

AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 25 MARCH 2024

4.00 PM

**COUNCIL CHAMBER, FENLAND HALL,
COUNTY ROAD, MARCH**

Committee Officer: Jo Goodrum
Tel: 01354 622285
e-mail: memberservices@fenland.gov.uk

- 1 To receive apologies for absence.
- 2 Previous Minutes. (Pages 3 - 10)
To confirm the minutes of 12 February 2024.
- 3 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.
- 4 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.
- 5 Local Audit Market position and Government Proposals (verbal update)
To receive a verbal update from the External Auditors.
- 6 2023/24 Provisional Audit Plan (Pages 11 - 64)
To review the provisional external audit plan.
- 7 Anti-Money Laundering Policy (Pages 65 - 86)

To consider and approve the Anti-Money Laundering Policy.

8 Risk Based Internal Audit Plan 2024/25 (Pages 87 - 98)

To approve the internal audit plan and resources for the forthcoming year.

9 Annual Governance Statement Update 2022/23 (Pages 99 - 104)

To note the progress made against the actions identified in the Annual Governance Statement for 2022/23.

10 Audit and Risk Management Committee Work Programme (Pages 105 - 108)

For information purposes.

11 Items of Topical Interest.

12 Items which the Chairman has under item 3 deemed urgent.

Friday, 15 March 2024

Members: Councillor K French (Chairman), Councillor J Mockett (Vice-Chairman), Councillor S Harris, Councillor G Booth, Councillor G Christy and Councillor S Tierney

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 12 FEBRUARY 2024 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor G Booth, Councillor G Christy and Councillor J Mockett

APOLOGIES: Councillor S Tierney

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Amy Brown (Assistant Director), Mark Saunders (Chief Accountant), Sian Warren (Deputy Chief Accountant), Sam Anthony (Head of HR and OD), David Thacker (Interim Internal Audit Manager) and Jo Goodrum (Member Services & Governance Officer)

ARMC26/23 APPOINTMENT OF VICE-CHAIRMAN FOR THE MUNICIPAL YEAR

Proposed by Councillor French, seconded by Councillor Christy and agreed that Councillor Mockett be appointed Vice-Chairman for the remainder of the municipal year.

ARMC27/23 PREVIOUS MINUTES.

The minutes of the meeting held on 20 November 2023 were confirmed and signed as an accurate record, subject to the inclusion of the attendance of Councillor Nawaz.

ARMC28/23 TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25

Members considered the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25 presented by Mark Saunders, Chief Accountant.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to borrowing money in the future, which is likely to be through Public Works Loan Board (PWLB) and asked if it is correct that the Council is looking to make any borrowing after September when rates are expected to decrease? Mark Saunders confirmed that it would be around this time but it depends upon the timing of a variety of items, with the capital programme cash flow tending to be towards the second half of the year by the time the schemes get up and running and similarly with the normal cash flow it tends to be higher in the first half of the year than it does in the second half.
- Councillor Booth asked if the PWLB's rate is about 5%? Mark Saunders confirmed that it is just over 5%, with a discount for being a local authority. Councillor Booth continued that it was just after the budget in 2022 when all the rates increased and the effects are still being felt now. Mark Saunders agreed, the property funds invested in March 2022 was in good timing as within the next 6 months things went completely haywire in terms of interest rates and the impact on some of the property type funds, with the Council still suffering the consequences of this but they are long-term investments so it is hoped that this situation will be rectified. Peter Catchpole added that the Council will always look at a range of options when borrowing money and have used internal borrowing as much as it can but equally it

might not be the PWLB because although all the local authorities plead poverty there is still a lot of cash in the system and it might be that the Council does short-term borrowing from another local authority as that might be more beneficial. He stated that the Treasury Management Strategy looks at options every day and the Council has professional advisors and no action is taken without taking advice and looking at lots of different options, with PWLB historically being good but they did hike their rates as a reaction to a lot of the commercial borrowing that local authorities were undertaking. Peter Catchpole made the point that this Council is always very careful and would look at the circumstances at the time when looking to borrow.

- Councillor Christy referred to the external interest payments revised estimates and asked if this was as the result of interest changes? Mark Saunders responded that it would be a combination of the fact that the Council will be taking more borrowing next year and £618k is the amount that is on the Council's current borrowing and does depend upon the extent of the borrowing that is required.
- Councillor Christy referred to Section 5 on the Capital Programme and asked what sort of assumptions are being used on things like capital grants and Section 106 and other contributions which seem to be decreasing quite significantly as well as the forecast capital expenditure. Mark Saunders responded that the capital grants for this year and next year are grants which the Council knows it is likely to receive as they part of the funding arrangements for particular capital projects and also incorporate the £1,194k, which is essentially to do with disabled facilities grants that the Council receive funding from the Government and this figure will not be known until these years which is just taken forward into the future and if more or less is received the programme is scaled accordingly. He added that the Section 106 is based upon what the Council has received to date, with £1 million of the £1,025k being in relation to affordable housing which is being used to part fund the local authority housing fund but going forward that is using some of the money the Council has got set aside for recreation grounds and playground equipment received from developers.

Members endorsed the strategies to be included in the final budget report for 2024/25.

(Councillor Booth declared in the interests of transparency as there was an investment with Yorkshire Building Society that he did work for this building society five years ago)

ARMC29/23 INTERNAL AUDIT PLAN 2023/24 - PROGRESS REPORT QUARTER 3

Members considered the progress against the Internal Audit Plan 2023/24 for Quarter 3, with an update on the resourcing situation within the Internal Audit Team, presented by David Thacker, Interim Internal Audit Manager.

Members made comments and asked questions as follows:

- Councillor Christy referred to Section 2.3 regarding the cyber security audit and asked how this is progressing as within the past couple of months there has been an increase in cyber attacks in the public and private sector with some authorities shutting down because of this? David Thacker responded that he is personally undertaking this audit and he is trying to finalise it now with the Head of ICT, it is more in relation to the governance angle and he is confident with the protections the Council has in place and that the Council is going beyond what it needs to do, with the National Cyber Centre Essentials report passed with flying colours and the firewall having been upgraded. He stated the biggest weakness is users which is normal so training needs to be improved and the understanding of what staff can do.
- Councillor Booth referred to the lack of a Publication Scheme, but he is sure the Council must have had one at some point so is it saying it was not on the website and it has just dropped off over time? Amy Brown responded that the information has always been there on the website but it has not been pulled together, there is a reference to a Publication

Scheme on the website so it has existed at some point and she is not aware when it was removed or why but every piece of information that is required to be published by the Council has always been published. She stated that a central page has now been created which lists everything from the model Publication Scheme and puts the links here for people to access the information on other pages on the website so it was the entry point that was missing to easily navigate to the different places where the information was contained. Councillor Booth stated that the information was buried basically. Amy Brown responded not on purpose but this new entry point makes it abundantly clear to people what they need to click on to find it. Councillor Booth asked is it possible that when the website was refurbished that this is when this got lost? Amy Brown stated that this might have been possible because there was reference on the page to its existence and some authorities have printed the model Publication Scheme but this Council has tried to thread it all through so that under each heading there is the specific link to the policy but she is unable to definitely say why or when it got removed but it was a very easy task to rectify as all the information existed on the website.

- Councillor Booth referred to future governance as the same could happen again if the Council changed the website so are officers going to undertake bi-annual checks to make sure it is all in place? Amy Brown responded that this is a good suggestion and it could be treated like a policy so that it is added to the register of policies with a review date. David Thacker added that from an audit point of view outstanding issues would be looked at and followed up so there is tracking that audit would undertake and it would be revisited from a risk-based point of view as well.
- Councillor Booth referred to a lack of formal training and awareness on FOIs and asked is the issue that staff do not know that it is a FOI request they are receiving and how to deal with them? David Thacker responded that from the audit sampling a lot of it came down to an understanding of what constituted a request then the resources to undertake it, prioritisation and getting the information from the relevant service. Amy Brown added that that FOIs are primarily dealt with by Member Services via an FOI account, with colleagues being reasonably good at recognising when they receive requests for information but it does not always come through FOI and there has been a process of training within FOI over the last couple of years and upskilling within the team to be able to recognise and apply exemptions and to provide support to the services that are responsible for responding to these requests. She stated that part of the training that needs to happen is to identify 'champions' within the different services to recognise requests, knowing what exemptions can be applied and potentially creating some capacity to respond to them as sometimes the issue is the resource to be able to deal with a huge request which can be resource intensive. Amy Brown added that there is the need to get better at recording that it is completely acceptable for the Council to request an extension in certain circumstances, which may make the results more compliant than they currently do. Councillor Booth made the point that if there are new starters, is it part of their induction and do they know who to refer to as it may be a new concept to them. Amy Brown agreed and that is something that is being looked at to be included in inductions as there is a module on GDPR but it is wider than this and the time is also right now to look at refreshing and reviewing the training that staff have had in the past.
- Councillor Booth referred to larger requests and asked for clarification that is there not an exemption that if the request is going to take so many hours that it can be declined and is this ever used as he acknowledges that there may be spurious requests as well and how are these dealt with? Amy Brown responded that they do try but to be able to say that something is vexatious or manufactured to deliberately create disruption to the Council is quite a high bar as set against this is the legislative requirement and the guidance which means the Council should try and be as obliging as possible. She stated that requests have to be taken at face value and if at face value the request creates some issues for the Council it will be dealt with but largely the requests are legitimate, there is a 19 hour cut off but different people have different views on this as well because some people will take it that if it is going to take more than 19 hours you provide nothing at all but this Council looks

and says what can be provided in 19 hours or works with the person who is requesting the information to try and get them to narrow down their parameters. Amy Brown stated that there are a few requests each year that generate a huge amount of information but it is legitimate and it probably will not take 19 hours but even 5-6 hours out of somebody's 20 working day deadline that was not expected can have an impact and that is why it is the intention to develop the champions and a better support network. Peter Catchpole added that the complaints process is changing also so the LGO are currently out for consultation to make it a lot slimmer so where this Council operates a three stage process it is likely to be a two stage so synergies are being looked at between complaints and these sorts of requests. He stated that a report is brought on how services are performing on FOIs to Management Team so visibility of this area is much improved, with the number of FOIs seeming to go up each year, with the Council generally dealing with them very well but it is about making more people aware and not just relying on a few people all the time. Councillor Booth stated that he understands that a lot more lobbying groups are making requests to obtain information and he recognises that it takes up a lot of resources.

