted Scale Fee Variation (Note 1)	-	86,736
Baseline increase in Scale Fee from 2019/20 (Note 2)	56,430	-
Additional Audit Procedures (Note 3)	TBC	-
<b>Total audit</b>	<b>TBC</b>	<b>127,728</b>

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All fees exclude VAT

**Note 1** - We notified management of the Scale Fee variation and have submitted this to PSAA Ltd for determination.

**Note 2** - We have included the recurring element of the scale fee variation from 2020/21 in respect of our 2021/22 audit.

**Note 3** - For 2021/22, the final scale fee will be impacted by a range of additional factors which did or will result in additional audit work, such as the impact of Covid-19. See Section 2 of this report for further areas that are likely to lead to additional fees. We will notify Management of the final scale variation and submit this to PSAA Ltd for determination.

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

The agreed fee presented is based on the following assumptions:

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

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

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



## Appendix B

# Required communications with the Corporate Governance Committee





We have detailed the communications that we must provide to the Corporate Governance Committee.



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - 30 November 2022 - Corporate Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee; and  Auditor's Annual Report - March 2023 - Corporate Governance Committee

## Required communications with the Corporate Governance Committee (continued)



			 Our Reporting to you
 Required communications	 What is reported?	 When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee	
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee	
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the Corporate Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee	
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Corporate Governance Committee responsibility</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee	

## Required communications with the Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 30 November 2022 - Corporate Governance Committee; and</p> <p>Audit Results Report - March 2023 - Corporate Governance Committee</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance Committee may be aware of</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee

## Appendix B

# Required communications with the Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March 2023 - Corporate Governance Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March 2023 - Corporate Governance Committee
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - March 2023 - Corporate Governance Committee Auditor's Annual Report - March 2023
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 30 November 2022 - Corporate Governance Committee; and Audit Results Report - March 2023 - Corporate Governance Committee
Value for Money	<ul style="list-style-type: none"> <li>▶ Risks of significant weakness identified in planning work</li> <li>▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Audit Plan - 30 November 2022 - Corporate Governance Committee; Audit Results Report - March 2023 - Corporate Governance Committee Auditor's Annual Report - March 2023



## Additional audit information

### Objective of our audit

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

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

### Other required procedures during the course of the audit

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

#### Our responsibilities required by auditing standards

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



## Additional audit information (continued)

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

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

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

### Purpose and evaluation of materiality

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

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

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

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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

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ED None

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**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** CIPFA Code of Financial Management

**Meeting/Date:** Corporate Governance Committee - 30th  
November 2022  
Council – 15th December 2022

**Executive Portfolio:** Executive Councillor for Finance and Resources

**Report by:** Director of Finance and Corporate Services

**Ward(s) affected:** All

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### **Executive Summary:**

The Code of Financial Management is a CIPFA recommendation and provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability.

Each authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the code is a collective responsibility of elected members, the S151 Officer and the leadership team.

The attached appendix details the seventeen measures within the CIPFA Code of Financial Management and gives details of how the Council provides evidence of its compliance with the code. The code will be reviewed on an annual basis to reflect any changes in legislation, accounting standards, the Council's evidence base or amendments to the code itself.

### **Recommendation(s):**

#### **RECOMMENDED**

1. The Committee approve the CIPFA Code of Financial Management.

## **1. PURPOSE OF THE REPORT**

To introduce the CIPFA Code of Financial Management.

## **2. WHY IS THIS REPORT NECESSARY**

The CIPFA Code of Financial Management is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code sets the standards of financial management for local authorities and is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

By following the essential aspects of the Code, the Council is providing evidence to show it is meeting important legislative requirements in its jurisdiction; since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration.

The code focuses on twenty seven separate measures, subdivided into six themes, looking at how the organisation manages its finances through the reporting and governance processes. The report attached as Appendix 1 shows these and links them to how the Council evidences its compliance with the Code.

## **3. KEY RISKS**

If the Council does not implement the Code it will not be able to provide assurance that the authority is managing resources effectively.

## **4. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

Following approval of the code, Internal Audit will conduct a review of the evidence provided to demonstrate compliance and will update the "RAG" rating section. An action plan will then be developed to address any areas of weakness.

The code will be reviewed on an annual basis to reflect any changes in legislation, accounting standards, the Council's evidence base or amendments to the code itself.

**5. REASONS FOR THE RECOMMENDED DECISIONS**

The Committee is recommended to approve the acceptance of the CIPFA Code of Financial Management.

**6. LIST OF APPENDICES INCLUDED**

Appendix 1 – Code of Financial Management

**CONTACT OFFICER**

Name/Job Title: Karen Sutton, Director of Finance & Corporate Resources  
Tel No: 01480 387022  
Email: [Karen.Sutton@huntingdonshire.gov.uk](mailto:Karen.Sutton@huntingdonshire.gov.uk)

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Standard	Descriptor	RAG	Evidence	Development
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**The responsibilities of the Chief Financial Officer and the Leadership Team**

A	The leadership team is able to demonstrate that the services provided by the authority provide value for money		<p>The Council operates under a Leader/Cabinet system. Councillors are supported by the Senior Leadership Team (SLT), which is headed by the Council’s Managing Director. SLT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance and VFM in the delivery of council services. In addition, there are Overview &amp; Scrutiny Committees which hold the Cabinet to account.</p> <p>The work of the Council’s committees is governed by the Constitution which is openly available on the Council’s website.</p> <p>The Council produces an Annual Governance Statement (AGS) which needs to be read alongside the Council’s constitution. This sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent, and accountable to local people.</p>	<p>Implement a schedule of review for key control policies to ensure these remain effective and current.</p> <p>Review the performance reporting framework, performance indicators and benchmarking data.</p>
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Standard	Descriptor	RAG	Evidence	Development
			<p>The AGS is compliant with the CIPFA Code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks. The AGS includes an internal audit assessment of governance arrangements in place and the Council's external auditors also conduct a VFM review as part of their annual work.</p> <p>The Council's annual VFM external audit assessment has identified no significant weaknesses in respect of the three assessment criteria:</p> <ul style="list-style-type: none"> <li>• Financial sustainability</li> <li>• Governance</li> <li>• Improving economy, efficiency and effectiveness</li> </ul> <p>The Council has policies for financial management, risk management and a Procurement Code.</p>	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government		The Director of Finance and Corporate Resources (DFCR) is the Council's S151 officer. They are actively involved in all material business decisions through being fully engaged with	Ensure the DFCR maintains their compliance with the CIPFA statement through a programme of training and peer group networking.

Standard	Descriptor	RAG	Evidence	Development
			<p>Members, attending Committee and Council meetings, holding regular meetings with the relevant cabinet members, and they are a member of the Council’s senior leadership team.</p> <p>The DFCR is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The DFCR is required to ensure the financial statements are prepared in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom.</p> <p>In preparing the financial statements, the DFCR is responsible for assessing the Council’s ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.</p> <p>The DCFR encourages good financial management across the whole Council through implementing a business partnering approach,</p>	<p>Implement a more structured programme of training for the Finance team, identifying specific areas where skills need to be strengthened and addressing these.</p>

Standard	Descriptor	RAG	Evidence	Development
			<p>ensuring finance is prioritised throughout governance procedures and through regular financial reporting to SLT, members, Overview and Scrutiny Committees and Corporate Governance Committee.</p> <p>The DCFR also networks externally and works closely with other local authority senior Finance Officers. The DCFR is a professionally qualified accountant with significant experience as a Chief Financial Officer. Continuous Professional Development (CPD) is a key aspect of maintaining this qualification and it is critical the DCFR continues this and maintains records.</p> <p>The Council’s finance team is sufficiently resourced with qualified accountants. The finance function is staffed mainly through permanent staff with good levels of knowledge and experience. Specialist knowledge is also contracted in high-risk areas including pensions, valuations, VAT. Training, including CPD, is encouraged to ensure the team’s knowledge remain current and effective.</p>	

Standard	Descriptor	RAG	Evidence	Development
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**Governance and Financial Management Style**

C	The leadership team demonstrates in its actions and behaviours responsibility for governance and control		<p>The Council recognises that effective local government relies upon maintaining the confidence of the public in both the elected Members and Officers of the Council. The Council continues to keep under review Governance arrangements and related procedures to ensure best practice so that the highest standards are maintained.</p> <p>The Council has a Corporate Governance Committee, independent of both the Executive and the Policy and Scrutiny process as recommended by CIPFA. Its terms of reference include a wide range of responsibilities. The Council’s Standards Committee’s main responsibility is to ensure that high standards of Member conduct are maintained. The Council arranges for Members to attend training on the Code of Conduct, are briefed on relevant issues and receives an annual overview report on complaints about Member Conduct. All decisions referred to members are set out using a template which includes legal and</p>	<p>Continue with the review of governance arrangements as the need arises.</p> <p>Embed a risk management culture across the Council to ensure risk and impact is considered in all decisions.</p>
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Standard	Descriptor	RAG	Evidence	Development
			<p>regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate. The Council has developed and maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based through Minutes and Reports to Council. All non-exempt Council, Cabinet, Committee agendas/minutes, Cabinet Member Reports, Statements of Decisions and Minutes are available on the Council’s Website.</p> <p>The authority will undertake regular reviews of its governance arrangements to ensure continuing compliance with best practice. It recognises the importance of ensuring that such reviews are reported both within the authority, to the Audit and Performance Committee and externally with the published accounts, to provide assurance that corporate governance arrangements are adequate and operating effectively in practice.</p>	

Standard	Descriptor	RAG	Evidence	Development
D	The authority applies the CIPFA/Solace delivering Good Governance in Local Government		<p>The Council's Code of Governance is regularly updated and sets the standards for the conduct of Officers and Members at the City Council. It is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework. The CIPFA/SOLACE Framework introduced the requirement to produce an annual governance statement from 2007/08.</p> <p>The Annual Governance Statement (AGS) is also available on the Council's website. The Statement is updated following the end of each financial year. The AGS includes an Annual Internal Audit Opinion on the effectiveness of the internal control environment and the systems of internal control, highlights issues identified annually along with planned action.</p>	Review the AGS and ensure any actions identified are delivered within the stated timescales.

**Long to medium term financial management**

E	The financial management style of the authority supports financial sustainability		There is wide consultation across the Council, including finance, in developing the budget and challenge mechanisms are in place, from the Senior Leadership Team (SLT) and from the challenge provided generally	Aligning budget monitoring reporting with SLT meetings to allow more timely decision making with respect to financial variances.
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Standard	Descriptor	RAG	Evidence	Development
			<p>by members. The Medium-Term Planning process ensures the Council balances its budget and identifies savings that can be made. Risks are considered within the budget and MTFP and the quarterly performance reporting to the Corporate Governance Committee also highlights these risks. In addition, each lead portfolio member is encouraged to be involved in developing and setting the budget for their service area. Risks are discussed as part of this process.</p> <p>Quarterly financial reporting provides an update on the budget position and includes a narrative on risks of achieving this. The approach to closing the budget gap is regularly discussed outside of Cabinet meetings with the SLT, the Leader and the Cabinet Member for Finance and Resources. The 2022/23 budget assumes no use of reserves to balance the budget and there is no evidence of an unsustainable planned use of reserves over the course of the MTFP. The Council has adequate provision within its reserves to manage one-off emergencies. Budget monitoring</p>	<p>Budget Manager training to be developed to cover all areas of budget management, in particular capital expenditure and associated revenue budget impacts .</p>

Standard	Descriptor	RAG	Evidence	Development
			<p>reports are provided to SLT monthly for the consideration of any necessary actions and amendments, and detailed financial monitoring information is provided to the Corporate Governance Committee quarterly and Executive, so there is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces.</p> <p>A scheme of delegation exists within the Constitution to ensure prompt and timely decision making with key decisions required to be taken at Cabinet</p>	
F	The authority has carried out a credible and transparent financial resilience assessment		<p>A 'going concern' assessment is carried out annually by the External Auditors as part of audit, confirming in 2020/21 that the Council is a going concern.</p> <p>Budget monitoring and quarterly reporting to the Overview and Scrutiny Committee continues the review of financial performance and enables action to be taken to protect the "Going Concern" standing of the Council.</p>	<p>Consider the Council's indicator scoring in the annual CIPFA resilience index and consider actions to improve these metrics.</p> <p>Further develop the reporting of Prudential Indicators and ensure members understand what these are reporting.</p>

Standard	Descriptor	RAG	Evidence	Development
			<p>The Council maintains a minimum balance in the General Fund which is reviewed for appropriateness on a regular basis.</p> <p>The half yearly treasury update reports Prudential Indicators for Capital expenditure.</p>	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members		<p>The Council’s Budget, Statement of Accounts and MTFS reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to SLT. The Budget and MTFS are agreed by Full Council. These include the Council’s Capital Strategy and Capital Investment plans, links to the Council’s Commercial Investment Strategy and encompasses any revenue implications.</p> <p>The DFCR will state in the budget report their opinion on the robustness of the estimates provided for the coming year, the MTFS and the adequacy of reserves and balances. The Council is required to consider this in assessing its budget decisions.</p>	<p>Develop a financial dashboard to more clearly identify and communicate financial trends and areas where intervention actions may be required.</p> <p>Review the Section 25 Report to ensure it covers the robustness of the estimates and the adequacy of reserves and balances.</p>



Standard	Descriptor	RAG	Evidence	Development
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities		<p>The Council submits its Capital Strategy for approval annually by Full Council as part of the wider medium-term financial strategy reporting. This allows key links between revenue and capital plans to be reported together for better decision making. The Capital strategy is compliant with the CIPFA Prudential Code.</p> <p>The council’s capital strategy is also reviewed annually alongside the council’s treasury management and investment framework. The council’s capital programme is developed as part of this process and incorporated within the medium-term financial plan and budget report each year.</p> <p>Performance against the prudential code indicators is reported in the Council’s Treasury outturn report on a quarterly basis.</p>	Review the updated Prudential code and ensure Council reporting fully complies with this.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans		The Council prepares a five year budget which is subject to annual review and approval by Council. The development of the budget is highly collaborative and seeks input from members, both directly and via the determination of the Corporate plan. There is a good level of ownership of	Review future budget pressures, ensure the MTFS addresses these and documents proposed actions to mitigate any impacts.