Peter Catchpole referred to staffing and that Internal Audit has been very difficult to recruit to, with the previous Audit Manager being at the Council for 22 years but when she did leave some fresh pair of eyes came in, which has helped enormously. He stated that the Council is out for advert, which has been undertaken before and was not successful, and he is also having discussions with other neighbouring authorities, who are equally having similar problems, in relation to potential consortiums or sharing resource, with many of things being run in parallel and the committee will be kept updated.

Members noted the activity and performance of the Internal Audit function.

ARMC30/23 RIPA POLICY

Members considered an update on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the revised RIPA Policy presented by Amy Brown, Assistant Director.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to him saying in the past that the Council seems to be fairly proportionate in the way it uses these powers, although he thinks it needs to be used more for fly tipping as this is quite a big issue particularly in the rural areas. He asked in relation to using the power once this year was it in relation to fly tipping or was it something completely different? Amy Brown responded that she is happy to share this information with him outside of the meeting. Councillor Booth stated that one of the issues that has been reported in the past is for local authorities to understand if someone lives in the catchment area and this Council does use it sparingly and he has said in the past that as this area has such a big issue with fly tipping it needs to be considered using this power to try and combat this as it is only going to get worse. He stated that he understands about GDPR and not going into specifics of individual cases but feels he could be provided with broad areas. Amy Brown responded that when the Council relaunches the policy, if the amendments are approved today, that area of the business can be focussed in on to see whether they feel comfortable with the policy, understand it, are confident to use it and if there are any areas where they could use it in relation to fly tipping to address the concern of it not being used enough. She made the point that there are quite high thresholds that have to be crossed to be able to use the powers anyway and then a JP has to be persuaded that the correct procedures have been followed, with there often being other ways of dealing with these issues that do not require something quite so invasive.
- Councillor Christy thanked officers for the report, which contains a lot of information, and he feels the most interesting part was the case law examples, especially those examples where it had been found against the local authority, which bring the document to life and through training people should be made aware of those examples as it would be very easy

to fall foul of some of those case law examples. Amy Brown agreed that it is good to have practical examples and some of this has been added to the policy, with a commitment to retrain and on a bi-annual basis. She explained that it is an arduous process to get an application approved and it does help for people to understand but not put them off either.

Members noted the annual report on the Council's use of RIPA and approved the amended RIPA Policy.

ARMC31/23 CORPORATE RISK REGISTER - QUARTERLY UPDATE

Members consider an update to the Council's Corporate Risk Register presented by Sam Anthony, Head of Human Resources and Occupational Development.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to a question he raised at the last meeting in relation to actions and putting deadlines or targets against them. He provided an example being that one of the changes is around reviews being ongoing in service areas and changes will be delivered but the timescales are not known, is it going to be a year or 5 years, questioning how the success can be measured when doing those reviews and delivering the actions. Councillor Booth asked that target dates be added to specific activities and where they are ongoing for it to say ongoing. Sam Anthony agreed that this can be added and as the report indicates the transformation service reviews have commenced and they are rolling out, with two taking place currently, and she feels that an update can be included with the next Risk Register.
- Councillor Christy referred to Section 6 and asked on the current risk is there anyway it could be indicated if those scores are trending up or down or changing at all as some risk registers he has seen use an arrow scheme to show whether it is increasing, decreasing or staying the same. Sam Anthony agreed this could be added but stated that the risks have not moved since they were last reported. Peter Catchpole added that he seems to remember that Councillor Booth has suggested this previously and he feels it is a good idea and would be beneficial.
- Councillor Booth made the point that it does indicate though that there is no change last time the report was considered and there is no change this time and is the committee satisfied that the Council's risk register and issues are that static as you would normally see some movement in it particularly when you deliver actions because you have a better control environment and reduce the potential for that risk to occur. Peter Catchpole responded that there is a risk expert at the meeting with the involvement of David Thacker, he is part of the Risk Group and will be adding ideas and suggestions with a fresh pair of eyes.

Members agreed the latest Corporate Risk Register.

ARMC32/23 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee Work Programme.

Peter Catchpole highlighted that the work plan is lighter than normal, with it containing very little from External Audit, with it now being out to consultation again on what is happening with External Audit, which the Council will be responding to but they are referring to these end dates now for undertaking certain years, but it looks very unlikely that this Council will have a full audit for 2022/23. He stated that the Council has just published its 2022/23 draft accounts on the website, which do not have to come before this committee, but a copy will be sent to members, with the auditors having undertaken some work on 2022/23 but just for a Value for Money report, which is still awaited. Peter Catchpole expressed the opinion that it looks unlikely that there will be a full audit for 2022/23 and the Council's auditors are now focussing on 2023/24, which was also the

change over if you had new auditors under the PSAA but this Council still uses Ernst Young, which is good as if they are not undertaking a 2022/23 audit how would opening balances be checked. He made the point that the Council has been very fortunate with Mark and the team that there has been clean audit reports for many years but they are looking at September 2024 as being one of the first deadline dates for completing audits up to 2022/23 but it is believed that this Council is working to 2023/24 for a full audit so it is unknown what will happen for 2022/23 and what will be brought to this committee, but there will be a Value for Money report when this is received

Councillor Booth questioned the value for money report and asked will there not be the audit of the housing benefit account as there is never a clear audit of this due to the way that legislation is made so are they not even doing this audit this year? Peter Catchpole responded that he believes the Council will receive this. Mark Saunders added that External Audit will carry on doing these audits but they are some way behind and the consultation talks about the backlog of the audits, with up to 2022/23 being complete by September 2024 but that will involve auditors providing qualified opinions and not full opinions and they will provide opinions based upon the work that they have actually managed to do on that audit so there will be lots of disclaimers and it is a way for them to fast track the audits of those accounts, with them concentrating heavily on the 2023/24 accounts undertaking preliminary walkthroughs with them of all the systems prior to the end of year to get ready for the 2023/24 audit. He stated that there has been no indication from them exactly when the 2023/24 audit is going to be undertaken, the draft accounts are due for publication at the end of May, but this could slip given the timescales of everything else and officers are just continuing with what they need to undertake. Mark Saunders expressed the view that he is unsure why they are consulting again as these dates have been around for a while as there needs to be a stage where everything is on an even keel and one of the biggest reason why it has got out of sync is they mentioned various regulation changes but it is the fact that the way they conduct the audit on some of these issues and the two biggest issues that effect virtually all councils which caused untold delays and problems are asset valuations and pension valuations and they need to address this issue because if they do not in 3-4 years' time it could be the same situation again because every authority employs experts to provide these valuations and the auditors spend endless amount of time checking what other experts have undertaken and then if they disagree there is a whole rigmarole that has to be undertaken. He expressed the view that the process needs to address things on two fronts, getting back up to date and then getting back on track, addressing it from the reporting and disclosure side, which they have said they are going to do but they have also said this for a number of years now in trying to simplify the accounts and make them easier to understand. Peter Catchpole referred to audit fees as he previously advised the committee the fees were rising by 151% and the Council's average audit fee going forward would be approximately £155,000 from a base of about £34,000 and he is not sure what will happen with audit fees and, in his view, if they are not doing the work the Council cannot be expected to pay but this is another issue as the Council still accrues the full fees.

Councillor Booth stated that the other knock-on effect is if the auditors have not undertaken a full audit for 2022/23 it is going to be extra work the following year so, therefore, the fees for that year are going to be even higher. He asked if any feedback has been provided to them? Peter Catchpole responded that feedback is provided all the time, and the consultation will also be responded to, but the answers will be the same, particularly that the accounts are too complicated and also the Council is having to paying twice for experts. He feels that virtual auditing is causing all sorts of problems because there is no substitute for having auditors on site to deal with an issue rather than having to scan documents to them and going backwards and forwards. Peter Catchpole expressed the view that the whole process needs a reset, but it is not just about dates but also about the work, simplification of the accounts and the way audits are carried out.

Councillor Booth made the point that pension valuations are only as good as the day they are calculated anyway because the way the stock markets moves. Peter Catchpole agreed this is part of the problem as the valuation is undertaken and the auditors do not come in until later and they want to see what changes have happened, there is a post balance sheet events and the longer

that period between signing those accounts off the more things change. Mark Saunders added that it is incredibly volatile and the pension valuation for 2021/22 was £46 million at the end of the year and for 2022/23 it was £8 million and there are more statutory overrides around how it is accounted for, so it does not impact on the revenue account.

Peter Catchpole referred to the fact that it said there would be some training on the Statement of Accounts, but it was not felt prudent to do this at this time so hopefully this will be provided later in the year when it is relevant. Mark Saunders added that this is part of the audit process as well, so committee have seen the accounts, have a chance to go through them and ask questions about them prior to the auditors undertaking their work to give committee a better understanding of the accounts.

Peter Catchpole referred to an action of the appointment of an Independent Member and at present legislation does not say that the committee has to have an independent member, it seems to be going this way and when the Interim Internal Audit Manager undertakes his audit opinion that will probably talk about an independent member as well. He stated that a report will be brought back to the committee, possibly in July, to get a steer from committee on how this wants to be taken forward. Councillor Christy supported this approach.

Members noted the workplan and for it to be updated as appropriate.

ARMC33/23 ITEMS OF TOPICAL INTEREST.

There were no items of topical interest.

5.07 pm

Chairman

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Fenland District Council Provisional Audit Plan

Year ended 31 March 2024

7 March 2024



Building a Better
working world



Audit and Risk Management Committee
Fenland Hall, County Road
March Cambridgeshire
PE15 8NQ

7 March 2024

Dear Audit and Risk Management Committee

External Audit Plan - 2023/24

Attached is our Audit Plan for the forthcoming meeting of the Audit and Risk Management Committee. The purpose of this report is provide the Audit and Risk Management Committee of Fenland District Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 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, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit and Risk Management Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

(continued)

We draw Audit and Risk Management Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit and Risk and Management 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 25 March 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

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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/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). 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 Audit and Risk Management Committee of Fenland District Council. Our work has been undertaken so that we might state to the Audit and Risk Management Committee of Fenland 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 Audit and Risk Management Committee of Fenland 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.



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Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates, it is likely we will qualify disclaim the opinion on the Council's 2022/23 accounts. The proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Risk Management Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Plan.



Overview of our 2023/24 audit strategy

Responsibilities of Council management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Management 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
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud Risk	No change in risk or focus	<p>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.</p> <p>We have assessed the risk is most likely to occur 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.</p>
Valuation of Property, Plant & Equipment and Investment Properties	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 & Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work on the 2021/22 financial statements, 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>

Overview of our 2023/24 audit strategy

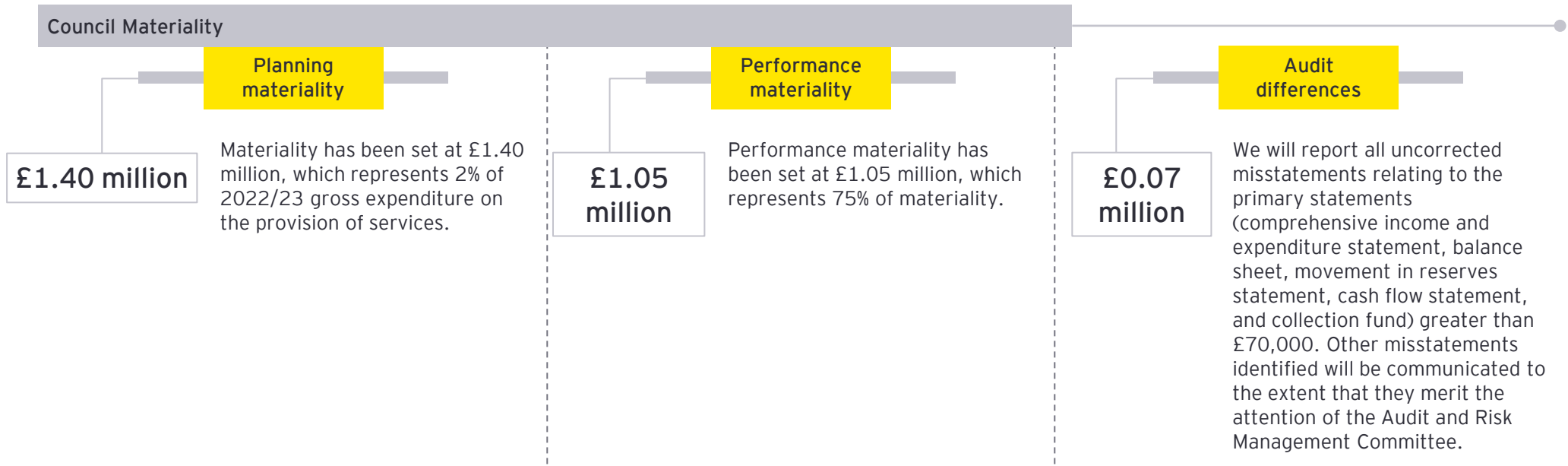
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation	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 its membership of the Local Government Pension Scheme.</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>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit and Risk Management Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Risk Management Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

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

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 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 3.

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 those risks. 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". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Plan and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. 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.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit and Risk Management Committee where necessary to do so.

Overview of our 2023/24 audit strategy

Value for Money

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 prepare a commentary under three reporting criteria. 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 the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable has been discussed with Management, with the aim to complete the audit by **30 November 2024 - ahead of the proposed backstop date for 2023/24**. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is achievable.

We are aware that there may be a possible risk to our audit delivery connected with the potential departure of the Chief Accountant during the same period. Management needs to ensure that finance team have appropriate resources in place to meet the timelines and that our audit is fully supported throughout.

Key Audit Partner and senior audit team



Engagement Partner (Mark Hodgson)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance;
- ▶ The auditor's report that is issued on behalf of EY; and
- ▶ The overall quality of the audit



Manager (Claire Sulam)

The Manager has responsibility for management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.



02 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) 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?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

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.

Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital 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 classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ 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 (PPE) / Investment Property (IP) additions and/or 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 assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus

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

What is the risk/area of focus, and the key judgements and estimates?

Valuation of Land and Buildings and Investment Property (inherent risk)

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.

At 31 March 2023, the net book value of PPE was £55.75 million, and the fair value of Investment Properties was £5.96 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.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ 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 2023/24 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.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

Other areas of audit focus

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

What is the risk/area of focus, and the key judgements and estimates?

Pension Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023, this totalled £8.26 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- ▶ Assess the work of the pension fund actuary 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 considering any relevant reviews by the EY actuarial team
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



03

Value for Money risks

Value for Money

Council's responsibilities for value for money

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

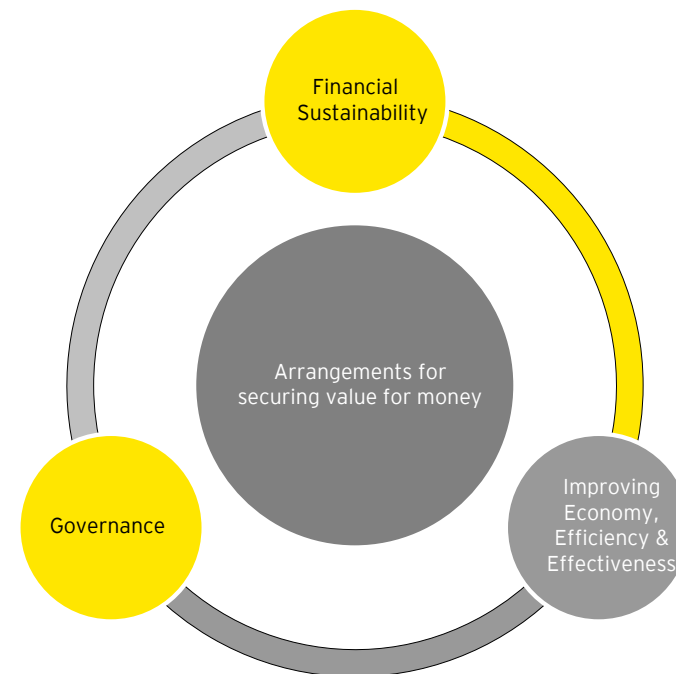
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

Auditor Responsibilities

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

The specified reporting criteria are:

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



Planning and identifying risks of significant weakness in VFM arrangements

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

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

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

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

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

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



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Risk Management 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 a commentary on your value for money 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 may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will 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 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

We will update the next Audit and Risk Management Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

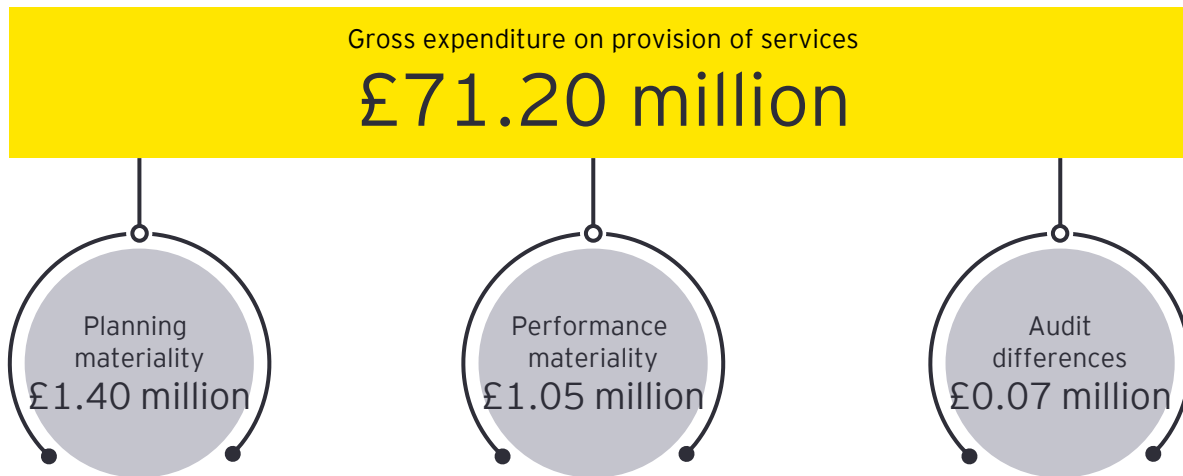


04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2023/24 has been set at £1.40 million. This represents 2% of the Council's 2022/23 gross expenditure on provision of services. It will be reassessed throughout the audit process. The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies. We have provided supplemental information about audit materiality in Appendix F.



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements and any guidance subsequently issued may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit and Risk Management Committee updated on any changes to materiality levels as the audit progresses.

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.05 million which represents 75% of our planning materiality. Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet 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 or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.



05 Scope of our audit

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 Group 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 National Audit Office.