Standard	Descriptor	RAG	Evidence	Development
			<p>and involvement in the budget setting and monitoring process, from budget holders through SLT and up to members.</p> <p>Medium-term forecasts are kept up to date to reflect service needs subject to uncertainties e.g., business rates retention approach, future funding formula and economic impacts. Through budget setting and in-year budget review processes, these plans are continually reviewed.</p>	

**The annual budget**

J	The authority complies with its statutory obligations in respect of the budget making process		<p>The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements including the S151 Officer report under Section 25 of the Local Government Act 2003.</p> <p>The DFCR will make a proper assessment of known risks, alongside inflationary and cashflow pressures.</p>	Review the Council’s arrangements for external budget consultation.
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Standard	Descriptor	RAG	Evidence	Development
			<p>The Council’s S151 Officer is fully aware of the circumstances under which to issue a Section 114 and does not anticipate this being required given the robust nature of its finances.</p> <p>The Council will seek public consultation regarding the service outcomes proposed by the budget and will consider these in its planning.</p>	
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves		<p>The Budget and MTFS are agreed by Full Council and includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves (Section 25 report). The MTFS includes:</p> <ul style="list-style-type: none"> <li>- Key budget pressures arising and details of how these will be mitigated and/or met from within the proposed budget</li> <li>- Planned contingency balances within the baseline to address budgetary pressures and financial risks anticipated</li> <li>- Estimates for staff pay awards and inflation where these are still to be agreed externally</li> </ul>	Review the annual Section 25 statement by the S151 Officer to ensure it remains current and addresses the challenges faced by the Council through funding reductions and other financial pressures.

Standard	Descriptor	RAG	Evidence	Development
			<p>- Estimates for grant funding where not confirmed and collection fund income.</p> <p>The budget report clearly states where there are estimates and provides details (where known) of when these will be confirmed.</p>	

**Stakeholder engagement and business plans**

L	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget</p>		<p>The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards.</p> <p>Regular stakeholder participation forums are held across the district to seek the views of the community on planned changes and developments, and the Council utilises online communication channels such as Twitter and Facebook to further enhance this.</p> <p>The Council works with Voluntary, Community bodies, providing a "joined up" approach to support, commissioning these bodies to work with residents and other bodies.</p>	<p>Engage with the review of Local Government Finance, including through the Society of District Council Treasurers, to identify potential future implications for the Council.</p>
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Standard	Descriptor	RAG	Evidence	Development
M	The authority uses an appropriate documented option appraisal methodology to demonstrate value for money of its decisions		<p>The Council has a fully documented Gateway Assurance Process. All projects with a value over £50k will go through this process, with a number of gateway checks that need to be achieved before a project can proceed. These checks include affordability, governance, project planning and defined deliverables, as well as documenting decisions made and challenges to assumptions.</p> <p>A “New Ideas” process collates ideas from staff for developing new funding streams or better ways of working, taking submissions through a number of decision stages before an idea is given the go ahead or declined.</p> <p>A Code of Procurement exists for all external purchases, demonstrating compliance with Public Sector procurement regulations and defining the best value and sourcing policy.</p>	Ensure reporting used on major projects is consistent and includes a focus on key financial risks and has effective risk management in place to mitigate these.

**Monitoring Financial Performance**



Standard	Descriptor	RAG	Evidence	Development
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability		<p>The Council's Budget, Statement of Accounts and MTFS reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to SLT. The Budget and MTFS are agreed by Full Council. The budget monitoring report provided to SLT allows consideration of any necessary actions and amendments. Detailed financial monitoring information is provided to the Corporate Governance Committee and Executive quarterly, as part of the quarterly performance monitoring report, allowing the Executive to take corrective action, if needed. There is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces. Performance data is gathered, analysed and reported to SLT and Overview and Scrutiny Committee on a quarterly basis. Reports are accurate, clear and written to a standard format.</p> <p>The council has a risk management strategy &amp; policy has been formally approved and adopted and is reviewed and updated on a regular</p>	<p>Ensure service areas report and review their risks on a regular basis, with potential significant impacts being escalated to the Risk &amp; Control Board for monitoring of mitigating actions.</p> <p>Encourage a culture of risk management across the organisation, embedding this into impact analysis and awareness.</p> <p>Provide training as required to service managers to achieve a consistent behaviour to risk management across the Council.</p>

Standard	Descriptor	RAG	Evidence	Development
			basis. The Risk register incorporates financial and operational risks.	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability		<p>Usable reserves are monitored and reported to Members with clearly defined plans for earmarked reserves on annual basis</p> <p>Finance also prepares balance sheet working papers for each balance sheet code periodically throughout the year (during hard close and year end) which are referenced to provide insight to their permissible use. Significant risks are reported to the S151 officer for resolution prior to year-end, escalating to members as required by the Constitution</p>	Review reporting to Members to update on the balance sheet health on a more regular basis.

#### Monitoring Financial Performance

P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom		<p>The Statement of Accounts are prepared in compliance with the Code and approved by the CFO prior to submission to Audit and Performance Committee. The Council received an unqualified audit opinion for 2020/21. The CFO ensures adequate resources within Finance, including suitably trained accountants.</p> <p>The responsibilities of the CFO are set out in the constitution, financial</p>	The S151 Officer should undertake training on annual basis to ensure they are fully abreast of any updates to financial controls or reporting, and these are implemented as required.
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Standard	Descriptor	RAG	Evidence	Development
			<p>regulations and are also included in employment contract/job description as well as in statute. The latest audit report acknowledges the accounts have been prepared in accordance with the Code of Practice. The Council has consistently received an unqualified opinion from the external auditor on its Statement of Accounts and in its value for money opinion.</p>	
Q	<p>The presentation of the final outturn figures and variations from the budget allows the leadership team to make strategic financial decisions</p>		<p>Revenue and Capital outturn is reported quarterly to Overview and Scrutiny Committee. This includes variances against budgets and detail of significant variances, allowing for scrutiny.</p> <p>Significant variations emerging throughout the year in the monitor and at outturn are investigated further. This informs updates to the in-year budget position, medium term financial planning and forward planning and the implications on financial sustainability.</p>	<p>Provide financial training to members so that they understand the reports being presented to them and either take comfort from the messages being given, or know when to initiate corrective actions.</p>

**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Implementation of Internal Audit Actions

**Meeting/Date:** Corporate Governance Committee – 30 November 2022

**Executive Portfolio:** Executive Councillor for Corporate & Shared Services, Councillor Martin Hassall

**Report by:** Deborah Moss, Internal Audit Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

Key performance indicator: 100% of audit actions to be implemented by the agreed date. KPI not achieved, but significant progress has been made in closing out some of the older actions.

Performance in the last 12 months\* to 8<sup>th</sup> November 2022:

**39 actions implemented** - 28% within target, increasing to 78% when including beyond target implementation

**11 actions still to be implemented** – 22%

*(\* actions due before the last 12 months period are not included)*

**17 overdue audit actions** remained outstanding at 8<sup>th</sup> November 2022

This is down from 34 in the last report, which can be attributed to an increased focus on ensuring managers review their outstanding actions and evidence any work undertaken.

56 audit actions closed since April 2022

37 open audit actions at November 2022

### **Recommendation:**

It is recommended that the Committee consider the report and comment on the progress achieved.

## **1. PURPOSE OF THE REPORT**

1.1 To update members on the implementation of audit actions.

## **2. WHY IS THIS REPORT NECESSARY?**

2.1 To give visibility to members of the progress being made in closing out audit actions, or alternative measures being taken to mitigate risk impacts.

## **3. BACKGROUND**

3.1 Following each audit review, audit conclusions, associated actions and implementation dates are agreed between the audit client and the audit team. Recommended actions following an audit are discussed, and the audit report is a record of what has been agreed by way of actions and their target dates.

3.2 The target for the implementation of 'agreed internal audit actions to be introduced on time' is set at 100% in line with best practice that suggests that all recommendations are implemented by the agreed deadline. The deadline date is set/agreed with the client service; actions should be completed by their target date or reasons presented where this is not possible e.g., system changes take longer than expected or other service demands which carry a greater risk take priority.

3.3 For the 12 months ending 8<sup>th</sup> November 2022, 50 audit actions were due to be implemented (deadline date in this period). The following shows the performance against due dates:

- 28% (14 actions) were "implemented within target"; this increases to
- 78% (39 actions) when late implementation is also included
- 22% (11 actions) are yet to be implemented.

## **4. NON-IMPLEMENTATION OF AUDIT ACTIONS**

4.1 Operational circumstances sometimes mean non-implementation or missed deadlines for an audit action. Increased efforts have been made to ensure Service Managers are aware of outstanding actions, update whether progress has been made or operational factors have impacted on their implementation. Overdue actions are also reported to Committee for governance oversight.

4.2 Extensions to deadlines are no longer given. Instead, Action Owners can insert their own 'progress update', which will give a better indication of work being taken to implement the action and to notify any reasons for delay. The next step is to review reporting and escalation processes for this information; if there are barriers to implementation, assistance or resource is required to ensure the action is completed or if the organisation is content to accept the risk for longer and what mitigating actions are required.

- 4.3 As at the 8<sup>th</sup> November 2022, 17 audit actions had not been implemented within target. This includes all overdue actions (not just those due in the last 12 months) to give a more accurate reflection. This is a reduction of 50% from the previous report provided.

A summary is provided at Appendix 1 below.

Of these 17 overdue actions:

- - 4 (*last report 4*) actions 2 years+
- ↓ 4 (*last report 5*) actions are 1 year+
- ↓ 3 (*last report 10*) actions are between 6 months & 1 year overdue
- ↓ 6 (*last report 15*) actions are less than 6 months overdue

*\* Time is measured from the 'original target implementation date' to the 08<sup>th</sup> November 2022.*

- 4.4 In preparation for this report, owners of overdue audit actions have been asked to provide an update as to the status/progress of their action(s). The detail in Appendix 1 provides this 'last update' from the action owner. This gives Members further information as to the progress being made and potentially a new expected completion date. This provides meaningful information outstanding action progress, delays or hold-ups.
- 4.5 At Committee's request an additional detail of the reported audit opinion has been added to the summary of overdue actions table. The audit opinion is given in the audit report at close of an audit and relates to how well the system risks are managed by internal controls. It does not mean that all audit actions within the report have the same priority rating, since each action is given a priority based on risk mitigation significance and urgency.
- 4.7 Officers with actions assigned to them have direct access to the system to enable them to manage those actions. Reminders are sent from the 4Action system in advance of the target date and managers are expected to act on these.
- 4.8 At the request of Committee at its last meeting, an additional Appendix is included, listing all the implemented audit actions that have been closed by the Services since April 2022 (Appendix 2).

## **5. KEY IMPACTS**

- 5.1 It is important that the Council maintains a sound internal control environment. Actions that the Internal Audit Service propose to address risk and control weaknesses are discussed with appropriate members of the Service and, if appropriate, Directors, and agreement is reached as to any corrective/mitigating action that needs to be taken. Internal audit actions are not imposed on management or Services.



- 5.2 Actions that are proposed by Internal Audit but not agreed by the Service are included in the Internal Audit report, together with response/ details as to why the Service does not agree to implement. Senior Management would be asked to decide on whether the action needs to be taken or risk accepted (with reference to risk appetite).
- 5.3 An action that is not implemented means that the weakness or risk originally identified in the audit report, and which the action was designed to address, will remain as a risk albeit other controls within the organisation may mitigate the impact.

## **6. LINK TO THE CORPORATE PLAN**

- 6.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers can deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

## **7. RESOURCE IMPLICATIONS**

- 7.1 There are no direct resource implications arising from this report.

## **8. REASONS FOR THE RECOMMENDED DECISIONS**

- 8.1 The report is presented to Committee to give comfort that progress is being made in completing audit actions.

## **9. LIST OF APPENDICES INCLUDED**

Appendix 1 – Overdue Audit Actions at 8<sup>th</sup> November 2022

Appendix 2 – Closed /implemented Audit Actions closed since April 2022

## **BACKGROUND PAPERS**

Audit actions contained within the 4Action system

## **CONTACT OFFICER**

Deborah Moss – Internal Audit Manager

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**Appendix 1 Overdue Audit Actions @ 08/11/22**

Review Area	Action Priority Level	Report's Audit Opinion	Agreed Action	Implementation Deadline	Last Update	Update provided by Service	Months Late
Data Protection and Information Management 15	Amber	Limited	The Senior Information Risk Officer (SIRO) shall decide how long information and emails etc shall be kept within Anite, and the process for purging or archiving.	30/09/2016	08/11/2022	Having reviewed technical opportunities, they do not meet the needs we have. We are investing in technical support to guide managers in developing treatment plans for their information holdings, and to develop plans and business cases to support this activity into the future. This will be undertaken during the year 22/23.	74

A training needs assessment should be performed for all members of staff that have responsibility for PCI DSS compliance activities so as to determine their training needs.

HDC's approach has been to mitigate our noncompliance by taking training actions, and deploying software which blocks the recording of card details. However, these are mitigations while we work towards full compliance, they do not make us PCI complaint.

Any staff member who takes payments are trained as part of being given access to Capita. However, for HDC to be PCI complaint we either have to:

- Stop customer card details entering our network (including being spoken to advisors even when calls are not recorded) via technical solutions and integrations
- Create a separate accredited network where staff can take card details (thought to be undesirable)
- Allow card details to enter our network but make the whole 3C network PCI compliant (considered impractical \ staff resource heavy and costly)

HDC is operating some payment systems like Gladstone (for Leisure) which require the customer to speak their card details to a Leisure agent while they are input into a chip and pin machine run in a 'card holder not present mode'. Integrating Gladstone into an IMS would be one option.

So HDC's current position is we are working



with outside specialists from the NCC Group alongside City and SCDC to document every route to full compliance and then decide on the appropriate one. The implications of doing nothing will also be specified.

The Capita IMS contract is coming to an end next year, so PCI compliance is being considered alongside the tender for a new IMS. One option from NCC report could be including PCI compliance measures for all systems in the new IMS tender.