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

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.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Risk Management Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified, work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

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

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

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

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

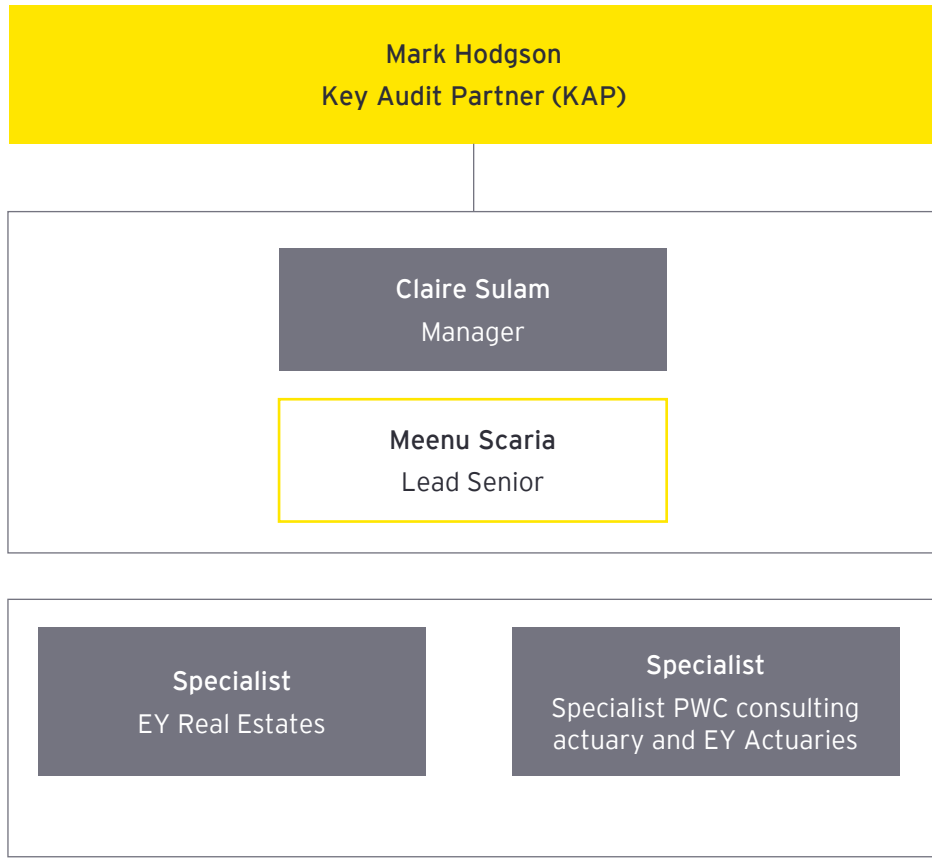


06

Audit team

Page

Audit team



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 EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings and Investment Properties	Management Specialist - Wilkes Head & Eve EY Real Estates (in relation to assessing the Council's valuers and otherwise required)
Pensions disclosure	Management Specialist - Hymans Robertson (Actuary to Cambridgeshire Pension Fund) EY Actuaries PWC (Consulting Actuary to the NAO)
NNDR Appeals Provision	Management Specialist - Wilkes Head & Eve
Financial Instruments	Management Specialist - Link Assets Services

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 Group'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
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



07

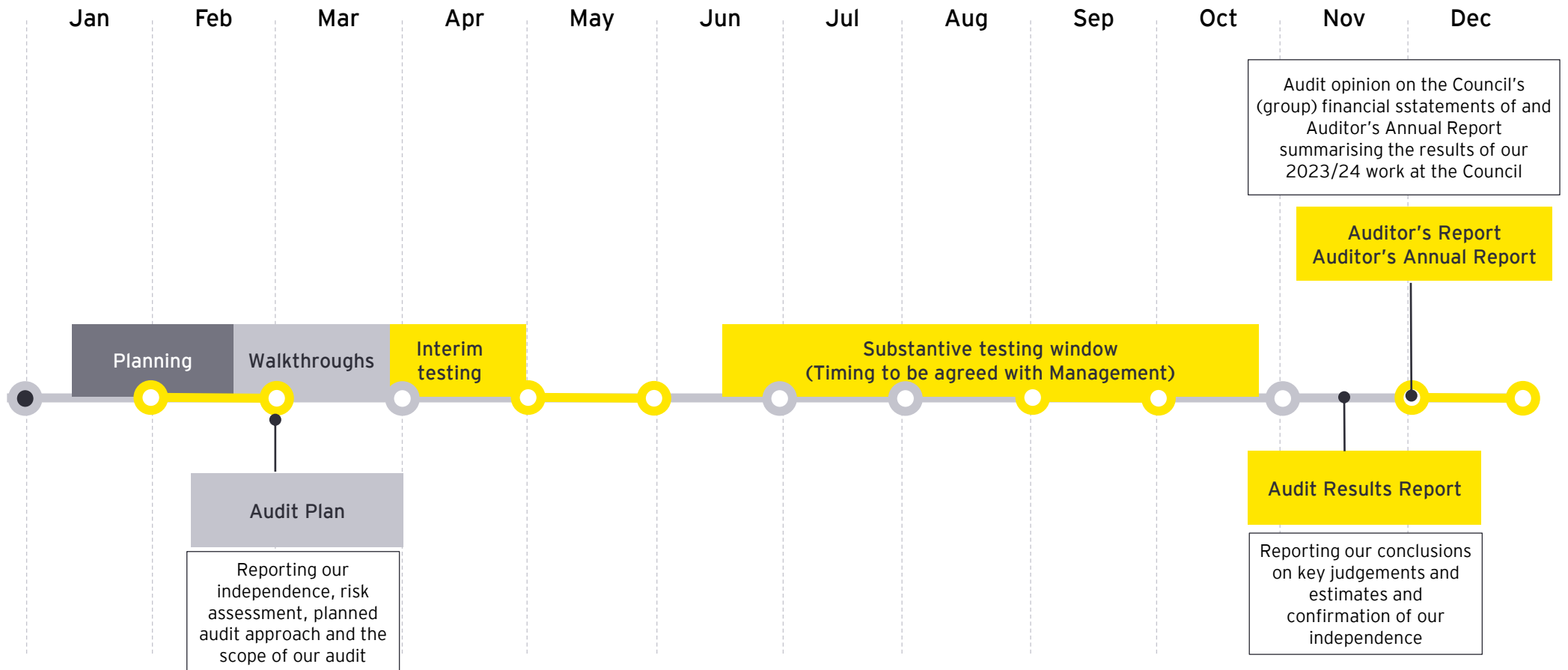
Audit timeline

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 2023/24.

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





08

Independence

Introduction

The FRC Ethical Standard 2019 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the ratio of non-audit fees will not exceed 1:1. 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.

Relationships, services and related threats and safeguards

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 your company. 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

EY Transparency Report 2023

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 period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ▶ *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- ▶ *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- ▶ *provide necessary resources to enable delivery of the plan;*
- ▶ *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ▶ *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ▶ *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- ▶ *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – 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.

	2023/24	2022/23
	£'s	£'s
Total Fee - Code Work (Note 1)	144,006	37,873
Other (Note 2)	TBC	TBC
Total audit	0	0
Other non-audit services not covered above - Housing benefits (Note 3)	TBC	TBC
Total other non-audit services	TBC	TBC
Total fees (All fees exclude VAT)	TBC	TBC

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

Appendix B – Fees

(3) The 2021/22 Housing Benefits work has been completed and a final fee will be determined shortly for 2021/22. For the prior year 2022/23 and current year 2023/24, no audit work has commenced yet and therefore the fee is still yet to be determined.

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
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

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 before being submitted to PSAA Ltd for determination, in line with the agreed process.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update (optional)

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](#) (accif.co.uk).

Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit 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	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>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</p>	Audit Plan - March 2024 - Audit and Risk Management Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Audit Results Report - November 2024 - Audit and Risk Management Committee

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - November 2024 - Audit and Risk Management Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2024 - Audit and Risk Management Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit Results Report - November 2024 - Audit and Risk Management Committee

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>Audit Results Report - November 2024 - Audit and Risk Management Committee Results Report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - March 2024 - Audit and Risk Management Committee Audit Results Report - November 2024 - Audit and Risk Management Committee - Audit and Risk Management Committee</p>

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - November 2024 - Audit and Risk Management Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - November 2024 - Audit and Risk Management Committee
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - November 2024 - Audit and Risk Management Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2024 - Audit and Risk Management Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - November 2024 - Audit and Risk Management Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2024 - Audit and Risk Management Committee
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor’s report ▶ Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report - November 2024 - Audit and Risk Management Committee

Appendix F – Additional audit information

Regulatory update

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 International Financial Reporting Standards as adopted by the UK, 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. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by Management with the oversight of the Audit and Risk Management Committee. The audit does not relieve Management or the Audit Risk and Management 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, company law 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's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in Appendix E 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 locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ 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.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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

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

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Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	25 March 2024	
Report Title:	Anti-Money Laundering Policy	

1 Purpose / Summary

The Council requires an Anti-Money Laundering Policy, and the attached policy provides the structure and processes that should be adopted by the Council against money laundering.

2 Key issues

- Regulated Authorities must have provisions in place relating to ‘Money Laundering’, although as a Local Authority we are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as a responsible public body, the District Council, which does not undertake any such regulated activities and hence the risk is low, should employ policies and procedures which reflect the essence of the UK’s anti-terrorist financing, and anti-money laundering regulations.
- Such legislation has been considered by professional bodies, resulting in best practice guidance being issued that recommends local authorities to establish internal procedures to prevent the use of their services for money laundering. As part of the work being undertaken by the Internal Audit Department in respect of anti-money laundering and terrorist financing this is a policy being introduced to enhance the Council’s controls and mitigation to the risk of serious money laundering.

3 Recommendations

The Audit and Risk Management Committee (ARMC) should review and approve the Anti-Money Laundering Policy.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Chris Boden – Finance, Audit & Risk
Report Originator(s)	David Thacker – Interim Internal Audit Manager

Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Amy Brown – Assistant Director, Deputy Monitoring Officer & Data Protection Officer David Thacker – Interim Internal Audit Manager
Background Paper(s)	Combating Financial Crime CIPFA

Anti-Money Laundering Policy

Version 1.0

March 2024



ANTI-MONEY LAUNDERING POLICY

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1 INTRODUCTION

- 1.1 The Proceeds of Crime Act 2002 (the **Act**), the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (effective from 1st October 2020) place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering.
- 1.2 Whilst the risk to the Council of contravening the Act and the Regulations is **very low**, the obligations impact on certain areas of Local Authority business and require Local Authorities to establish internal procedures to prevent the use of their services for money laundering. This Policy outlines the Council's and its subsidiary companies' responsibility to comply with the relevant legislation.

2 SCOPE OF THE POLICY

- 2.1 This Policy applies to **all** employees of the Council or its subsidiary companies, elected members and agency workers, and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.2 The Policy sits alongside the Council's Whistleblowing Policy and Anti-Fraud and Corruption Policy, the Council's Code of Conduct for Employees, Procedure for dealing with Misconduct and its Disciplinary Rules.
- 2.3 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary and Capability Procedure.
- 2.4 The Council's policy in relation to money laundering is to do all it reasonably can to:
 - prevent, where possible, the Council, its subsidiary companies, employees, members and agency workers from being exposed to money laundering practices;
 - identify the areas where it may potentially occur; and
 - comply with all legal requirements, especially those relating to reporting.

3 WHAT IS MONEY LAUNDERING?

- 3.1 Money laundering is the term used for several offences involving the proceeds of crime or terrorism funds. It involves the "cleaning" of illegal proceeds of crime to disguise their criminal origin. Those proceeds are introduced into an organisation's systems, are processed and leave the systems so that they appear to have come from a legitimate source.
- 3.2 The term goes beyond the transformation of the proceeds of crime into money or assets. The term also covers a range of activities, which do not necessarily need to involve money. The following constitute the act of money laundering:
 - concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Act);

- entering into or becoming concerned in an arrangement which you know or suspect facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of the Act);
- acquiring, using or possessing criminal property (section 329 of the Act)

These are the **primary** money laundering offences and thus prohibited acts under the legislation.

There are also three secondary offences: failure to disclose knowledge or suspicion of money laundering where this knowledge or suspicion is acquired in the course of work (section 330 of the Act) and tipping off and prejudicing an actual or potential investigation (sections 333A and 342 of the Act)

Tipping off is where someone informs a person or people who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

- 3.3 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.
- 3.4 “Criminal property” is widely defined as a person’s benefit from criminal conduct. It includes all property, real or personal (situated in the UK or abroad), including money, and also includes an interest in land or a right in relation to property other than land. It does not matter how small the value of the benefit is.
- 3.5 Whilst the risk to the Council of contravening the legislation is very low in practical terms, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. Even if a money laundering investigation does not result in a conviction, the individual or individuals concerned, as well as the Council, are likely to suffer severe reputational damage as a result.

The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

4 WHAT ARE THE OBLIGATIONS ON THE COUNCIL AND SUBSIDIARY COMPANIES?

4.1 Organisations conducting “relevant business” must:

- appoint a Money Laundering Reporting Officer (“MLRO”) (or Nominated Officer (“NO”) as they are sometimes referred) to receive disclosures/reports from employees of money laundering activity (their own or anyone else’s - i.e., of a client, colleague, member of the public etc.);
- appoint a Compliance Officer¹ with sufficient authority to ensure that appropriate due diligence arrangements are in place and operating effectively for relevant services, where there is significant exposure to the risk of money laundering;
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification (customer due diligence) procedures in certain circumstances;
- obtain information on the purpose and nature of certain proposed transactions/business relationships;

¹ Within the Council this role is best discharged by the Monitoring Officer

- conduct ongoing monitoring of certain business relationships;
- maintain record keeping procedures and other specified procedures on a risk sensitive basis;
and
- train relevant staff

- 4.2 Not all of the Council’s business is “relevant” for the purposes of the legislation: it is mainly the accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services that are caught by the Act. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council and its subsidiary companies; therefore, all staff are required to comply with the Disclosure/Reporting procedure set out in Section 6 (below).
- 4.3 CIPFA guidance notes that public authorities are not legally obliged to apply the provisions of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 , but as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK’s anti-money laundering regime.
- 4.4 In addition to ongoing monitoring, the Policy will be revised to the extent that the implications of money laundering to Local Authorities are developed via new professional guidance, legal precedent or case law.
- 4.5 The following sections of this Policy provide further detail about the requirements listed in paragraph 4.1.

5 THE MONEY LAUNDERING REPORTING OFFICER – (MLRO)

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Chief Finance (s151) Officer who can be contacted as follows:

Fenland District Council

Fenland Hall

County Road

March

Cambs.

PE15 8NQ

e-mail petercatchpole@fenland.gov.uk

- 5.2 In the absence of the MLRO, the Council’s Head of Governance and Legal Services is authorised to deputise and can be contacted at the above address.
- 5.3 The legislation in this area is complex and anyone requiring further information or with any queries whatsoever in connection with this policy should contact the MLRO or his/her deputy.

6 DISCLOSURE PROCEDURE

Cash payments

- 6.1 No payment to the Council will be accepted in cash (including notes, coins or cheques in any currency) if it exceeds £5,000.

Reporting to the Money Laundering Reporting Officer

- 6.2 Where you know or suspect that money laundering activity is taking/has taken place or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.**

- 6.3 Disclosure should be made to the MLRO using the proforma report attached at Appendix 1. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself, if relevant), e.g., name, date of birth, address, occupation, company names, directorships, phone numbers, etc.;
- Full details of the property involved and its whereabouts (if known);
- Full details of the nature of both their/your involvement;
 - If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the National Crime Agency (NCA) via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given.
 - You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g., a completion date or court deadline;
 - Just because you do not know who has committed an offence though does not avoid the need for a report to be made.
- The types of money laundering activity involved:
 - if possible, cite the section number(s) under which the report is being made eg a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both;
- The dates of such activities, including:
 - whether the transactions have happened, are ongoing or are imminent;
 - Where they took place;
 - How they were undertaken;
 - The (likely) amount of money/assets involved; and
 - The reasons why, exactly, you are/became suspicious – the NCIS will require full reasons.

Plus any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them to prepare their report to the NCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

It is not necessary to make a report if:

- You cannot establish the identity of the person suspected of committing the money laundering offence:
- You cannot identify the whereabouts of the criminal property: and
- You do not believe (and it is not reasonable to believe) that the information you have may assist in identifying the money laundering or the whereabouts of the criminal property.

This means that cases of pilferage, fraud or theft by persons unknown will not normally need to be reported. However, always consult the MLRO if you are in any doubt. Always exercise common sense and err on the side of caution.

- 6.4 Once you have reported the matter to the MLRO you must follow any directions they may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 6.5 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise, you may commit a criminal offence of “tipping off” (section 342 of the Act) (see the Guidance Note for further details).
- 6.6 Do not, therefore, make any reference on any public facing file to a report having been made to the MLRO – should the person reported exercise their right to see the file (Data Protection Act 1998/ Freedom of Information Act 2000), then (subject to the exercise of any relevant exemptions under those Acts) such a note will tip them off to the report having been made and may render you liable to prosecution. The MLRO must keep the appropriate records in a confidential manner.

Consideration of the disclosure by the Money Laundering Reporting Officer

- 6.7 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his/her section of the report and acknowledge receipt of it. They should also advise you of the timescale within which they expect to respond to you. This will usually be within 10 working days.
- 6.8 The MLRO will consider the report and any other available internal information they think relevant e.g.:
- reviewing other transaction patterns and volumes;
 - the length of any business relationship involved;
 - the number of any one-off transactions and linked one-off transactions;
 - any identification evidence held;

and undertake such other reasonable inquiries they think appropriate to ensure that all available information is considered in deciding whether a suspicious activity report to the

NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you. You must co-operate fully with the MLRO at all times.

- 6.9 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case;
 - they know the identity of the money launderer or the whereabouts of the property involved or they could be identified or the information may assist in such identification; and
 - whether they need to seek consent from the NCIS for a particular transaction to proceed.
- 6.10 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they have a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 6.11 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then they must note the report accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed.
- 6.12 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 6.13 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 6.14 The MLRO may receive appropriate consent from NCA in the following ways;
- specific consent received within the notice period (7 (seven) working days starting with the first working day after the MLRO makes the disclosure); or
 - implied consent following no NCA response upon expiry of the notice period; or
 - refusal of consent during the notice period but no NCA response upon expiry of the moratorium period (31 (thirty one) working days starting with the day the MLRO receives notice of refusal of consent)
- 6.15 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.
- 6.16 All disclosure reports referred to the MLRO and reports made by them to the NCIS must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of 5 (five) years.
- 6.17 The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.
- 6.18 NCA reporting forms can be found on the NCA website: www.nationalcrimeagency.gov.uk

7 CLIENT IDENTIFICATION PROCEDURE

7.1 Where the Council is carrying out relevant and regulated business (accountancy, audit and certain legal services) and:

- forms an ongoing business relationship with a client;
- undertakes an occasional transaction amounting to 15,000 Euro (approximately £13,000) or more whether carried out in a single operation or several linked ones;
- suspects money laundering or terrorist financing; or
- doubts the veracity or adequacy of information previously obtained for the purposes of client identification or verification

then customer due diligence measures must be applied and this Customer Due Diligence (CDD) Procedure must be followed before the establishment of the relationship or carrying out of the transaction.

7.2 CDD means:

- identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;
- identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify their identity so that the relevant person is satisfied that they know who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and
- obtaining information on the purpose and intended nature of the business relationship.

* Please note that unlike the reporting procedure, the CDD procedure is restricted to those undertaking relevant business, e.g. Financial/ Audit Services and Legal Services.

7.3 In the above circumstances, staff in the relevant unit of the Council must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones, but identification evidence is not required for matters entered into prior to 1 March 2004.

7.4 Once instructions to provide relevant business have been received, and it has been established that any of paragraphs 7.1 (a) to (d) apply, evidence of identity should be obtained as follows.