I was told by Claire Edwards that HDC is paying a monthly fee due to the fact we are not compliant, but I don't think this indemnifies us against anything. If there was a payment breach, HDC could still be fined and face an investigation from our bank (as well as reputational damage). The ultimate sanction would be the withdrawal of our ability to take payments if we failed to take the remedial action demanded by the bank. The NCC report will cover these risks.

PCI DSS 18.19 / 4	Amber	Adequate	Compliance should be monitored and action taken when members of staff are found to have not completed the PCI DSS training or have not read the policy and procedures.	01/04/2020	07/11/2022	<i>As per update provided for PCI above</i>	32
PCI DSS 18.19 /	Amber	Adequate	<p>Actions need to be drawn together in a policy which sets out how the council will manage PCA DSS compliance activities and the policy should be reviewed on a regular basis. this should include but not be limited to:</p> <ul style="list-style-type: none"> <li>- Assignment of roles and responsibilities for ensuring that the Council is PCS DSS compliant</li> <li>- Procures for staff that are responsible for taking card payments</li> <li>- The Council's security strategy in relation to the storage, processing and transmission of credit card data</li> <li>- A set of instructions for detecting, responding to the storage, processing and transmission of credit card data.</li> </ul>	01/04/20	07/11/22	<i>As per update provided for PCI above</i>	32

Purchase Order Compliance 2019.20 / 2	Amber	Limited	Further investigation will be taken to find out whether the system can be improved by showing the approver the remaining budget at the time of approving a requisition. This will enforce informed commitment making and remove existing blind approvals.	30/06/2021	01/11/2022	To be released in November subject to satisfactory testing which has not been completed yet due to other pressures	16
Land Charges 18.19 / 3	Amber	Limited	Written procedures should be in place to support how the costs and calculation process is carried out.	30/06/2021	06/10/2022	FBP to contact other LAs for information of their operating model	16
Purchase Order Compliance 2019.20 / 5	Amber	Limited	Written procedures on the PO process will be written and issued to users. Users will be educated and refreshed on certain areas not being performed correctly and causing delays or inefficiencies in the process e.g. current issue of failure to receipt, inappropriate use of retrospective ordering.  Guidance will give specific reference to use of retrospective ordering; correct VAT codes; use of the delegation functionality to avoid delays; etc. Guidance should be posted to the 'Popular' section of the Intranet for quick access for users.	30/09/2021	10/10/2022	Action not yet closed as there are some PO notes that still need to be reviewed	13



Main Accounting System 2020.21 / 3

Amber

Adequate

The Payroll reconciliation will be remapped / worked up for the new HR / Payroll system. Instructions will be documented and the routine task handed over to the Payroll team for actioning.

30/09/2021

21/09/2022

Payroll Manager currently waiting on Finance to provide monthly details from Tech One to reconcile against.

13

Budgets and MTFs 2020.21 / 1

Amber

Adequate

Management should perform a training needs analyses to identify and assess the level and type of training required by members of staff and Members with regards to the MTFs and the use of the budget module, which should also identify any training needs for Members.

31/12/2021

06/10/2022

FBPs work closely with the BMs on their budgets and forecasts and provide the requisite training. Detailed guidance notes are also available online. these will be reviewed and updated by 31 March 2023

10

A mandatory training programme should be put in place that is based upon the requirements of the training needs analysis.

Training completion should be recorded and monitored and training records should be maintained for audit purposes.

Main Accounting System 2020.21 / 4

Amber

Adequate

Debtors reconciliation issues will be investigated and resolved. The process for the reconciliation going forward will be documented and responsibility handed over to the Exchequer Officer.

31/03/2022

06/10/2022

7

Small Works Contract 21.22 / 1	Amber	Limited	A dedicated small works contract or framework agreement will be tendered and formalised for use across the authority.	30/04/2022	01/11/2022	Project slippage due to current workloads. This is still in the pipeline and will be picked up as soon as possible. Ideally an ITT will go out for contract prior to 2023.	6
Small Works Contract 21.22 / 2	Amber	Limited	Staff responsible for procurement will be made aware of the contract, its use mandated, and details of pricing / rates and staff responsibility will be communicated.	31/05/2022	01/11/2022	As previous update - due to commence ITT prior to 2023.	5
Inventory of IT Assets 2021.22 / 5	Amber	Limited	Review the inventory to locate gaps in the asset number sequence and create entries to explain the reasons for these gaps.	29/07/2022	03/11/2022	Email sent to Support team to ensure numbers are sequential and process if not.	3
Compliance with the Code of Transparency 2021.22 / 1	Amber	Limited	Review the formal process document which outlines responsibilities for each data set including who is responsible for updating the data, what information needs to be included and the frequency of upload. If this document no longer exist/cannot be located, a new document should be created to capture this information.	30/07/2022	08/11/2022	The requirements of the code of transparency whilst important are slightly arbitrary and span several aspects of the organisation. Whilst creating a new policy to pick up these requirements that span from HR to waste management is the simple option, it generates yet another report that needs to be reviewed and updated. Instead we are building these activities into service plans and service documents to ensure that they remain updated over time, alongside other more service derived data.	3

[This was originally created under Action 1054 during the 2015/16 audit of the Transparency Code.]

Compliance with the Code of Transparency 2021.22 / 2

Amber

Limited

Appoint an 'owner' of the Transparency Code, so that they can be a point of contact, held accountable for the information uploaded and ensure HDC remain compliant with the code. This owner should ensure that the process outlined is adhered too by other services who hold the data.

30/07/2022

08/11/2022

The ownership of the code has been assigned to the SIRO, in the current form of Oliver Morley.

3

Compliance with the Code of Transparency 2021.22 / 3

Amber

Limited

Review the information that is currently held on HDC's website in relation to the Transparency Code. Any data which is out of date should be removed and any links mentioned relevant.

30/07/2022

08/11/2022

Progress made - All HR data updated and added to website, waste data updated. Just need to finalize finance, and procurement data to complete. Anticipate this being made part of standard reporting regimes.  
<https://www.huntingdonshire.gov.uk/council-democracy/council-open-data-and-information/>

3

Overtime 21.22 Action 2

Amber

Adequate

At least six-monthly reports will be generated by Payroll, and HR will review and identify any overtime "anomalies" and liaise with Service Managers to better understand / address issues or concerns.

31/07/2022

07/11/2022

Half the report has been actioned i.e managers contacted the other half needs completing but we will be one HRBP down by Wednesday so wanted to extend deadline until end of December. The plan is to get the other half completed and on to SLT meeting.

3

17 Overdue Actions



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**Appendix 2: Closed /implemented Audit Actions closed since April 2022**

Area	Agreed Action	Report Audit opinion
<p>Cyber Security Risk Management 2020.21 / 4</p>	<p>Management should undertake a review to assess the content, delivery method and quality of the council's user education programmes for cyber/IT security.</p> <p>Efforts should be made to harmonise the education packages, extracting the most relevant elements from each to create an optimum package.</p> <p>Due to increased security concerns as a result of COVID-19, the awareness training should be focused on phishing emails and social engineering.</p> <p>This education should be deployed to users at least on an annual basis, with consideration given to bi-annual refresher sessions.</p> <p>New starters must complete this education on a mandatory basis to ensure that security awareness is embedded from day one of their employment within the Councils.</p> <p>Training completion should be monitored and there should be a record of all the training that has been provided and completed to all members of staff.</p>	<p>Limited</p>
<p>Cyber Security Risk Management 2020.21 / 6</p>	<p>Management should ensure that the migration plans of unsupported Windows system is recorded and tracked to completion.</p> <p>It should also be included within the Council's ICT Risk Register and take steps to decommission these devices as soon as possible.</p>	<p>Limited</p>



Management should determine the agreed criteria to be used when assessing an application's potential for migration to the cloud.

Limited

Using the Applications Matrix as guidance, a defined framework should be constructed to ensure that all potential scenarios are factored into the assessment criteria to determine the driving focus.

For example, an application may be identified as nearing the end of its support agreement, so the potential to amend its current hosting methods may be preferable for reasons such as cost, system availability or system stability.

Alternatively, the hardware used to host the application may be due for replacement, so a decision must be taken on whether migration to the cloud is a preferable option.

The design of the framework should be consistent, yet flexible enough to adapt to multiple potential scenarios, at its core, focusing on the elements regarded as high priority, such as: cost saving, potential risk, system availability and contractual obligations.

The key element of the decision-making process is to assess the appropriateness of migrating/not migrating an application to the cloud versus remaining "as is", with clearly documented pros and cons of each scenario.

Cloud Computing 2020.21 / 4

Using the Migration Assessment Framework as a guide, a Corporate Applications Roadmap should be drafted, to ensure which applications the Councils would migrate to the cloud as well as which must be migrated to the cloud (for example, to avoid an impending required investment such as procurement of a new hardware.)

Limited

Management should assess possible dependencies of each system moving forwards, considering that multiple services may exist on the same platform on multiple servers – including business critical with non-business critical - so what happens to one application may impact others hosted on the same server.

The Corporate Applications Roadmap should have a forward projected “review by” date applied for all systems that cannot be migrated to the cloud at this time and an overview of dependencies prohibiting migration, with a schedule to revisit and reassess their status built into ICT’s ongoing calendar of activities.

In addition, there should be reviews performed for all applications that have already been migrated to the cloud to evaluate latency and user connectivity, system availability, and if the hosting method remains appropriate.

Access Management Control 19.20 / 5

Head of IT & Digital 3C Shared Services should ensure requirements for setting up new user access to the network are set out in formal policy document and is uploaded onto the intranet and the PPMS.

Adequate

Line managers acknowledge the formal policy set out by 3CSS which ensures £CSS are notified of leavers in timely manner.

Hardware & Software Asset Management Control 19/20 / 3

A thorough review of the ICT asset database should be undertaken on a regular basis to ensure that all assets include a location and the information recorded on them is complete, accurate and up to date.

Adequate

Hardware & Software Asset Management Control 19/20 / 5	Management should perform an exercise to gather licensing information evidence relating to all the business and IT software applications. Additionally, licensing information should be recorded but not limited to : - Licence type - Product keys (if applicable) - Locations of the installation CD - Licence expiry	Adequate
Hardware & Software Asset Management Control 19/20 / 6	There should be a mechanism in place to monitor and review software installed on all end point devices.	Adequate
Protocol Policy Management System 18.19 / 3	Management will put a plan in place to seek staff awareness of IT policies by including a rolling awareness programme for extant policies within the protocol policy management system.	Adequate
Network System Resilience & Availability 2019.20 / 1	Management should establish planned schedule for testing of data centre failover. Testing should be undertaken on at least an annual basis.	Adequate
Purchase Order Compliance 2019.20 / 1	Investigation into what can be done within the system to place a lockdown on budget codes so only budget manager and their delegated officers can use their cost centre and approve expenditure on their code. This investigation will also find out what HDC can amend alone and what can be done with Tech1 assistance (and the cost of this). Investigation should also look at whether the system can be set so that the PO originator defaults to sending the PO to the budget holder i.e. link a user to a default approver.	Limited
Purchase Order Compliance 2019.20 / 3	Authorisation limits will be reviewed – unlimited authorisation limits will be amended; and users will be given appropriate limits based on needs for their role (not their grade) and the existing hierarchy within their team and who should be authorising POs.	Limited
Purchase Order Compliance 2019.20 / 4	Self -authorised requisitions will be monitored. The process by which this will be done is yet to be decided: it is likely to be a 6 monthly report of activity and volume, and check and re-education.	Limited

Purchase Order Compliance 2019.20 / 6	<p>The above user guidance will include specific guidance on the use of retrospective ordering (when it is appropriate/efficient to use).</p> <p>Consideration will also be given to introducing a Performance Indicator for retrospective ordering to measure its ineffective usage and inform where further education is needed.</p>	Limited
Purchase Order Compliance 2019.20 / 7	<p>Guidance will also include the use of 'bulk orders' which can be used for contracts requiring repeated invoices over the year introducing draw-down from the total commitment.</p> <p>This will be set-up and users provided with education and a demo on its use and application within Services.</p>	Limited
Purchase Order Compliance 2019.20 / 8	<p>Investigation will be made into finding out how many supplier accounts we have for employees and put these accounts into suspension so they cannot be used.</p>	Limited
Budget Monitoring and Forecasting 2020.21 /	<p>Management should perform a training needs analysis to identify and assess the level and type of training required by members of staff with regards to budget monitoring and forecasting and the use of the forecasting module, which should include, but not be limited to, salaries and project budgets.</p> <p>A mandatory training programme should be put in place that is based upon the requirements of the training needs analysis.</p> <p>Training completion should be recorded and monitored and training should be maintained for audit purposes.</p>	Substantial
Budgets and MTFS 2020.21 / 2	<p>Management should document the Council's MTFS methodology, which should include, but not limited to:</p> <ul style="list-style-type: none"> <li>- The documentation required and used during the process</li> <li>- Interviews with key personnel undertaken</li> <li>- Risk assessments</li> <li>- Information gathered and used, including the basis for assumptions</li> </ul>	Adequate

Treasury Management 2020.21 / 1	Management should put arrangements in place for ensuring that investment opportunities outside the Council's Treasury Management are identified and proactively monitored.	Adequate
	Furthermore, the Council should put in place detailed and defined guidance with regards to any such investment opportunities with clear linkages to the Council's Treasury Management Strategy and framework.	
Treasury Management 2020.21 / 2	Management should finalise the Terms of Reference for the Council's Treasury and Capital Management Group, which should ensure that the Group provides sufficient oversight and monitoring of the Council's treasury management activities.	Adequate
	Furthermore, the Terms of Reference should define the frequency with which the Group should meet and there should be a requirement for action plans to be put in place and followed up to resolution.	
Cyber Security Risk Management 2020.21 / 1	Management should provide operational updates including risk status related to its compliance with National Centre for Cyber Security (NCSC) 10 Steps for Cyber Security Principles (such as Network Security, Secure Configuration, Incident Management and Malware Prevention) to the information Governance Group on a quarterly basis to ensure all key stakeholders are engaged and aware of current status.	Limited
Cyber Security Risk Management 2020.21 / 2	Management should complete the update of the Council's Information Security Policy and ensure that it is communicated to all staff.	Limited
	A section should be included to provide adequate guidance for users regarding the secure usage of mobile devices/laptops/phones to reduce the risk of misuse/potential loss or theft/confidential data exposure.	

Cyber Security Risk Management 2020.21 / 3	<p>Management should complete the update of the Council's Cyber Security Incident Response Plan. The plan's contents should reflect the guidance provided by the NCSC (National Cyber Security Centre) and include the following:</p> <ul style="list-style-type: none"> <li>- Procedures for assessing the nature and scope of an incident</li> <li>- Identifying an incident</li> <li>- Eradication procedures</li> <li>- Containment procedures</li> <li>- Recovery</li> <li>- Lessons learnt</li> </ul>	Limited
	<p>All stakeholders must be aware of their roles and responsibilities and the document should be included in a regular review cycle, at least once per year.</p>	
Digital Services - Development and Management 2020.21 / 2	<p>The Matrix should be used as a primary source of reference throughout ICT and potentially the wider business, detailing key information about systems integration, application management and maintenance, documenting all integration journeys into and out of the system and key dependencies, as well as support arrangements, the hosting platform, and system life-cycle management information.</p>	Adequate
	<p>Additional information should also be added to the Applications Matrix in due course, such as designated system Data Stewards and System Administration/Super User information.</p>	
Digital Services - Development and Management 2020.21 / 3	<p>Business processes should also be adapted to ensure that the Applications Matrix is consulted prior to making changes or decisions about hosting methods. The matrix may evolve into an essential reference point, but its usage needs to be embedded into existing practices to ensure the matrix remains of value.</p>	Adequate
Digital Services - Development and Management 2020.21 / 4	<p>Management should provide guidance to all Service Areas who own and manage their own applications, informing them that any changes made to systems which integrate with other systems and services must be communicated to ICT, with an explanation of potential impacts, such as integration breakages.</p>	Adequate



Digital Services - Development and Management 2020.21 / 5	ICT should provide guidance to operational teams on how Service Areas may utilise test environments, and provide information about the existing processes for undertaking changes, particularly with reference to the weekly Change Advisory Board meetings. This flow of information should be supported by designated points of contact within both the teams and ICT to maintain open lines of communication.	Adequate
Digital Services - Development and Management 2020.21 / 6	Systems that have integration should be flagged within the Application Matrix so that the Councils know that a process must be followed and communicated to ICT if a change is required. Operational teams should obtain access to the Matrix (or a cut-down version of it that cannot be edited) which should be consulted prior to any changes being made. If a required change is identified for one of the systems that is flagged, it should be communicated to ICT, who should provide guidance and support to ensure the change does not impact systems.	Adequate
Digital Services - Development and Management 2020.21 / 7	Focusing on Active Directory accounts and access to high risk applications such as payroll, financial and procurement, a review of all users with access should be performed to confirm there is a continued business need.	Adequate
Digital Services - Development and Management 2020.21 / 8	The Leavers' Process should be updated to include checking that all application-level access is revoked when someone leaves the Council.	
Digital Services - Development and Management 2020.21 / 8	Additionally, as a secondary control to identify when errors are made during execution of the Council's Leavers' process, a review should be performed every 90 days/each quarter to identify any Leavers' AD accounts that still remain in an active state. Steps should then be taken to disable/remove that access as soon as possible.	Adequate
Digital Services - Development and Management 2020.21 / 9	Management should ensure that the configurations for the integration failure email alerting system is documented, particularly how errors are identified and managed, with the potential of improving the process, or perhaps investing in additional alerts in the future.	Adequate
	The process should be documented and shared with all relevant staff.	
Main Accounting System 2020.21 / 1	The Disaster Recovery Plan will be reviewed and updated to reflect the move to Tech1 and any revised arrangements to ensure continuity of service across the wider Finance area.	Adequate

Debtors 2020.21 / 1	Systems, processes and resource needs will be reviewed across the whole Debtors function. An action plan will be established, in conjunction with the team, to support delivery of improvements and address the control failings identified during the quarterly reviews (see Appendix, attached to the action).	Limited
Creditors 2020.21 / 2	Written procedure notes will be reviewed and updated to ensure that they are reflective of current practices and cover all elements of the creditors system	Adequate
Creditors 2020.21 / 3	The Supplier Amendment Form (SAF) will be updated to include the requirement for Tech1 to be checked for existing suppliers prior to the new supplier being requested. In addition, AP staff will be reminded of the need to check the system before a new supplier is created.	Adequate
Creditors 2020.21 / 4	Options for monitoring and addressing duplicate payments will be investigated and staff (AP team and wider services) will be reminded of the checks required when processing invoices for payment.	Adequate
Cloud Computing 2020.21 / 1	Management should review and revise the ICT Strategy document to include a detailed overview of intentions to perform feasibility assessments on corporate applications/services to ensure if they can be potentially hosted in the cloud.	Limited
Cloud Computing 2020.21 / 2	<p>Management should update the design of the ICT Applications Matrix to include a detailed profile of each corporate application in use throughout the three councils.</p> <p>The matrix should contain information about the application, such as:</p> <ul style="list-style-type: none"> <li>- how it is supported and by whom</li> <li>- where it is hosted</li> <li>- what contractual obligations are in place</li> <li>- whether a system upgrade is pending and it has vendor agreement to be hosted in the cloud.</li> </ul> <p>As well as supporting a defined framework criteria for assessing applications' optimum hosting platforms, this document will also inform business continuity planning and future decisions for enhancement or replacement of applications.</p>	Limited

MiPermit 2021.22 / 3	In conjunction with the Information Governance Manager / Data Protection Officer, consider what information may need to be added to the MiPermit Portal to highlight the Privacy Notice to customers before they submit their information.	Adequate
Inventory of IT Assets 2021.22 / 1	<p>Run regular reports from 'lansweeper' to establish what assets are connected to employee's laptop and update the inventory with this information. This will be dependent on speaking with the system administrator of 'lansweeper' to establish if docking stations could also be detected on the software.</p> <p>Dependent on the success of Lansweeper, further inventory review may need to take place via Microsoft forms, in which employees' detail what equipment employees have in their custodianship.</p> <p>[Discussions held regarding wording so not to highlight that ICT are unaware of location and custodianship of hardware]</p>	Limited
Inventory of IT Assets 2021.22 / 2	<p>Previous Hardware &amp; Software Asset Management Control 19/20 audit resulted in the creation of Action 1516: "A thorough review of the ICT asset database should be undertaken on a regular basis to ensure that all assets include a location and the nformation recorded on them is complete, accurate and up to date". This action remains in process.</p> <p>The current audit highlights that this action cannot be closed as a review of the inventory has not been conducted and no process in place to ake the review regular. This should be completed once the Inventory is up to date following the reviews.</p>	Limited
Inventory of IT Assets 2021.22 / 3	<p>Conduct a 'Laptop Amnesty' to collect unused laptops from staff. This is to then be followed by a 'walk around' Pathfinder House, checking cupboards and drawers to gather unused laptops. Update the inventory where necessary.[Discussions held egarding wording so not to highlight that ICT are unaware of location and custodianship of hardware]</p>	Limited
Inventory of IT Assets 2021.22 / 4	<p>Update the Asset Tagging Process to include: An independent officer to run a monthly report to ensure the number of assets ordered via Tech1 reconciles with the number of assets uploaded into the inventory for the same month. Any discrepancies eed to be reported. [An independent officer should be someone separate from the officers who received the order at Pathfinder House and uploaded the assets into the inventory].A process to create an entry in the inventory to record asset tag 'errors'and gaps and provide an explanation as to why an asset number is not assigned to an asset. This should be followed with retraining staff of the new asset tagging process.</p>	Limited

Inventory of IT Assets 2021.22 / 6	Reminder to all staff of the ICT Asset Management policy so they are aware of how to request and update location of assets through hornbill and also how to appropriately return assets.[This was previous Action 1515 from Hardware & Software Asset Management Control Audit 19/20. Closed 21/12/2020 but now has lapsed]	Limited
Inventory of IT Assets 2021.22 / 7	Review of the custodianship of surplus laptops so they can be readministered within the Council. Ensure that any decisions regarding the custodianship is reflected in the leavers process.	Limited
Inventory of IT Assets 2021.22 / 8	Create policy regarding the donation of ICT assets to communities. This needs to outline what assets can be donated, the criteria for who may receive donated assets and who can authorise the donation. A process also needs to be produced alongside this to confirm how applications for assets can be made and how approval is given.	Limited
Overtime 21.22 Action 4	Overtime claim guidelines will be included in the revised ESS and MSS guidance documents which will be shared with staff and managers as part of the system upgrade. Guidance will include: - general rules for overtime (in line with our existing overtime policy) - authorisation requirements - claim timescales (within 90 days of hours worked) - the need to provide a reason for the hours worked - expectations of managers approving claims	Adequate
Overtime 21.22 Action 5	Reports of temporary variations to pay will be reviewed each month. The Payroll Processing Checklist (signed and saved as PDF) will be date stamped as evidence of the check and the report held on file for reference.	Adequate
Overtime 21.22 Action 6	Excessive hours / ask of employees will be incorporated into the Council's future Workforce Strategy, to support our consideration of staff wellbeing.	Adequate
Main Accounting System 21.22 Action 1	The Interim Finance Manager will review reconciliations performed by the Financial and Treasury Accountant. Reconciliations performed for Payroll and Debtors will be reviewed by a member of the Finance team.	Adequate

Main Accounting System 21.22 Action 2	Larger value items in the Cashiers Suspense Account will be reviewed, evidenced as such, and corrected where possible.	Adequate
Debtors 21.22 Action 1	The Credit Control Manager will develop a timetable for key debtor tasks and debt recovery actions, this will be shared with the team and used to direct duties and activity.	Limited
Debtors 21.22 Action 2	The Credit Control Manager will establish a programme of routine meetings with Service Managers to review debt lists.	Limited
Debtors 21.22 Action 3	Monthly management information and debt collection performance data will be prepared and reviewed to support the ongoing monitoring of activity and workload.	Limited
Creditors 2021.22 / 1	Once procedure notes have been completed and finalised, thoroughly review these with the team so they are following the same process and procedure. Ensure that the outcome from transformation has been considered when writing the procedure notes.  Please also communicate the procedure across the organisation with the aim that all officers are following the same process and procedure.	Adequate
Payroll - Payments 22.23 / 6	Managers to be advised that as part of an establishment check for 'Ghost Employees' they should review their budgets packs and analyse the employees listed within this to ensure that the details are correct and no unknown officers are listed, and no leavers/new starters present when should not be.	Adequate

56 Actions

**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Internal Audit Service: Progress Report

**Meeting/Date:** Corporate Governance Committee – 30 November 2022

**Executive Portfolio:** Executive Councillor for Corporate & Shared Services, Councillor Martin Hassall

**Report by:** Deborah Moss, Internal Audit Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

This report details the work completed/undertaken by the Internal Audit Service during the period April 2022 to end October 2022. It also notifies Committee of any developments within the team and the forward plan of work, to include revisions to the Internal Audit Plan for the remainder of the year.

The Internal Audit Manager's opinion on the Council's internal control environment and systems of internal control as at 31 March 2022 was that it provided adequate assurance over the key business processes and financial systems. However, there was a limitation placed upon the opinion for the area of risk management which was excluded from the opinion as there was insufficient evidence to be able to provide an assurance opinion. From the work that has been completed since, that opinion remains unchanged at present, although planned audits have been postponed allowing for Service self-assessment and action improvement plans indicating control and governance needs improvement in those areas. The risk register for our corporate risks has been comprehensively evaluated and is reviewed on a regular basis by SLT. Audit plans to assess all of the above areas to provide assurance which is fundamental to the delivery of our corporate objectives.

During the reporting period it should be noted that:

- Audit Plan 21.22 has been concluded and all reviews that were undertaken (except one awaiting final sign off) have been completed, reported and agreed audit actions assigned to the database for monitoring. Some reviews were carried forward to the current year's Plan.
- Audit Plan 22.23 reviews are underway and are at different stages of progress. Only one has been fully completed/reported on. Reports from the previous year's Plan issued in this audit year are included in this report.
- New suggestions for the Plan have been received from the Portfolio Holder

- Internal Audit services are now encouraged to use the review of risk registers to inform their future audit programme. This means that some new areas of review are being incorporated into future plans.
- The Plan has been amended to include relaxing some quarters' reviews from the core financial continuous reviews, the inclusion of new reviews and some work postponed to next year to accommodate Services' needs. These changes have been approved by the Chair of the Committee and are presented in the report.
- IT audit provision: The tendering process has been carried out for the IT audit contract but the decision to award remains under discussion. Receiving an opinion of the IT internal controls before the year end is dependent upon the contract being awarded imminently, and the IT Audit Plan agreed and started.
- 4Action software continues to be used for real-time management and reporting on the implementation of audit actions.

In accordance with the Internal Audit Charter, the Internal Audit Manager continues to report functionally to the Corporate Governance Committee and administratively to the Director of Finance & Corporate Services. They have maintained organisational independence and have had no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

**Recommendation(s):**

It is recommended that the Committee:

1. Review and note the progress report.



## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to inform the Committee of the work completed/undertaken by the Internal Audit Service during the period April 2022 to end October 2022. It also notifies Committee of any developments within the team and the forward plan of work, to include any revised Internal Audit Plan for the remainder of the year.

## **2. BACKGROUND**

- 2.1 The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.” Internal Audit assists the Council and the Corporate Governance Committee to discharge its governance responsibilities. Our work supports the Council’s corporate objectives, and the corporate governance framework.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require that the Committee (who fulfil the role of the Board, as defined by PSIAS) receive an annual report on the work of the Internal Audit Service. Best practice suggests that an interim report should also be presented, to keep the Committee aware of any issues of concern that have been identified and the progress achieved with the delivery of the audit plan.
- 2.3 Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council’s ability to achieve its objectives. Internal Audit work should help add value to the Council by helping to evaluate the internal control environment, improve systems, mitigate risks, and subsequently inform the Annual Governance Statement.

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 The progress report (April-October 2022) on the Internal Audit Service is attached at Appendix 1.