Internal clients:

Appropriate evidence of identity for Council departments will be (1) signed, written instructions on Council headed notepaper or (2) an email on the internal email system at the outset of a particular matter. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

External Clients:

For external clients of the Council, such as Cambridgeshire County Council, the Police, other statutory bodies and agencies, appropriate evidence of identity will be (1) written instructions on the organisation's official letterhead at the outset of the matter or (2) an

email from the organisation's e-communication system. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself: (please see the Guidance Note for more information).

- 7.5 In all cases, the evidence should be retained for at least 5 (five) years from the end of the business relationship or one-off transaction(s).
- 7.6 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.
- 7.7 The Regulations regarding CDD are detailed and complex, but there are some simple questions that will help decide if it is necessary:
- Is the service a regulated activity?
 - Is the Council charging for the service i.e., is it 'by way of business'?
 - Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is no, then there is no need to carry out CDD.

If the answer to all these questions is yes, then CDD must be carried out before any business is undertaken for that client. If there is uncertainty whether CDD is required then the MLRO should be contacted for advice.

- 7.8 Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €15,000 or more."
- 7.9 Where CDD is required then evidence of identity must be sought, for example:
- checking with the customer's website to confirm their business address;
 - conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
 - seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.
- 7.10 The requirement for CDD applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing CDD must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.
- 7.11 If, at any time, it is suspected that a client or customer for whom the Council is currently, or is planning to carry out, a regulated activity is carrying out money laundering or terrorist financing or has lied about their identity then this must be reported to the MLRO.
- 7.12 In certain circumstances enhanced CDD must be carried out for example where:
- The customer has not been physically present for identification;
 - The customer is a politically exposed person; or

- There is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

7.13 Enhanced CDD could include any additional documentation, data or information that will confirm the customer's identity and / or the source of the funds to be used in the business relationship / transaction. If it is believed that enhanced CDD is required then the MLRO should be consulted prior to carrying it out.

7.14 The Compliance Officer is responsible for gaining assurance that appropriate CDD procedures are in place.

8 RECORD KEEPING PROCEDURES

8.1 Each team of the Council/subsidiary company conducting regulated business must monitor, on an ongoing basis, their business relationships in terms of scrutinising transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with their knowledge of the client, its business and risk profile.

8.2 Each unit of the Council/subsidiary company conducting relevant business must maintain records of:

- client identification evidence obtained; and
- details of all relevant business transactions carried out for clients.

for at least 5 (five) years from the end of the transaction / relationship. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

8.3 The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients during normal business and these should suffice in this regard.

9 TRAINING

9.1 The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation.

10 RISK MANAGEMENT AND INTERNAL CONTROL

10.1 The risk to the Council of contravening the anti-money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy, Guidance and procedures will be reviewed in light of such assessments.

10.2 The adequacy and effectiveness of, promotion of, and compliance by employees with, the documentation and procedures will also be monitored through the Council's Corporate Governance and Anti-Fraud and Corruption Policy frameworks.

11 CONCLUSION

The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.

Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

12 FURTHER INFORMATION

12.1 Further information can be obtained from the MLRO and the following sources:

- **www.nationalcrimeagency.gov.uk** – website of the National Crime Agency
- “Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Service Organisations” – CIPFA
- “Anti-Money Laundering (Proceeds of Crime and Terrorism) – Second Interim Guidance for Accountants” – CCAB (**www.ccab.org.uk**)
- Money Laundering Guidance at **www.lawsociety.org.uk**
- SI 2007 No. 2157 The Money Laundering Regulations 2007 at: http://www.hm-treasury.gov.uk/consultations_and_legislation/

APPENDIX 1 - Suspicious Transaction Report Form

CONFIDENTIAL - Report to Money Laundering Reporting Officer

Re: Money Laundering Activity

Please complete ALL sections of this form: If any information is not known or not applicable, please state accordingly.

To: Money Laundering Reporting Officer

From:

[insert name of employee]

Directorate:

Ext/Tel No:

[insert post title and Business Unit]

Details of suspected offence:

Name(s) and address(es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are Yes No
aware)?
[Please tick the relevant box]

If yes, please include details below:

Have you discussed your suspicions with anyone else?
[Please tick the relevant box]

Yes

No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g., the Law Society) [Please tick the relevant box]

Yes

No

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to the NCIS? (e.g., you a lawyer and wish to claim legal professional privilege?)

Yes

No

[Please tick the relevant box]

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Act which requires appropriate consent from NCA? Yes No

[Please tick the relevant box]

If you/the Council are involved in any arrangement which may assist a third party to acquire, retain, use or control criminal property you must not take any further steps without the MLRO's consent; You must not deal with any suspect funds without the MLRO's consent.

If yes, please enclose details in the box below:

Please set out below any other information you feel is relevant:

Signed:..... Dated:.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a "tipping off" offence, which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt of report
acknowledged:

consideration of disclosure:

Action plan:

Outcome of consideration of disclosure:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA? [Please tick the relevant box] Yes No

If yes, please confirm date of report to NCA and complete the box below:

Details of liaison with the NCA regarding the report:			
Notice Period:		To	
Moratorium Period:		To	

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? Yes No

If yes, please confirm full details in the box below:

--

Date consent received from NCIS:	
Date consent given by you to employee:	

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]


Date consent given by you to employee for any prohibited act transactions to proceed:

Other relevant information:

Signed:..... Dated:.....

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

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Agenda Item No:	8	
Committee:	Audit and Risk Management	
Date:	25/03/2024	
Report Title:	Risk Based Internal Audit Plan 2024/25	

1 Purpose / Summary

In accordance with the Public Sector Internal Audit Standards (PSIAS) the Interim Internal Audit Manager has prepared the attached Internal Audit Plan (“the Plan”). It considers the areas for audit review and the availability of Internal Audit resources.

2 Key Issues

- The Council’s Internal Audit Plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.
- The format of the Plan reflects the PSIAS, which were introduced in April 2013, were revised and came into effect in April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Following on from the External Assessment completed in December 2022, recommendations will be considered, implemented and reviewed. However, some recommendations require resource dedication which is difficult to allocate currently with temporary staff.
- There are a total of 333 budgeted productive days for 2024/25.
 - 298 days are allocated to operational audit work. This resource is used to calculate the risk-based audit plan. This work contributes to the annual opinion on the effectiveness of the system of internal control, which is reported to the Committee.
 - 35 days are allocated for other productive assurance work. This includes proactive anti-fraud and error work such as the National Fraud Initiative, a contingency for responsive work and regular following up of previous recommendations.
- The main change of note is the number of days allocated per audit. Previously, Audit Plans were based on a range of 4 to 15-day audits with the majority around 6 to 8 days. To ensure that Audit assurance work is thorough, it is appropriate that the minimum number of days per audit start at 15 days depending on the complexity of the audit. Follow up reviews of “limited” assurance-rated audits will be 5 days.
- The risk-based Plan assumes that the team comprises 1.6 FTE and 0.6 for the Interim Internal Audit Manager, although much of the Manager’s time will not be spent on operational audit work. Hence, the level of capacity to deliver the

2023/24 Plan is dependent on the current staff levels, including replacements for the interim staff. Also, this resourcing level should be kept under constant review to ensure coverage of all key control systems over a 3 to 5-year cycle.

- This Plan will continue to be flexible to support ongoing and emerging risks that may arise throughout the year.
 - The Audit Plan for 2024/25 is attached at Appendix A.
 - The Assurance rating classification is included at Appendix B.
 - The ‘fundamental systems’ audit reviews over the next 5 years are included at Appendix C.

- The Council has 9 key financial systems, known as ‘Fundamental’ systems, due to their significance and materiality. Detailed testing provides assurance to the Council’s External Auditors in preparation for final accounts compliance. Following repeated years of positive assurance, the Committee and the External Auditors agreed an approach that would maximise assurance with the most effective use of resources. This approach will continue to be discussed with the External Auditors, reflecting any changes to the level of risk for these systems.
- This is illustrated in Appendix C which shows that the auditing arrangements with ARP, the Council Tax, Business Rates and Housing Benefits are reviewed annually. The remaining Finance systems will be audited over a three-year cycle.

3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and note the attached draft Internal Audit Plan for 2024/25.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden Leader and Finance Portfolio holder
Report Originator(s)	David Thacker – Interim Internal Audit Manager
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Amy Brown - Assistant Director
Background Paper(s)	Accounts and Audit Regulations 2015 Public Sector Internal Audit Standards 2016 CIPFA Local Government Application Note 2019 Fenland District Council Corporate Plan Internal Audit Charter

Risk-Based Internal Audit Plan
2024/25



1 Introduction

- 1.1 This document sets out the annual Internal Audit risk-based plan (“the Plan”). It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:
- providing the Chief Executive, Section 151 Officer and Audit and Risk Management Committee with an overall opinion each year on the Council’s control environment to support the Annual Governance Statement (AGS) requirements.
 - preparing Audit plans that give suitable priority to the Council’s priorities and key risks and concentrate resources on areas that have been identified as being the most vulnerable.
 - providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified.
 - identifying the Internal Audit resources required to deliver an Audit service that meets required professional standards; and
 - complying with professional standards.
- 1.2 The Plan is risk-based and covers the Council’s existing operations, while adding value by responding to emerging risks and promoting good governance.
- 1.3 The Plan will be reviewed at least annually to ensure its continued relevance, both in terms of supporting the council’s aims and corporate objectives, and in achieving a professional, modern audit service.
- 1.4 The strategic aims for Internal Audit in 2024/25 are to:
- prepare, maintain and deliver the risk-based Internal Audit Plan.
 - proactively promote understanding of risk and control.
 - recommend actions that help systems meet at least adequate levels of control. This aims to align to the goals of the Transformation Programme (TA2).
 - facilitate provision of assurance for the AGS.
- 1.5 The Plan is supported by the teams Service Plan, which is aligned to the Council’s Corporate Priorities, and is agreed with the Internal Audit team through the Council’s Springboard process.

2 Role of Internal Audit

- 2.1 All local authorities must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 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.
- 2.2 Fenland District Council has responsibility for ensuring that statutory internal audit arrangements are in place to the Corporate Director & Chief Finance Officer. These arrangements form a key element of the District Council’s framework for corporate governance.
- 2.3 The Interim Internal Audit Manager will oversee Internal Audit provision to the District Council on behalf of the Corporate Director & Chief Finance Officer.
- 2.4 The objectives, scope and definitions of Internal Audit are detailed in the Internal Audit Charter.

3 Risk Assessment

3.1 The Council's Audit Plan is based on a risk assessment of all the Council's major systems and other auditable areas. This allows us to prioritise those areas and systems to be included within the plan. Key risk assessment factors include:

<u>Factor</u>	<u>Description</u>
Materiality – Value	The value of annual direct income / expenditure associated with the system / activities
Materiality – Volume	An estimate of the number of transactions processed by the systems / activities per annum
Significance / Profile	The significance of the system to the activities of the Council.
Complexity	The complexity of the systems / activities in terms of their operation and auditability
Change	Recent changes to the system or the likelihood of change to the systems in the audit period planned including reference to TA2.
Regulatory / Contractual	Extent to which the system / activity is subject to regulation or contractual obligation
External Monitoring	The extent to which a service / activity is monitored or audited by an external body
Prior Audits	Overall rating of last audit and result of follow up.
Susceptibility to fraud and corruption	Opportunity within the system / activity for fraud and corruption to occur.
Staff Turnover	The turnover of staff, especially with key skills.

3.2 The risk assessment, and update of the annual Plan, is informed by consultation with key stakeholders, including:

- the Corporate Director & Chief Finance Officer.
- the Corporate Director & Monitoring Officer.
- the Corporate Management Team.
- the Council's Assistant Directors and Heads of Service.
- the Council's external auditors.
- the Audit and Risk Management Committee.

3.3 Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the Plan. Where possible External Audit will place reliance on the work of internal audit, and other external providers of assurance will be referred to help formulate the annual audit opinion. This helps ensure that resources are used to the best effect, and duplication is avoided.

3.4 The Plan is also informed by key corporate documents such as:

- The Business Plan.
- The Medium-Term Financial Strategy (MTFS); and
- The Council's Corporate and Service risk registers.

4 Key Themes

The key themes, which have driven our assessment of risk and strategic aims are:

Area	Comment
Financial excellence	There is a continued need to ensure value for money is achieved, including financial resilience and the ability to prioritise resources within increasing financial constraints and a changing control environment.
Corporate Governance arrangements	The Internal Audit Manager will independently review and give an opinion on the Council's arrangements for both corporate governance and risk management, to support the production of an annual governance statement to accompany the statement of accounts. The team will maintain an awareness of emerging risks to help provide advice on effective internal controls.
Assurance mapping	Where other well-developed assurance processes exist (e.g., documented Control Risk Self-Assessment reviews, quality management audits, the work of other review or inspection teams) the internal audit team will quality assure these processes and consider how they can deliver a significant contribution to the overall audit opinion of internal control.
Improving information governance	As part of the planned audits the team will help to promote good information and data management practice throughout the organisation.
Risk management	Internal Audit will continue to assist teams identify business risks as part of audits. This will engage our customers in the management and maintenance of their risks and controls at an operational level and help identify and escalate concerns to the corporate risk register.
Minimising fraud and error	The Internal Audit team will ensure that the Anti-Fraud & Corruption Policy & Internal Audit Strategy reflects best practice and will appraise fraud risks during audits. Internal controls will continue to be tested for effectiveness and the team will participate in data matching exercises, as provided by the National Fraud Initiative, to proactively identify fraud and error.
Corporate priorities	The Corporate Plan, and the Council priorities, informs the Internal Audit Strategy. The Plan is based on the risk profile of activities supporting the Corporate Plan and will continuously be revised to reflect any emerging changes to corporate risk.

5 Audit Needs and Resources

- 5.1 The risk assessment process identifies auditable systems and helps to prioritise the Audit Plan in consultation with key stakeholders.
- 5.2 Systems assessed as below adequate assurance, during the previous financial year, which are not subject to a planned audit will be considered for a follow up review to assess the effective implementation by management of agreed audit recommendations.
- 5.3 Where common areas of risk are identified across several teams then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources.

- 5.4 Both the resources and capacity of the Internal Audit Team is considered annually whilst setting the annual plan. The Internal Audit Team currently has 1.6 full time equivalent auditors and a part-time Interim Internal Audit Manager (0.6 FTE).
- 5.5 Unproductive days, such as training and annual leave, are deducted from the total resource to calculate the total number of planned productive days.
- 5.6 Internal Audit team resources will enable all services of the Council to receive audit coverage over a three-year period, although realistically some may be considered of such low priority in relation to other areas that they may only be covered in five years.
- 5.7 This Internal Audit Plan is produced and provides details for a 12-month period. The (Interim) Internal Audit Manager will review and adjust the Plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls, as well as the impact of TA2. Where work in progress occurs, it will be carried forward for completion within resources available in the next year.

6 Audit Delivery

- 6.1 The approach of Internal Audit is to use risk-based reviews, supplemented in some areas using system-based audits and themed reviews. All audits have regard to management's arrangements for:
- securing the proper, economic, efficient and effective use of resources.
 - achieving key performance indicators, where appropriate.
 - preventing fraud and irregularity.
- 6.2 The internal control system contains 9 key systems known as 'Fundamental' audits. A compliance approach is applied, as there is pre-existing confidence that controls are well designed, but the effective operation of the controls is a material concern. Testing for the effective operation of these controls is completed over a planned three-year cycle, although can be audited more frequently if assurance is required. The ARP auditing arrangements have allowed us to gain assurances on an annual basis for Council Tax, Business rates and Housing Benefits. A continuous auditing approach is adopted that spreads the testing throughout the year. This helps to ensure that the work is delivered and reduces the burden on the customer.
- 6.3 The remainder of the systems are prioritised by their risk-based assessment. The approach to each audit is agreed, with the auditee, during the planning stage of the audit.
- 6.4 In addition to these planned audits the team will complete other assurance work which adds value to the organisation. Examples include proactive anti-fraud and error work such as fraud risk education and data matching, project-based assurance, contingency for responsive work, and following up previous audit recommendations.
- 6.5 The PSIAS states that the Internal Audit Manager should consider accepting consulting engagements based on the potential to improve management of risks, add value and improve the organisation's operations. The team will participate in corporate projects that add value by improving governance and controls throughout the Council, as well as being part of the Corporate Risk Group that reviews the key risks facing the Council and also being part of the newly formed Corporate Governance Group.
- 6.6 Requests for unplanned work will be considered against capacity to ensure Internal Audit's independence, and the resource required to provide the Annual Audit Opinion, is not compromised. Any significant additional consulting activities, which impact delivery of the Plan, will be communicated to the Committee.
- 6.7 The output of audits completed during the year will inform the Annual Audit Opinion, which will conclude on the overall adequacy and effectiveness of the organisation's

framework of governance, risk management and control. This will be reported through the annual Internal Audit Outturn report which is a key source of assurance for the AGS.

7 Quality and Performance

- 7.1 Internal Audit maintains a manual, which sets out the standards to which all audit assignments are completed. It is reviewed and updated to reflect the best practice and professional standards.
- 7.2 The performance of Internal Audit is measured against targets and objectives set out in the Team Service Plan.
- 7.3 At a detailed level each audit assignment is monitored, and customer feedback sought.
- 7.4 There is ongoing performance appraisal and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.
- 7.5 The Corporate Director & Chief Finance Officer shall in accordance with the Accounts and Audit regulations 2015 arrange for an assessment of quality independently of the Internal Audit service. Additionally, an external review of the Internal Audit Service is completed by external assessors every 5 years.
- 7.6 This was assessed in December 2022, where the team received the highest rating of Generally Conforms in all areas.
- 7.7 Internal Audit will continue to liaise closely with other internal audit services through the Cambridgeshire Audit Group, the Chartered Institute of Public Finance Accountants, the Institute of Internal Auditors and the ARP shared audit partnership to share knowledge of best practice.

Appendix A: Internal Audit Plan 2024/25

Audit Title	Risk Rating	Last Audit	Last Audit results	2024/25 days
2023/24 brought forward				
Contract Monitoring - Highways	Medium	2017/18	Substantial	15
Subtotal brought forward from 2023/24				15
Communities				
Contract Monitoring – Leisure Services	Medium	2019/20	Adequate	20
Subtotal Communities				20
Economy				
Economic Development – Grant Funding	Medium	2022/23	Substantial	15
Subtotal Economy				15
Environment				
Licences - Taxis	Medium	2021/22	Adequate	15
Materials Recycling Facilities (MRF) – Limited Scope	Medium	2017/18	Limited	5
Subtotal Environment				20
Quality Organisation				
ARP Enforcement	Medium	2023/24	Substantial	15
Council Tax (Fundamental)	Medium	2023/24	Adequate	1*
Housing Benefits (Fundamental)	Medium	2023/24	Adequate	1*
Business Rates (Fundamental)	Medium	2023/24	Adequate	1*
Corporate Projects Governance	High		Ongoing	10
Corporate Finance – Management Accounting System (MAS)	Medium	2021/22	Substantial	15
Creditors (Accounts Payable)	High	2022/23	Substantial	20
Insurance	High	2017/18	Substantial	20
Workforce Planning	High	2018/19	Substantial	20
Legal Services	Medium	2021/22	Limited**	20
HR - New Payroll System (Post-Implementation Review)	Medium	NEW		15
Corporate Assurance – Performance Management	Medium	2018/19	Adequate	15
Corporate Governance - Constitution	Medium	NEW		20
Procurement	High	2021/22	Adequate	20
Transformation (TA1) – Value for Money	Medium	NEW		20
Debtors & Collection Agency – Follow Up	High	2023/24	Limited	5
Port Berthings – Follow Up	High	2023/24	Limited	5
Housing Options – Follow Up	High	2023/24	Adequate	5
Subtotal Quality Organisation				228
Total Risk Based Audits				298

External Audits and Other Work				
Local Authority Trading Company	High	2021/22	Ongoing	10
Fraud Work – Investigations and NFI				5
Contingency				20
Subtotal External and Other Work				35
Grand Total				333

* These audits are conducted by our ARP partner authorities, which will be reviewed by the (Interim) Internal Audit Manager of FDC before final reports are issued.