## **4. KEY IMPACTS / RISKS**

- 4.1 Risk: Insufficient audit assurance work risks the inability to provide an Annual Audit Opinion.

## **5. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES**

- 5.1 The Internal Audit Service provides assurance to both management and the Committee that risks to the delivery of the Corporate Plan across its Service areas are understood and managed appropriately.

**6. REASONS FOR THE RECOMMENDED DECISIONS**

- 6.1 The report is for information purposes and to allow Committee to gain an understanding of the views of the Internal Audit Manager on the internal control environment and systems of internal control.

**7. LIST OF APPENDICES INCLUDED**

Appendix 1 – Internal Audit Interim Progress Report  
Appendix 2 – Audit Plan 2022.23 update

**8. BACKGROUND PAPERS**

Internal Audit reports  
Internal Audit performance management information

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## **Appendix 1 :**

### **Internal Audit Interim Progress Report 22.23**

#### **1. Introduction**

- 1.1 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
- 1.2 This report provides an update on the recent work completed by Internal Audit. The information included in the progress report will feed into and inform our overall annual internal audit opinion within the Head of Internal Audit report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.
- 1.3 Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report.

#### **2. Resources and Team update**

- 2.1 The Internal Audit (IA) Team has three members of staff at a resource level of 2.2 FTEs for general audit. A contract is used for the provision of IT audit of the ICT Service, which is hosted by HDC across the 3Cs shared ICT service.
- 2.2 From January 2023 a permanent resource of only 1.2 FTE is in place, due to maternity leave of the full-time Audit Trainee. SLT approval has been given for the recruitment of an auditor to cover maternity leave. Given the current nationwide shortage of experienced auditors, if recruitment to this post is not successful the back-up plan will be to request additional audits to be carried out via the IT Audit Contract which will have provision for general audits to be carried out.

#### **3. Progress against the Plan**

- 3.1 Committee approved the Audit Plan at its March 2022 meeting. The Plan was based upon known areas that were assessed as warranting assurance attention and took the form of a prioritised Plan of areas, together with the rationale for the review, the type and area of review proposed, links to risk register risks (allowing assurance assessment update) and corporate objectives. Number of days resource assigned to each audit has not been stated in the last few audit plans to allow for flexibility on scoping the audit. Committee members and senior management were asked for any proposals and input into the Plan, and the areas included were discussed with the Corporate Leadership Team to ensure they were of value and the Plan agreed.

**4. Audit Plan Progress: Audits Reports Issued, the audit opinion and summary of findings**

**Some findings have previously been notified to CGC in the Annual Report (where the report is still at Draft or Final Report stage this is stated)**

Audit	Assurance and Actions	Summary of report and findings
2021.22 Audits		
ICT Asset Inventory	Limited  8 Actions	This review was to provide assurance that HDC's ICT hardware assets were being managed, distributed, and tracked effectively following the implementation of working from home (due to the pandemic). Inventory records were in need of update with location and custodianship for unrecorded assets. Eight actions were agreed – from tighter inventory processes and asset tagging to a donation policy for no longer required hardware to be donated for community enrichment. Seven actions have been notified as implemented.
Overtime	Adequate  5 actions	The review focussed on the management of overtime spend and compliance with the overtime policy across the Council. It considered trends by service / job, potential for capacity issues and sample tested claims to provide assurance that the policy is being complied with. The five actions introduced better monitoring of overtime at management level to ensure overtime is not excessive, is better controlled and better for staff wellbeing.
Compliance with Code of Transparency	Limited  3 actions	The Transparency Code 2015 requires the Council to publish, and make available, a wide range of data about its services. A compliance review was conducted to establish that the data held on the our website was compliant with the Code; that the data uploaded was accurate and complete; the data was accessible; and the frequency of the uploads were compliant to the Code. The audit agreed improvements to ensure that all required data is published and in a timely manner, easier to locate and reduce avoidable contact from the public.
Sickness Reporting follow-up	Limited  3 further actions	This reviewed the implementation and operation of agreed actions from the previous year's review of Sickness Monitoring. It found that sickness was still not being recorded on the system. Further actions were agreed to ensure that services are aware of requirements and that HR monitor this, to ensure appropriate action over absence is taken and sickness triggers are still activated.

Audit	Assurance and Actions	Summary of report and findings
IT Audit Actions implemented– follow up		All IT audit actions from 2020.21 reports onwards that have been closed by the ICT Service as implemented have been followed up. Actions were reopened where testing evidenced that the control /action was not suitably in place. These have since been reworked and implemented/closed again.
<b>Core Financial Systems</b>		<b>Quarterly reviews are untaken on core financial systems reviewing and providing assurance on the key controls.</b>
Main Accounting system	Adequate 2 actions / 3 previous actions	This review gave assurance that majority of controls were operating as expected with only a small number of lapses in control. 3 actions agreed as part of the 20.21 report remained outstanding.
Debtors	Limited 3 actions / 1 previous action	Lapses in control in a number of areas were identified throughout 2020.21. Findings at both reviews (Q2 & Q4) found no improvement or implementation of the agreed action. This supported a Transformation Analyst to work with the Team to review the processes and support improved working practices across these service areas.
Creditors	Limited 1 action / 3 previous action	The reviews indicated a decline in the implementation of many key controls throughout the year. This supported a Transformation Analyst to work with the Team to review the processes and support improved working practices across these service areas.
Housing Benefit Debtors	Adequate 0 actions	This review gave assurance that the key controls are operating as expected and the inherent risks are well managed.
Housing Benefit Creditors	Adequate 0 actions	This review gave assurance that the key controls are operating as expected and the inherent risks are well managed.
<b>General Audits</b>		
Corporate Enforcement Policy	Adequate 8 actions	This reviewed the management of how the Council carries out its enforcement activity, specifically how the Corporate Enforcement Policy is working and its impact since introduction. Eight actions were agreed to improve the policy, training, case reviews, and enforcement.
IT: Contract Management	Adequate	Final report agreed
IT: Shadow IT Systems	Adequate	Final report agreed

Audit	Assurance and Actions	Summary of report and findings
2022.23 audits		
Payroll – Payments	Adequate  8 actions	This reviewed the management of risks in the payroll system specifically in relation to payments. Payments were found to be accurate, but improvement actions were agreed around process notes, key person dependency, access controls, ghost employees and disaster recovery. One further action proposed was not agreed with regard to investigation into restricting the full access rights of the other 2Cs Payroll managers. Management was happy to accept the risk on the basis of confidentiality agreements with the other councils.
Grant assurance - Disabled Facilities Grants	Adequate	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Covid Grant Declarations: <ul style="list-style-type: none"> <li>• Contain Outbreak Management Fund</li> <li>• Covid Compliance &amp; Enforcement Grant</li> <li>• Test &amp; Trace Payment Scheme Grant</li> </ul>	Adequate	Govt. required the Council's declarations that the significant Covid funding given in respect of each of these three areas was spend in accordance with the grant's terms and conditions. Audit reviewed the expenditure allocated against this grant funding and provided the assurance declaration that the Council followed the grant conditions.
Recovery Grant Declaration	Adequate	Govt. required the Council's declarations that the significant Covid funding given in respect of each of these three areas was spend in accordance with the grant's terms and conditions. Audit reviewed the expenditure allocated against this grant funding and provided the assurance that the Council followed the grant conditions.
Planning Applications KPIs	Adequate 6 actions	This review looked at the accuracy and robustness of data submitted to central Government and internal KPIs. Six actions have been agreed which will improve the robustness and reliability of data collected.
Main Accounting System Q2	Adequate	
Housing Benefit Debtors Q2	Adequate	
Housing Benefit Creditors Q2	Adequate	

\* Assurance definitions are below at Annex A

## 5. Work in progress from the Audit Plan and Forward Plan

5.1 The table below shows assurance work planned for the remaining year. This will be revised as any new risks or request arise and is subject to resourcing.

A detailed list of the approved Plan and status of the audits is attached at Annex B.

Audit	Status	Assurance rationale
Debtors key controls – Q2	Completed but not yet issued	
Creditors key controls – Q2	Completed but not yet issued	
S.106 Agreements 21.22	Final Report – awaiting acceptance	
Purchasing Cards	Field work completed	<p><i>Are cards used appropriately/economically and not to circumvent the controls mechanisms of the purchase ordering system?</i></p> <p><i>Was purchasing during lockdown and working from home still appropriate spending and adequately controlled?</i></p>
Market Towns Programme – Finance review	Inclusion to be confirmed	<p><i>Suggested review of expenditure within St. Neots project and specifically awareness over use of consultants.</i></p>
Social Value in Procurement	Fieldwork completed	<p><i>Is social value embedded into our Procurement activities across Council?</i></p> <p><i>Is there adequate awareness to fulfil this?</i></p>
Shared Services Costs Allocation	Started	<p><i>Is there reasonable assurance that all costs are included and appropriately recharged/allocated to 3Cs (not just ICT but Legal and BC too)?</i></p>
Financial Management Code	Started. Fieldwork started but is now being done in conjunction with a self-assessment review carried out with Finance.	<p><i>is there key assurance in compliance with this Code - Financial control of budget setting, review, etc.; S.151 Action Plan. Required to give assurance of compliance to external audit.</i></p>
Risk Management	Not started	<p><i>Is the Risk Management process in place and is it appropriate and working effectively?</i></p> <p><i>Is sufficient information presented to Corporate Governance Committee?</i></p>
Fleet Management: Fuel Payments & Usage.	Started	<p><i>Given recent world events and impacts on fuel demand and costs, is the Council protecting itself as best it can in preparedness for the risks against fuel demand to ensure operational impact is minimised?</i></p> <p><i>To also consider controls around the usage of fuel cards and the physical safeguarding of fuel as a valuable asset.</i></p>



Audit	Status	Assurance rationale
Leisure – Discounted Memberships	Being scoped	<i>Are our discounted memberships and their 'reduction of income' providing value by incentivising people to join and creating retention value? Are the discounts based on sound business calculations, are they viable, correctly applied and are they reviewed and monitored for compliance by the member?</i>
CT/NNDR key controls review	Not started	
HR : Leavers Form (& process)	Consultancy	
IT Audit:	Not started The areas to be reviewed will be decided once the contract is in place but will be risk-based around priority, current risk assessment, last review, any known issues.	
IT Audit:		
IT Audit:		
<b>Other Internal Audit Activity</b>		
Review of Internal Code of Corporate Governance	Started	
Self-assessment required for external PSIAS review	Not started	
Update of Council's Anti-Fraud & Corruption Strategy	Not started	
Annual review of Policies	Not started	

## 6. Audit Actions Data for the period April - Nov 22

New actions added since April 22	40 actions
Actions implemented and closed since April 22	56 actions
Number of audit actions open @ 8 Nov 22	37 actions
Number of audit actions overdue @ 8 Nov 22	17 actions

## 7. Verifications and follow ups

- 7.1 All IT audit actions from 2021.22 reports that have been closed by the ICT Service as implemented have been followed up. Actions were reopened

where testing evidenced that the control /action was not suitably in place. These have since been reworked and implemented/closed again.

- 7.2 Due to resource limitations, it was agreed that the Internal Audit Service would aim to carry out follow checks on those audit actions from a report with a Limited opinion or red priority actions. Follow ups have been carried out on Debtors and Creditors as part of the quarterly reviews; the remaining limited reports have not yet been followed-up, some awaiting implementation of actions before this can be done.

## **8. Third Party or Other Assurance**

- 8.1 Services have been reminded of the need to record their self-assessment, third party or any other assurance work into the shared assurance record. Little input /evidence has been added to date. It is important that Services identify any sources of assurance in their areas as this can feed into the annual Audit opinion on internal control and governance, which will feed into the Council's Annual Governance Statement. Engagement should be supported at all levels of the organisation in order to receive true and reflective opinions. The Senior Leadership Team will be asked to support the assurance requests in order to assist with developing an assurance mapping process.

## **9. IT Audit Provision**

- 9.1 The invitation to tender was published in August and tender submissions have been received. Discussions on who to award to are still under consideration. It is necessary for a contract award to be made imminently and the IT Audit Plan agreed, so that the audits can be undertaken this year and provide the assurance evidence for the annual audit opinion.

## **10. Performance Indicators & Issues/blockers**

- 10.1 Formal KPIs are not collated on Internal Auditor's work but targets are still followed informally within the Team's processes.
- 10.2 A new end of audit customer survey has been reintroduced and is being sent to client Services for this year's audits
- 10.3 Delay and absence of replies is causing Audit to spend unnecessary time spent on reminders, chasers and escalations and produces untimely reports and actions. General delay by Services appears to be a result of general workload and priority of the BAU caseload over audit requests. Audit appreciates the workload and is accommodating, but escalation procedures are being followed.

## **12. Horizon scanning / Service pressures for Internal Audit Service**

12.1 The following are highlighted as areas that may need to be factored into our resource time going forward and as a result impact the amount of assurance work that can be undertaken:

- NFI work (results work commences Jan 23 onwards) / capacity
- Maternity absence (from Dec/Jan 22) / capacity concerns
- Self-assessment of compliance with PSIAS (in preparedness for an external review in 23.24)
- Unplanned support for Risk Management work
- Future Covid grant declarations
- Independent person(s) on Audit Committee (decision, recruitment, induction)
- Documents and policies in need of review (incl the Internal Code of Corporate Governance)
- Assessment /preparation of 2023.24 Audit Plan
- Preparation/update of the Council's Anti-Fraud & Corruption Plan (in conjunction with the Fraud Manager)
- Strategic projects support (to be dropped to allow for a PSIAS self-assessment)

## Annex A. Assurance Definitions

Substantial Assurance	There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.
Adequate Assurance	There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited Assurance	There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
Little Assurance	There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

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Appendix 2: Revised Internal Audit Plan 2022/23

Area	Status update for Corporate Governance Committee	Assurance sought	Type	Audit Type	New Corporate Plan / Priorities /Key Actions
<b>Core Financials</b>					
<b>Main Accounting System</b>	Q2 completed Q4 – April 23	<i>Are key financial controls still operating as they should be and are they still effective?</i>	Financial	Key Financial Controls	
<b>Debtors / Accounts Payable</b>	Q2 completed Q4 – April 23	<i>Are key financial controls still operating as they should be and are they still effective?</i>	Financial	Key Financial Controls	
<b>Debtors / Accounts Receivable</b>	Q2 completed Q4 – April 23	<i>Are key financial controls still operating as they should be and are they still effective?</i>	Financial	Key Financial Controls	
<b>Council Tax / NNDR</b>	Q2 – not started Q4 – April 23	<i>Are key financial controls still operating as they should be and are they still effective?</i>	Financial	Key Financial Controls	
<b>Housing Benefits Creditors &amp; Debtors</b>	Q2 completed Q4 – April 23	<i>Are key financial controls still operating as they should be and are they still effective?</i>	Financial	Key Financial Controls	

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**Other Assurance Areas**

**Enforcement Policy 21.22 b/f** Completed /closed

**S.106 Agreements 21.22 b/f** Completed / final report awaiting sign off by Service

**IT Audit - Shadow IT 21.22** Completed / final report awaiting sign off by Service

**Audit - Contract Management 21.22** Completed / final report awaiting sign off by Service

**Payroll** Completed /closed

**Social Value in Procurement** Completed fieldwork and findings discussed. Report not yet issued

**Information Governance: Information Security Training & Awareness** Deferred as known that training not controlled. Mandatory training now actioned via R&C group action.