** This report was not finalised.

Appendix B: Assurance Ratings:

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment. The text below is an indication of the different assurance ratings used:


Assurance Opinion	Definition
Full Assurance	In our opinion, there is a sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	In our opinion, there is a sound system of internal control operating, but there are a few minor weaknesses which could put the achievement of system objectives at risk.
Adequate Assurance	In our opinion, there is a sound system of internal control operating, but there are some weaknesses which could put the achievement of system objectives at risk.
Limited Assurance	In our opinion, there is a system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	In our opinion, there is a fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Appendix C: Fundamental Audit Plan

This is the proposed plan for internal audit reviews of controls considered fundamental to the Council:

System Name	2023/24	2024/25	2025/26	2026/27	2027/28	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Adequate
Council Tax *	✓	✓	✓	✓	✓	Adequate
Business Rates *	✓	✓	✓	✓	✓	Adequate
Capital Finance Planning & Asset Register	✓			✓		Substantial
Debtors & Collection Agency	✓	✓		✓		Limited (Follow Up in 2024/25)
Creditors		✓			✓	Substantial
Corporate Finance - Budgetary Control			✓			Substantial
Cash & Treasury Management	✓			✓		Substantial
Corporate Finance - Management Accounting System (MAS)		✓			✓	Substantial

* ARP Auditing arrangements in place allow for an audit to be undertaken every year on these services by our ARP Partner authorities.

Agenda Item No:	9	
Committee:	AUDIT AND RISK MANAGEMENT	
Date:	25/03/2024	
Report Title:	Annual Governance Statement (AGS) Update 2022/23	

1 Purpose / Summary

- The Annual Governance Statement (AGS) records actions that can improve the framework for Corporate Governance, and this reports the progress of those actions.

2 Key issues

- The Audit and Risk Management (formerly the Corporate Governance) Committee approved a Local Code of Governance for the Council (minute CG22/06), which sets out the Policy within which a framework for governance of the Council is monitored.
- Regulation 6(1) of the Accounts and Audit Regulations 2015, requires the Council to conduct an annual review of the effectiveness of its system of internal control and publish an AGS. The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations.
- The AGS reviews the Council's actual governance arrangements with the themes within the Local Code of Governance. Any potential issues are recorded, with an action plan to continuously improve the Council's Governance arrangements.
- The AGS was agreed by the Audit and Risk Management Committee at its meeting 20 September 2021 (minute ARMC28/21). The final version was approved in November as part of the Statement of Accounts (minute ARMC33/21).
- To maximise good governance the Interim Internal Audit Manager has reviewed the current progress against the action plan, attached at Appendix A.
- The action plan will be formally updated in the next AGS for 2023/24, when reported to the Audit and Risk Management Committee later in the year.

3 Recommendations

- The Committee to note the progress made against the actions identified in the AGS for 2022/23.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder Finance
Report Originator(s)	David Thacker – Interim Internal Audit Manager
Contact Officer(s)	Peter Catchpole – Corporate Director and s151 Officer Amy Brown – Assistant Director David Thacker – Interim Internal Audit Manager
Background Paper(s)	Annual Governance Statement 2022/23 (minute ARMC15/23) CIPFA Delivering Good Governance in Local Government CIPFA Addendum to Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit Regulations 2015 FDC Local Code of Governance

Appendix A – Update of Governance Issues from 2022/23

Governance Issue	Action	Lead Officer	Target Date
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values , and respecting the rule of the law	<p>The Council is undertaking a full review of internal policies to develop a Corporate Policy Register. All documents will be displayed on either the Intranet or Website. Decision to be made by CMT.</p> <p><i>Update: A Corporate Policy Register was developed from the 2023-24 Team Service Plans which includes policy name, service, date implemented, review date, sign-off process, and where the policy is published.</i></p> <p><i>A new webpage was developed to include all current external facing policies: Policies and Strategies - Fenland District Council . We are currently working on centralising all internal facing policies on the intranet.</i></p>	David Wright, Head of Policy & Communications	<p>31 March 2024</p> <p><i>Closed</i></p> <p><i>Closed</i></p> <p><i>31 May 2024</i></p>
Principle F: Managing risks and performance through robust internal control and strong financial management	<p>ICT is arranging for a compliance review of NCSC Cyber Essentials Plus to be conducted by an accredited third-party provider. Results will be fed into a Cyber Treatment Plan, which will be reviewed by CMT.</p> <p><i>Update: Completed in October 2023.</i></p>	Stephen Beacher, Head of ICT, Digital & Resilience	<p>31 December 2023</p> <p><i>Closed</i></p>

<p>interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models.</p> <p><i>Update: This action is continuous and can be closed for 2022-23</i></p>	<p>Corporate Director & Chief Finance Officer</p>	<p>2023</p> <p><i>Closed</i></p>
<p>Principle F: Managing risks and performance through robust internal control and strong financial management.</p>	<p>The Council has a Code of Procurement and Procurement Strategy which reflects current national practice. This is kept under regular review with significant changes expected in 2023 when a fuller and more detailed review will be performed before reporting the outcome formally to members for approval.</p> <p><i>Update: New legislation will be implemented in 2024. The Procurement Manager is keeping track of the legislative changes and will be working with officers and members to produce a revised Procurement Strategy and Code for approval by Full Council on 30th September 2024. Updates will be provided via What's Breaking and training will be provided on any new requirements in readiness for the new legislation coming into force in October 2024.</i></p>	<p>Amy Brown, Assistant Director of Legal & Governance</p>	<p>31 March 2023</p> <p>30 September 2024</p>

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AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2024

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
25 March 2024				
	Local Audit market position and governmental proposals and impact for the Council	Verbal	External Audit	To receive a verbal update from the external auditors.
	2023/24 Provisional Audit Plan.	Annual	External Audit	To review the provisional external audit plan.
	Anti-Money Laundering Policy	4 Yearly	Peter Catchpole	To approve the Anti-Money Laundering Policy.
	Risk Based Internal Audit Plan 2024/25	Annual	David Thacker	To approve the internal audit plan and resources for the forthcoming year
	Annual Governance Statement Update 2022/23	Bi-Annual	David Thacker	To review and note the progress on the Annual Governance Statement action plan arising from 2022/23.
	Audit and Risk Management Committee Work Programme	Quarterly	David Thacker	Information Purposes
22 July 2024				
	Treasury Management Annual Review 2023/24	Annual	Mark Saunders	To consider the overall financial and operational performance of the Council's treasury management activity for 2023/24
	Corporate Debt Policy	4 Yearly	Amy Brown / Peter Catchpole	To agree proposed changes/updates to the Corporate Debt Policy
	Internal Audit Outturn and Quality Assurance Review	Annual	Internal Audit	To provide the Audit and Risk Management Committee with an overview of the work undertaken by Internal Audit during 2023/24. To provide the Audit Managers annual opinion on the system of internal control. To consider the effectiveness of Internal Audit.
	Audit and Risk Management Committee Annual Report 2023/24	Annual	Internal Audit	To report to Full Council the commitment and effectiveness of the Audit and Risk Management

Agenda Item 10

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2024

				Committee's work from April 2023 to March 2024
	Audit and Risk Management Committee Work Programme	Quarterly	Internal Audit	Information Purposes

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2024

Future items *(when to be brought to the committee in 2024 to be determined)*

- Corporate Debt Policy (4 Years) – July 2024

Cyclical Items *(not due this year unless policy or legislation changes require amendments prior to review date)*

- Whistleblowing Policy November 2024
- ARMC Terms of Reference December 2024
- External Auditor Appointment Process Dec – Feb 2027

Audit and Risk Management Committee Training sessions 2024

- Statement of Accounts – Mark Saunders TBC
- Risk Register – Stephen Beacher TBC

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
Independent Member appointment	A report was presented to the committee in July 2022, with the committee agreeing in principle to progress with an independent member appointment to ARMC. Further report outlining skills analysis and job description to be brought back to ARMC for recommendation to Council.	July 2024	Not due yet
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	Ongoing	

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2024

Abbreviations Used in Audit & Risk Management Committee

AGS	Annual Governance Statement
ARG	Additional Restrictions Grant
ARP	Anglia Revenue Partnerships
BCP	Business Continuity Planning
BEIS	The Department for Business, Energy and Industrial Strategy
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIS	Commercial Investment Strategy
CMT	Corporate Management Team
CNC	CNC Building Control
CPCA	Cambridgeshire & Peterborough Combined Authority
CPE	Civil Parking Enforcement/
CPLRF	Cambridgeshire & Peterborough Local Resilience Forum
CTS	Council Tax Support
DFG	Disabled Facilities Grants
DPA	Data Protection Act
CSR	Comprehensive Spending Review
FFL	Fenland Future Ltd
GDPR	General Data Protection Regulations
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
LGA	Local Government Association
LGSS	Local Government Shared Services
LRSG	Local Restrictions Support Grants
MHCLG	Ministry of Housing Communities and Local Government
MoU	Memorandum of Understanding
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
MTSP	Management, Trade Union & Staff Partnership
NFI	National Fraud Initiative
NNDR	National Non-Domestic Rates
OIB	Operational Improvement Board (ARP)
OLTL	Other Long-Term Liabilities
PPA	Post Payment Assurance
PSAA	Public Sector Auditor Appointments
PSIAS	Public Sector Internal Audit Standards
PWLB	Public Works Loan Board
RIPA	Regulation of Investigative Powers