*what assurance in this process after staff change and new system introduced?*

*Is social value embedded into our Procurement activities across Council?*

*Is there adequate awareness to fulfil this?*

*Are we ensuring all staff receive appropriate info security /DP training and is compliance and oversight in place?*

Operational

Risk-based systems ,  
cyclical scope

Contract

Risk-based systems

Governance

Risk-based systems

Enhancing employment opportunities and supporting businesses.  
Key Action



**Planning /Development Control**

Suggested an audit to take place 23.24 to give assurance

Mgt do not envisage any value in auditing at this time due to ongoing work to change the service and cannot facilitate any consultancy work with IA. Audit proposed that an 'Improvement Plan' is shared and IA can next year monitor the progress made to implementation and delivery. Mgt has agreed that this is the most valuable course of action and agreed to provide a Plan end Oct.

*Are planning conditions appropriate?*

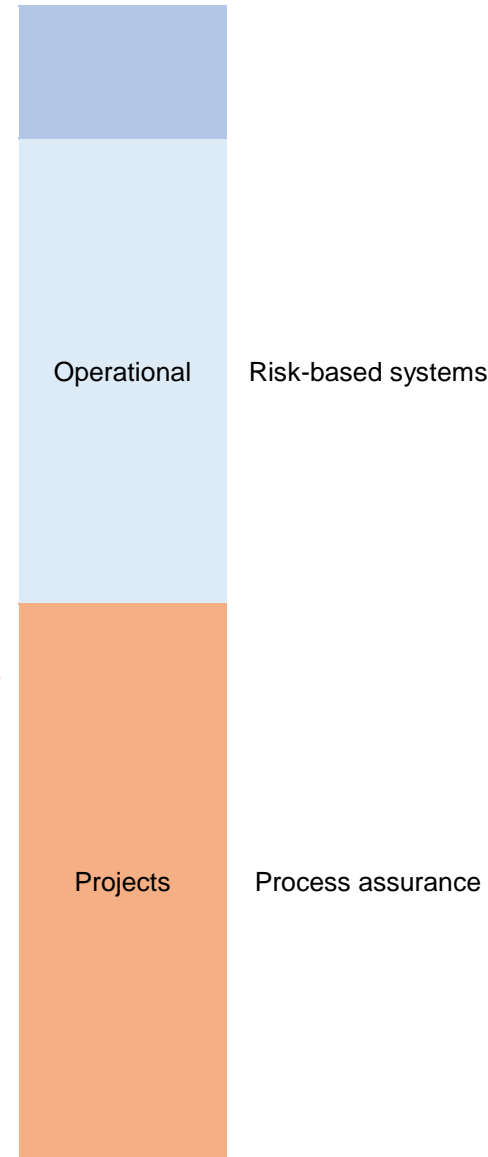
**Corporate Programme Delivery**

Under consideration - compliance with the new PM governance process. (Programme Manager concern 5 projects are not compliant - no visibility for extensive period time.)

*Are our projects/project sponsors complying with the governance processes, to ensure projects are delivered? and are they working appropriately (including are they proportionate or not adjustment)*

Director advises no value in carrying out this review. IAM proposed to carry out work to verify, fact-check the info stated by the PDM to provide independent evaluation of governance over all projects.

*Possible desktop compliance audit to see if all projects are*



*visible and going through the governance process.*

**KPI Planning results**

Completed / final report awaiting sign off by Service

*Are KPI results robustly and reliably calculated? (Time taken reporting, extensions to time limits.)*

**Risk Management**

Proposed that a review will be carried out based around a toolkit to evaluate what is in place and operational and any process gaps.

*Is the Risk Management process in place and is it appropriate and working effectively?  
Is sufficient information presented to Corporate Governance Committee?*

(Suggested that a RM review against toolkit could be carried out by Risk Officer on a self-assessment type assurance basis and provided to IA.)



Probity

Process assurance

**Establishment Management (Staffing)**  
 - Starters & Leavers  
 - Recruitment

Establishment control was included within Payroll audit (ghost employees element reviewed).

*Is there control mechanism for checking that the finance for a post is secured before a recruitment begins?*

**- Establishment control (ghost employees)**

Starters/leavers – consultancy/advice basis to HR who are reviewing their process.

*can we be sure that only our agreed establishment is paid (and assurance that this is regularly checked)?*

**Managing Absence**  
 (follow up)

Completed

*Is sickness recording and monitoring now being carried out correctly and effectively, especially as now have new system?*

**Small Works Contract**  
 (follow up)

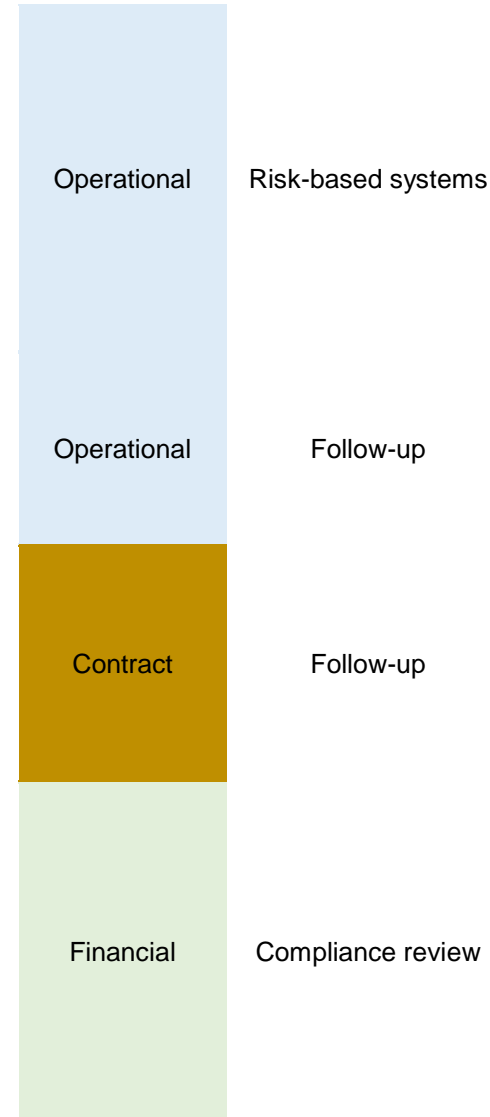
To be carried out but audit actions have not been implemented, so audit may need to be deferred until 23.24.

*Have the actions been introduced and working effectively, any further action needed?*

**New CIPFA Financial Management Code**

Fieldwork started but is now being done in conjunction with a self-assessment review carried out with Finance.

*is there key assurance in compliance with this Code - Financial control of budget setting, review, etc.; S.151 Action Plan.*



**Information Governance: Data Protection**

This was deferred for decision once the 100 day healthcheck report was available. This served as a Service self assessment which reviewed all areas. Presented findings and an improvement action plan was agreed.

*Is the Council data protection compliant across all Services?  
Is training & awareness sufficient?*

Proposed that IA reviews progress and implementation against this action plan in 23.24?

Lite touch review – auditor has already asked confirmatory questions of the Service. Testing may take place dependent on resources available.

*Do we maintain an appropriate register for HMOs as required by statute?*

**HMOs**

**Purchasing Cards**

Fieldwork completed/ report not yet discussed/issued completed

*Are cards used appropriately/economically and not to circumvent the controls mechanisms of the purchase ordering system?*

*Was purchasing during lockdown and working from home still appropriate spending and adequately controlled?*

**DFG Certification to County**

**ADDED** - Completed and declaration submitted

*To carry out testing and provide Certified declaration to County on our DFG spend.*



Covid grant declarations by IAM	<b>ADDED</b> - Completed and declaration submitted x 3	<i>Review and declarations to central govt that funding has been spent in accordance with grant conditions.</i>	Financial	Assurance & Compliance
Shared Service cost allocation	<b>ADDED</b> - started	<i>Is there reasonable assurance that all costs are included and appropriately recharged/allocated to 3Cs (not just ICT but Legal and BC too)?</i>	Operational	
Market Towns Programme (specific focus St Neots Master Plan)	<b>ADDED</b> - proposed by PFH. Currently enquiring whether external report can be used as assurance. Internal Audit to review the findings and improvement actions.	<i>Suggested probity review on expenditure within St.Neots project and specifically awareness over use of consultants.</i>	Operational	Enhancing employment opportunities and supporting businesses.
Fleet Management : Fuel Purchase & Usage	<b>ADDED</b> – started	<i>Given recent world events and impacts on fuel demand and costs, is the Council protecting itself as best it can in preparedness for the risks against fuel demand to ensure operational impact is minimised?</i>  <i>To also consider controls around the usage of fuel cards and the physical safeguarding of fuel as a valuable asset.</i>	Operational	

**Leisure - Discounted Memberships**

**ADDED** - approved for addition

*Are our discounted memberships and their 'reduction of income' providing value by incentivising people to join and creating retention value?  
Are the discounts based on sound business calculations, are they viable, correctly applied and are they reviewed and monitored for compliance by the member?*

Operational

Risk-based systems & Compliance

Supporting our residents needs. Key Action 3 - supports low income families & Strengthening our communities

Reserve Audits:

**Facilities Management**

*How are we commissioning work and letting our building security contracts?*

Operational

*Are control mechanisms in place for ensuring building security for multi-occupancy sites?*

Operational

**Asset Management**

Suggested by Administration. Mgt - no resource to facilitate as Manager leaving/replaced. Risk level needs to be assessed by RM process to assure IA

**Scheme of Delegation**

**ADDED**

*Are decisions being approved by the correct committees and are officers acting within their delegated powers only?*

Governance

Carbon management -  
Data Quality

ADDED

*to quality assure carbon data management  
and delivery of key environmental projects.  
also undertake a Strategy review once in  
place*

Carbon  
management -  
Data Quality



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**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Corporate Risk Register

**Meeting/Date:** Corporate Governance Committee – 30 November 2022

**Executive Portfolio:** Executive Councillor for Corporate & Shared Services, Councillor Martin Hassall

**Report by:** Oliver Morley – Corporate Director

**Ward(s) affected:** All Wards

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### **Executive Summary:**

The Corporate Risk Register is the location in which organisationally critical risks are captured, ownership assigned, and mitigation laid out. It is a live document and is regularly updated given the dynamic nature of risk.

The current document was comprehensively refreshed in early 2022, and is subject to review by the risk and controls group, which contains the Council's key compliance officers. It is a key document that services must review when developing service plans and is subject to regular review by the Council's Senior Leadership Team.

### **Recommendation:**

It is recommended that the Committee review the contents of the corporate risk register and raise any issues or concerns that they do not believe are appropriately captured or mitigated within the risk register.

## **1. PURPOSE OF THE REPORT**

- 1.1 To update members on the contents of the Council's Corporate risk register.

## **2. WHY IS THIS REPORT NECESSARY?**

- 2.1 The Corporate Risk register is a key document to enable the Corporate Governance Committee to assure themselves that an appropriate governance environment is in place, and to raise any concerns they may have.

## **3. BACKGROUND**

- 3.1 This Corporate risk register records the risks and opportunities that may affect the delivery of the Corporate Plan. It provides an assessment of the risk and the action being taken or needed to reduce the risk to the level needed. This is a standard document that is standard to most Councils.
- 3.2 Alongside the service risk register, the corporate risk register captures the risks that the Council have identified and are responding to. A piece of work is currently underway to refresh the Council's risk strategy, and is it anticipated that this will be available for review and comment at the next meeting of Corporate Governance.

## **5. KEY IMPACTS**

- 5.1 The risks in the risk register will denote the areas of focus and mitigation. If the wrong risks are captured, we risk unforeseen impacts damaging our ability to deliver and meet our corporate objectives.

## **6. LINK TO THE CORPORATE PLAN**

- 6.1 The Corporate Risk Register as well as being central to good governance, also lists the key risks to the delivery of the Corporate Plan and the Strategic operations of the Council. The raising of any concerns in terms of the identification

## **7. RESOURCE IMPLICATIONS**

- 7.1 There are no direct resource implications arising from this report. However, it needs to be acknowledged that the risk environment is increasingly dynamic, and complex. Mitigation across some of these risks, could require additional capacity or skills to deliver.

## **8. REASONS FOR THE RECOMMENDED DECISIONS**

- 8.1 The report is presented to Committee to enable assurance to be taken on the Council's identification and mitigation of corporate level risks.

## **9. LIST OF APPENDICES INCLUDED**

Appendix 1 – Corporate Risk Register 21 November 2022

### **CONTACT OFFICER**

Oliver Morley – Corporate Director (People)

Tel No: 01480 388475

Email: [oliver.morley@huntingdonshire.gov.uk](mailto:oliver.morley@huntingdonshire.gov.uk)

**Appendix 1 – Corporate Risk Register**

<b>Risk Area</b>	<b>Number</b>	<b>Risk title</b>	<b>Risk Owner</b>	<b>Service</b>	<b>Cause</b>	<b>Effect</b>	<b>Inherent Risk</b>	<b>Risk Control</b>	<b>Residual</b>	<b>Actions Required</b>
<b>Funding</b>	286	Funding reduction - wider economic factors, including inflation, Brexit and Covid impacts, generate a reduction in NNDR and Council Tax collection rates impacting on the Councils funding to deliver services. Recognising our greater reliance on locally derived sources of income than has historically been the case.	S151	Corporate	Broader impacts linked to macro-economic factors, and the impacts of inflation, Covid and Brexit.	Less resource and increased financial pressure, potentially exacerbated by a consequential or causal impact on local businesses resulting potentially in increased unemployment and the potential for additional demand on council services. Lack of confidence in long term forecasts	L=3, I=4 (12)	Close monitoring of funding streams and escalation of shifts, and development of proposals to address any shifts, and if appropriate timely reductions in spending commitments.	L=3, I=3 High (9)	Regular monitoring of funding and reporting to SLT.

	287	Significant reduction in or redirection of central government funding/lack of certainty beyond single year settlement, and the growth of finite funding pots to achieve delivery which require greater effort at bidding and reporting stage, and risk abortive effort	S151	Corporate	Government policy, parliamentary time, and economic challenges	Continuing financial pressures due to Central Government funding reductions, or loss of grant or other funding (e.g., Council Tax Support, Business Rates Retention, New Homes Bonus). £2.5M savings planned for 2022/23. Additional responsibilities may be transferred to local government without adequate additional resources. General uncertainty around future government policies e.g., • Impact of New Living Wage • Issues relating to Housing Need, including Homelessness • Certain Loss of RSG. Could all result in financial loss to the Council, pressure on HDC Budgets, reputational damage, non-delivery/ reduction of services and/or unplanned reduction in reserves to fund services and difficulties in planning ahead.	L= 4, I= 4 High (16)	Robust quarterly review of budgets including the proposed efficiencies. £0.5M additional investment in transformation activity to support delivery of MTFS efficiencies. Ensure that compensatory savings are found where savings are not delivered through the above. Increase in Council Tax. Robust MTFP, forecasting, and increasing focus on long term horizon. Establish good partnership working with all relevant external bodies. Ensure HDC has representation on appropriate boards and responding to consultations.	L= 3, I= 3 High (9)	Regular review of service cost and spend, with options to reduce expenditure or increase revenue in response.
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Income	288	Income - That the Council sees a reduction in anticipated income, given our exposure to the commercial rental income, leisure, and parking sectors.	S151	Corporate	Covid impacts, combined with Brexit represent impacts without a precedent. It is therefore hard to accurately forecast how these could impact on consumer and business behaviour, and our income projections.	Change in income, which could see a reduction (or potentially an increase) in income that we must respond to.	L=3, I=4 (High 12)	Timely monitoring and escalation of variances against income forecasts, for corrective action to budget holders, with appropriate oversight by SLT. That we recognise and respond to the risk of Covid changing behaviours, as well as broader macroeconomic threats of people having less ability to pay. Better marketing and understanding of consumer priorities to protect and grow income streams.	L=2, I=3 (6)	Regular reporting to SLT, and timely forecasting to service managers.
Deliver and costs	289	Demand - That the Council experiences a significant increase in demand linked to the growing population, as we deliver on housing growth agenda, combined with the impacts of an aging population and the economic and other broader impacts of Covid and Brexit.	Corporate Director People	All	The most likely causes would be related to the growing population, as we deliver on housing growth agenda, combined with the impacts of an aging population and the economic (inflationary and cost of living pressures) and other broader	Strain on the revenue budget, leading to potential for overspend or the need for more resource or the need to reduce performance standards to manage the increase in demand.	L=3, I=3 (High 9)	Service planning, monitoring of development activity, active management of demand and the prompt escalation of deviations from the predicted norm.	L=3, I=2 (6)	Build demand reviews and demand forecasts into the service planning and SLT review process

					impacts of Covid and Brexit. Other potential causes would be associated with changes in the delivery of partners which leads to knock on expectations on HDC.					
290	Failure to effectively plan for and deliver sustainable development resulting in unplanned growth.	Corporate Director of Place	Strategic Growth	Failure to undertake a review of the adopted Local Plan in a timely fashion and ensuring the protection of the 5-year housing land supply.	Infrastructure, housing, and employment requirements not delivered, financial loss, reputational loss, speculative development, and growth in an unplanned way, resulting in greater risk of infrastructure being overwhelmed. Appeal decisions that would not otherwise be granted are granted to increase housing supply i.e., loss of local control and increased costs.	L=4, I=3 (High 12)	<ul style="list-style-type: none"> <li>* Review of Local Plan identified as a 22/23 corporate priority.</li> <li>*Project plan in place, regular member engagement, early Cabinet decisions on project plan.</li> <li>*Annual monitoring report produced on five-year land supply, with any subsequent action plan developed as required.</li> <li>*Housing land supply is a material consideration in planning decisions.</li> </ul>	L= 4, I = 2 High (8)	22/23 Q4 Formal cabinet approval to commence review of Local Plan	



	291	Failure to deliver the Market Town Programme due to inflationary pressures and/ or challenging spend deadlines resulting in no delivery of the programme or delivery of a smaller number of projects and/ or a loss of secured external funding.	Corporate Director of Place	Regeneration & Housing Delivery	External inflationary factors Poor programme/ project management & governance Officers not having necessary skills Original cost estimates 2+ yrs. out of date Underestimating original scope of the schemes	Ability to deliver wider Place outcomes and benefits. Reduced number of projects delivered. Pressure on HDC capital and revenue budgets. Reputational risk and longer-term impact of non-delivery becoming a barrier to securing further external funding due to track record.	L= 4, I= 3 High (12)	<ul style="list-style-type: none"> <li>* MTP Health Check completed 22/23 Q1</li> <li>* Quarterly monitoring of programme funding profile and anticipated spend against budgets to Cabinet.</li> <li>* Updated cost estimates</li> <li>* Detailed programme plan from design to delivery, that includes funding milestones, claim dates and anticipated receipt of funds.</li> <li>* Detailed resources plan and communications strategy with stakeholders developed and maintained to manage expectations and information shared in a timely manner.</li> <li>* Ensure local priorities are understood should prioritisation of activity be required.</li> <li>* Corporate governance established in line with PMO expectations, internal governance audit completed. Governance and reporting lines will be continually monitored throughout to ensure that the key programme milestones are managed and achieved.</li> <li>* Maintain positive relationships with funding bodies and submission of funding claims and evidence as per funding agreements.</li> </ul>	L= 4, I = 2 High (8)	Complete review and refresh of the project and governance has been completed.
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	292	Failure to manage competing pressures around the delivery of corporate priorities and enact the changes we need to respond to resource and demand pressures.	Managing Director	Organisation wide	Inability to unify and manage a diverse range of programmes and change projects to deliver MTFS financial targets and improved outcomes for our residents. Causes also include- ineffective management of resources- poor performance management and monitoring - corporate priorities are not defined, clear or achievable- wider work programmes and local service plans do not tie in with / connect to corporate priorities, and projects are consequently not properly scoped or commissioned	Inability to unify and manage a diverse range of programmes and change projects to deliver MTFS financial targets and improved outcomes for our residents. Effects also include- adverse impact on our local community- reputational damage- silo working rather than collaboration- delayed improvements- resources not allocated to areas of most strategic need and importance	L= 4, I= 3 High (12)	<ul style="list-style-type: none"> <li>* Strengthen linkage between strategic and corporate priorities and programmes and projects delivered.</li> <li>*Ongoing review of corporate priority programmes, projects &amp; activities, including use of internal audit and external consultants.</li> <li>*Ongoing review of the Council's approach to programme and project management ensuring a significant focus on delivery across the whole Council.</li> <li>*All SLT members advocates and champions of adopted, proportionate and risk-based approach.</li> <li>*Ongoing review of corporate officer governance.</li> </ul>	L= 4, I= 2 High (8)	<ul style="list-style-type: none"> <li>*Spring 22 SLT restructure</li> <li>* New approach to 22/23 Service Plans established by end March 22.</li> <li>*Q1 22/23 implementation of SLT re-structure.</li> <li>*By end Q322/23 review of internal officer governance completed.</li> </ul>
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	New	Failure to reduce the historical Planning application backlog	Corporate Director of Place	Planning Service	Covid-19 impacts, highly competitive external market for experienced planning professionals resulting in high staff turnover, inability to recruit and retain experienced agency staff, lack of timely performance data and poor performance management.	Inability to issue planning decisions within statutory timeframes, increase in customer complaints and staff time being spent on dealing with these, resident and sector perception of a poorly performing service, impact on staff retention and morale, increased unit costs and spend on agency staffing/ consultants, constraining ability of businesses to grow and NNDR receipts to the Council.	L= 4, I= 3 High (12)	<ul style="list-style-type: none"> <li>* Improved performance data available</li> <li>* Focus on processing current applications in line with HDC targets</li> <li>* Recruiting new staff &amp; reducing reliance on agency staff</li> <li>* External support appointed in Oct 22 to target backlog with clear performance &amp; contractual targets *</li> <li>Re-launched pre-application service 14.10.22</li> <li>* two week Blitz period in Oct 22 to reduce application numbers</li> <li>* Agreed Plan to address backlog</li> <li>* Monthly management team reporting</li> <li>* Quarterly performance reporting</li> </ul>	L= 3, I= 3 High (9)	<ul style="list-style-type: none"> <li>* Review performance data.</li> <li>* 22/23 End Q3 Sign off improvement plan scope.</li> </ul>
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	New	Additional un-forecast demand for services, increased legal liability and community challenges are created by the poor placement of asylum seekers and refugees in Huntingdonshire.	Chief Operating Officer	Organisation wide	The number of refugees and asylum seekers currently being housed by the Government combined with the shortage of suitable accommodation is leading to poorly planned placement of refugees within Council areas. If Huntingdonshire receives an unsustainable or poorly notified cohort of refugee and asylum seekers it could create significant demand and risk.	A large placement could place strain on statutory services and the legal liabilities of both the council and other public sector partners, exacerbate housing affordability issues, and create community cohesion challenges to which the Council may need to respond.	L = 3, I = 3 (High 9)	We are heavily engaged with EELGA and their refugee coordination officer and network. We are engaging with Serco and raising concerns with LGA and central government. We have strong community engagement activity and support around current placements, which have worked well, but placement numbers and density are increasing within current sites.	L = 3, I = 2 (Medium 6)	To escalate any issues as they arise.
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Proces	294	Procurement Breach/Non-Adherence and failure to follow agreed procurement policies and processes	Corporate Procurement Officer	Organisation wide	Lack of documented processes and consequences of non-compliance with code/ policy. - staff not trained or skilled - poor planning resulting in time pressures and "cutting corners"	Potential for unregulated providers, lack of robust financial appraisals, inefficient procurement activity leading to poor value for money and risks of non-delivery. - potential legal action from disgruntled suppliers - reputational damage - fines / financial penalty - poor value, goods services that don't meet needs, potential for danger to customers / community	L=4, I=4 (High)	Clearly defined processes; training of all budget holders in procurement practices; routine evaluation of procurement practice through audit activity	L=2, I=3 (6)	Review procurement training and processes
	295	Corporate Business Continuity plans are inadequate resulting, over both the short and medium term, in the Council's inability to provide an appropriate service.	Corporate Director People	Organisation wide	Lack of up to date or adequate BCPs and a lack of recognition of their role or purpose. Lack of training/ ownership amongst management tiers. Poor planning staff not trained plans out of date / not reviewed	Council not prepared in the event of a disaster/ disruption Takes much longer than estimated to recover services Wrong priority for recovering services Impact on service delivery for residents and reputational damage	L=3, I=3 High (9)	Fully documented BCP Staff aware of Regular review and update Periodic testing of the plan - either entire or elements, to ensure it will work and can be relied on liaison with other local authorities / bodies to ascertain common issues / concerns and options for risk sharing	L=2, I=3 (6)	Review BCPs and provide training on this to managers.

					considered a priority / important					
312	Arrangements and procedures are insufficiently robust or managed and result in harm to a vulnerable person including children	Safeguarding lead	Organisation wide	Lack of awareness of safeguarding obligations, lack of training, monitoring, and lack of understanding of escalation routes.	Vulnerable people are put at risk. Reputational damage Legal action	L=4, I=4 (High 16)	Clear and well documented safeguarding policies with well trained staff who understand their obligations. DBS (or equivalent) checks on key risk posts and regular review and oversight from safeguarding lead. programme of review / update of checks	L=2, I=3 (6)	Review training needs	

	297	Poor delivery of projects and management of benefit realisation	Managing Director	All.	Lack of skills and/or resource.Lack of alignment, coordination, and effective risk management across processes.Poorly initiated/commissioned projects.A focus on urgent over important tasks	Projects don't achieve the benefits stated.Projects don't deliver on the forecast budget and there are cost overruns. Projects don't deliver in the forecast timeframes and are late. Disproportional amount of effort is spent on governance and compliance activities vs delivery and risk management activities. projects being started on a poor basis and under resourced.	L=4, I=4 (High)	A set of proportionate processes and governance mechanics that provide clear accountability, oversight, and proportional responses to the variety of work undertaken and the different delivery models used.	L=3, I=4 (High 16)	Refresh of service planning, to assign ownership, provide holistic oversight and change activity, and to proportionately assign resource to scope projects, and align ongoing funding to budget.
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	298	Council reliance on out of date or unsupported software systems	Managing Director	All.	Lack of clear understanding of who is responsible and accountable for contracts and commercials around core line of business systems.Lack of skills within the business to understand what it means to be responsible for the contracts for their systems.Lack of capability, understanding, planning, and budgeting for system replacement projects.	Contracts will be rolled over, likely meaning less favourable terms on extensions.Forced into poor projects by compliance reasons due to inability to roll contracts due to procurement compliance. Less efficient services due to use old / poor technology with limited flexibility to fulfil digital service transformation	L=5, I=3 (High)	Service planning process places review of expiring contracts as a key action for service managers to respond to, which will assign clear ownership. Combined with the new idea process, it will provide greater visibility of the cost benefit impacts of inaction. Updated contracts register regularly circulated to accountable managers and reviewed strategically.	L=3, I=3 (9)	Embed new service planning process
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	299	Inadequate risk management exists within the organisation at a project, service and corporate level leading to effort being spent dealing with the wrong things and issues developing that could have been avoided.	Managing Director	All	Lack of training on risk management. Lack of clear processes on risk management, and consequent lack of oversight. Lack of clarity on risk management vs compliance. Lack of commitment and buy in.	Risks develop and turn into issues requiring immediate attention diverting resources from other activities. Inability to accurately forecast or budget leading to unexpected under or overspends damaging the delivery of a balanced budget. Inefficient and ineffective deployment of limited resources. Decisions are made which don't sufficiently or demonstrably consider risks / opportunities Adverse, yet avoidable outcomes for our organisation and the local community	L=4, I=3 (High)	All service managers will review refreshed corporate risk register as part of service planning, New idea capture and development process will encourage services to identify risk and provide support services the opportunity to escalate these at inception. Less working in isolation.  Formal oversight by risk and controls board. Compliance task list circulated monthly.	L=3, I=3 (9)	Embed new idea and service planning process.
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<p><b>People</b></p>	<p>300</p>	<p>People - lack of people capacity or limited supply of key capabilities caused by the challenging recruitment environment. The departure of key staff exacerbated by the impacts of Covid, and increased and unanticipated turnover.</p>	<p>MD</p>	<p>All</p>	<p>Covid related turnover which is unprecedented. The increasingly challenging recruitment market and competition for talent generally, but very specifically in some job areas. Staff issues not effectively managed Salaries and benefits do not keep pace with local markets</p>	<p>Increased vacancies, additional recruitment and agency costs, increased use of market supplements putting pressure on salary budgets, and difficulty in recruitment/ retention. Excessive pressure on teams carrying vacancies, and further staff absence / exits Reputation damage - Council not seen as "employer of choice" Adverse impact on deliverability of projects and services for our local community</p>	<p>L=3, I=4 (High)</p>	<p>Effective service planning. Succession planning, particularly for mission critical roles and in difficult to recruit sectors. Use of interim market where necessary. Creation of strategic partnerships with local colleges and universities.</p>	<p>L=3, I=2 (6)</p>	<p>Embed people planning in service planning. Bring forward development and workforce development plans.</p>
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Technology	301	Cyber security breach / cyber-attack.	Head of ICT	All	There is significant growth in the volume and profile of attempted cyber-attacks. This is combined with some high-profile vulnerabilities having been identified within our supply chain or integrated within applications which we make use of. Insufficient cyber security measures and staff awareness and training on these.	Our increasing use of technology, mean that any cyber-attack would have a very significant impact on our ability to undertake our business to deliver services to residents. Reputational damage / financial penalty or costs / losses / Potential data breach and resulting impacts / Potentially significant down time, and loss or encryption of data.	L=3, I=5 (High)	Use and monitoring of the NCSC ten step cyber security process. Investment in dedicated cyber security team. Investment in SIEM monitoring software. Undertaking of cyber breach exercise to test preparedness. Expansion of ICT procurement advice to enforce mandatory minimum cyber requirement for new software. (Not just buy the incumbent providers option if they don't meet requirements). Services to each develop and evidence (via review by ICT/HR and emergency planning) a sound Business Continuity Plan for continued operations in the event of a cyber event that results in a) total loss of all ICT for a period of 2-3 weeks. No laptops, no network, no local applications, no cloud applications, no printing,	L=3, I=4 (High 12)	More training and familiarity activity for all staff. More BCP planning for services and organisationally.
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								<p>no mobile CA (just SMS and calls)b) minimal ICT (internet access, some cloud hosted applications and some laptops/printing for 2-3 months) c) longer term BCP for onsite hosted applications being out of action for 6 months+ This is to include support services BCP for HR/Payroll (how will we pay staff and support them), Comms (how to plan for external comms around event)</p>		
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	302	<b>Missed opportunities through poor use / understanding / appetite for IT / Technology</b>	Managing Director	All	Job description and recruitment processes don't consider the needed technology/ digital skills.Organisation learning, and development don't understand or have an offer to help services improve their skills in this area.Services don't understand the skills they have or the skills they need to manage their services effectively. Lack of clarity and understanding on the role of 3C ICT now and going forward.	Poor benefits realisation from technology investment. Inefficient and ineffective services. Not forward-looking services. Failure to provide customers with digitally supported service access channels.	L=4, I=3 (High)	Delivery of staff development included in the digital strategy, which will inform the workforce strategy and training and development activity.	L=4, I=3 (High 12)	Adoption and implementation of the Technology Strategy.

<b>AGS &amp; External</b>	303	National government places additional burdens on council services which lead to reprioritisation of the planned business of the council to meet local need	MD/CDs	All	National and international actions with local consequences, e.g., war, recession, pandemic etc	Immediate re-assessment of local priorities and resource levels to manage delivery in a way that doesn't cause local services to fail.	L= 4, I= 3 High (12)	Robust service planning, performance management and project management will ensure that any change in priorities can be accommodated with known consequences.	L=3, I=2 (6)	Prioritisation of actions from emerging service plans
	304	Fundamental changes in Government Policy could undermine Council's ability to enable new affordable homes to be built.	Corporate Director of Place	Planning and housing delivery	Levelling up agenda could see money heading to other parts of the country	Lack of means by which viability issues are addressed on strategic sites, broken model of publicly funded housing solutions/ lack of gov funding meaning that the mix/ amount of housing being delivered doesn't meet local needs.	L=3, I=4 (High 12)	Options to explore use of Council resources to provide local housing to meet local need, also of use CPCA opportunities	L= 3, I= 3 High (9)	Regular review of policy circulars and government briefings and escalation as required.

	305	Un-forecast risk strikes the organisation or area	MD	All	With the experience over the past few years of an increase in Cyber Security threat, the impact of global pandemic in the shape of Covid, and the increase in the number of weather events associated with climate change. We must accept the risk that an event takes place for which we have not appropriately planned, that would have either a significant direct impact on the organisation or impact the area, and to which the Council would need to respond.	Hard to be precise, because of the nature of unforeseen risk. However, could have significant impact in terms of our resources (income/funding), the demand with which we must deal, or in preventing us from using our planned methods of delivery - people, process, or technology.	L=3, I=4 (High 12)	Regular review of risk register, good visibility of risk registers across organisation, and effective Business Continuity Plan. Planning for a range of eventualities should hopefully provide us with options for response even if the exact risk is not entirely forecast. Horizon scanning to ensure early sight of any obvious changes	L=3, I=3 (9)	Maintain policy of training as many managers as possible through partnership EP exercises
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	306	Economic Uncertainty	MD	Organisation wide	<p>The Council's financial robustness is closely linked with the success of the overall local economy, hence one of our key Corporate Plan strategic priorities – delivering sustainable growth across the district. The Council is making tactical investments in the property market and is determined to support the pre-conditions for economic success to support a vibrant economy and positive community outcomes. Ultimately external economic factors do directly impact on our ability to do this. The direct impacts of inflation and/ or currency fluctuation cause us un-forecast affordability challenges.</p>	<p>Potential changes in government policy, regulations, or funding changes which impact on Council objectives. Effecting the local economy, capital receipts, damage to supply chain, land and property negotiations, employment trends and productivity, waste disposal costs, potential adjustments to interest rates and the management of the public finances, workforce implications, poor performance, reduced customer service, reduced staff motivation, increased demand for help from our communities.</p>	<p>L= 4, I= 3 High (12)</p>	<ul style="list-style-type: none"> <li>* Keeping abreast of official publications and economic intelligence from local and central government and partners.</li> <li>* Targeted lobbying by Members on specific issues</li> <li>* Influencing Government through responding to consultations</li> <li>* Engagement with the Local Government Association (LGA), District Council's Network (DCN) Department for Levelling Up, Housing &amp; Communities (DLHUC), Department of Innovation and Skills, local business leaders and other relevant bodies to ensure that current funding is protected.</li> <li>* Monitor emerging policy changes</li> <li>* Review of Business Continuity Plans.</li> </ul>	<p>L= 4, I= 3 High (12)</p>	<p>Regular review of key metrics and escalation as required.</p>
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	307	Environmental pressures and sustainability challenges - Challenges to the long-term sustainability and attraction of our area.	Managing Director	Organisation wide	There is growing recognition of the significant consequences of a failure to properly account for human actions, and wider climactic events which are becoming increasingly common. The national risk register includes flooding and severe weather events as risks that as a country we should prepare for. We also recognise the health impacts of pollution and poor human behaviour in terms of pollution and improper handling of waste as key challenges to the beauty and sustainability of our area	More resources committed to preparing for more extreme weather events, especially river flooding and storms. With potential effects being failure to respond appropriately to emergencies, reputational damage, failure to protect vulnerable people, negative health impacts, death, legal action/financial loss and failure to deliver core services	L=3, I=3 (High 9)	Directly tackle climate by changing what the Council has direct control of (its estate, operating model etc) and influencing others to act.	L=3, I=3 (High 9)	* New approach to 22/23 Service Plans established by end March 22. *Expanding pool of colleagues involved in emergency planning, with training and buddying approach in place by end June 22.
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	308	Partner agency operational pressures - Financial challenges of partners impacting on demand for our services or reducing existing support.	Managing Director	Organisation wide	The continued impacts of reduction in central government funding combined with demand pressures driven by demographic and other factors leaves the sector at risk, of decisions by one partner impacting on the costs or sustainability of another.	There is evidence to suggest that as parts of the public sector reduce their input into communities, that the demand transfers to other agencies. In Huntingdonshire whilst partners work well together there continues to be the challenge of controlling additional demand and the corresponding budget pressures that it brings. Elsewhere financial pressures in one sector, have had significant financial and capacity impacts on the authority. The Council's vision and priorities cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, and Town and Parish Councils are	L=4, I=4 (High 16)	<ul style="list-style-type: none"> <li>* Identification of partners priorities and their delivery across partnerships e.g., Joint Health and Well Being Strategy.</li> <li>* Investing senior officer time in strategic and partnership forums to support delivery of better outcomes &amp; system wide improvements.</li> <li>* Investing senior officer time in understanding partner issues and looking to support partners with these issues (e.g., supporting strategy development, senior recruitment, address budget issues).</li> <li>* Using evidence base to identify areas of greatest need (e.g., Covid impact assessment/ Joint Strategic Needs Assessment). *Develop a multi-agency approach, working closer with partners, communities, and other stakeholders to deliver shared</li> </ul>	L=4, I=4 (High 16)	* Huntingdonshire Place Strategy adopted end 22/23.
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						<p>experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility, and volatility. There is an increased risk that services to our public will be compromised and that increased costs may fall on the Council</p>	<p>Huntingdonshire priorities. * * *Development of a new Huntingdonshire Place Strategy used to provide shared aims, priorities, outcomes, and actions.</p>		
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	309	Morbidity/Growing number of years of ill health - Impacting on people' ability to be self-reliant and generating additional cost through support needs	Managing Director	Organisation wide	The increasing number of years of ill health experienced by the population, combined with Huntingdonshire's aging population make these factors areas of continued focus for HDC. Underlying lifestyle influenced factors such as frailty, excess weight, or other underlying lifestyle-based health conditions contribute to this.	The costs of dealing with ill health and the increased risk of other complications caused by ill health, constitutes a major financial challenge to all public sector agencies. Decisions made to support these needs, often impact HDC as we see these decisions create direct and indirect financial challenges for the Council, including disabled facilities grants but also situations where those who are not able to remain economically active rely on more assistance. The increasing number of years of ill health experienced by the population, combined with Huntingdonshire's aging population make these factors areas of continued focus for HDC.	L=3, I=3 (9)	Development of Health strategy and pursuit of proactive preventative measures. Active engagement with both health and public health agencies to develop shared priorities and interventions	L=3, I=3 (9)	Adopt new Health Strategy
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	310	Local skill levels and educational attainment - As a means by which residents can attract profitable work and in attracting employers to the area.	Managing Director	Organisation wide	Local cultural and employment practices, combined with alignment between training and local economic needs.	A high skilled workforce will contribute to the area's reputation helping attract inward investment and so grow and thrive. Low skill roles tend to be more precarious and have significantly worse outcomes.	L=3, I=3 (9)	The workforce within the area needs to be supported to continue to gain meaningful employment and meet the demands for new skills in the labour market. This is particularly true to ensure we can support our residents to respond to the impacts of Covid, and to ensure the growth we see in Huntingdonshire being in high value adding sectors. In turn this will also contribute to the area's reputation for attracting inward investment and so grow and thrive. Finally, skilled, and flexible workforces who possess digital skills will allow the Council to transform its current delivery models and offer new methods of service delivery. Skills strategy and supporting local industrial strategies.	L=3, I=3 (9)	Pursuing UK SPF funding around skills and links to local employment.
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	311	Housing Affordability - Leading to homelessness and constraining growth.	Managing Director	Organisation wide	Wider economic environment. Driving demand for housing locally and impacting the pace and price of developments which come forward.	This issue is one which impacts on the Council's ability to deliver the Corporate Plan primarily through the escalating financial consequences of homelessness. Furthermore, it also has a bearing on the mobility of the local labour market, on inward investment and business growth opportunities. For the Council as an employer, it also hampers our ability to recruit and retain suitably experienced and qualified staff.	L=3, I=4 (12)	Continue to bring forward delivery of affordable housing,	L=3, I=3 (9)	Early intervention and support to boost household affordability.

	New	Potential Power Outages	Director of Finance & Corporate Resources	Organisation wide	National threat of power outages caused by National Grid demand exceeding supply	Disruption to the delivery of some Council services due to planned national power cuts. Some services will either not be able to be delivered during normal hours of operation, or staff will need to relocate to alternate premises to deliver services.	L=4, I=4 (High 16)	Services to assess if they will be impacted by a power outage, how they can continue to deliver services or alternative measures that need to be put in place.	L=2, I=3, (6)	Services to assess power outage impact
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## CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
27/01/2021	<p><b>The Code of Procurement Waiver Procedure</b></p> <p>Digest of all uses of the waiver procedure to be presented to the Committee.</p>	At future meetings as required.	Since the last meeting on 28th September 2022, there have been no uses of the waiver procedure.	Procurement Lead	No

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