



## Cambridge City Council Civic Affairs

**Date:** Wednesday, 8 July 2020

**Time:** 5.30 pm

**Venue:** This is a virtual meeting.

**Contact:** [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk), tel:01223 457000

### Agenda

- 1 Apologies
- 2 Declarations of Interest
- 3 Public Questions
- 4 Greater Cambridge Joint Planning Committee (Pages 3 - 36)
- 5 Ernst & Young Audit Plan 2019/20 (Pages 37 - 86)
- 6 Annual Head of Internal Audit Opinion (Pages 87 - 108)
- 7 Annual Report on Counter Fraud and Corruption (Pages 109 - 128)
- 8 Virtual Council Meetings-conventions-1 month review (Pages 129 - 136)

**Civic Affairs Members:** Sargeant (Chair), Davey (Vice-Chair), Chadwick, Dalzell, O'Reilly and Thornburrow

**Alternates:** Martinelli and Moore

## Information for the public

Details how to observe the Committee meeting will be published no later than 24 hours before the meeting.

Members of the public are welcome to view the live stream of this meeting, except during the consideration of exempt or confidential items, by following the link to be published on the Council's website.

Any person who participates in the meeting in accordance with the Council's public speaking time, is deemed to have consented to being recorded and to the use of those images (where participating via video conference) and/or sound recordings for webcast purposes. When speaking, members of the public should not disclose any personal information of any individual as this might infringe the rights of that individual and breach the Data Protection Act.

If members of the public wish to address the committee please contact Democratic Services by 12 noon two working days before the meeting.

For full information about committee meetings, committee reports, councillors and the democratic process:

- Website: <http://democracy.cambridge.gov.uk>
- Email: [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk)
- Phone: 01223 457000



Item

## Greater Cambridge Joint Planning Committee

**To:**

Civic Affairs Committee

8<sup>th</sup> July 2020

**Report by:**

Stephen Kelly Joint Director of Planning and Economic Development

Tel: 01954 713379 Email: [stephen.kelly@greatercambridgeplanning.org](mailto:stephen.kelly@greatercambridgeplanning.org)

**Wards affected:**

Castle, Newnham, Trumpington, Queen Edith's, Cherry Hinton, Abbey, East Chesterton, Kings Hedge's, Arbury

### 1. Executive Summary

- 1.1 The County Council have resolved in May 2020 that they no longer wish to support or participate in the Joint Development Control Committee (JDCC) after July 2020. The effect of their resolution will be for the current JDCC to no longer be quorate.
- 1.2 This report seeks agreement to the establishment of a new Committee (the Greater Cambridge Joint Planning Committee GCJPC) and sets out the proposed terms for the new Joint Committee to come into effect from 1 August 2020. The report explains the key changes to membership, scope and geography – and incorporates in an appendix the proposed draft terms of reference (shown through track changes) for approval.
- 1.3 Alongside establishment of the new Committee, the report also seeks approval for the formal dissolution of the existing JDCC from that date.

### 2. Recommendations

To recommend to Council:

- 2.1 On the withdrawal of Cambridgeshire County Council to dissolve the JDCC between Cambridge City Council and South Cambridgeshire District Council as

surviving members, pursuant to section 101 (5) Local Government Act 1972 and cease all delegations to the same with effect from 31 July 2020; and

- 2.2 To establish a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council (to be called the Greater Cambridge Joint Planning Committee) with the Terms of Reference as set in Appendix A and to delegate functions to the joint committee and officers as set out therein, pursuant to section 101 (5) and section 102 Local Government Act 1972 with effect from 1 August 2020
- 2.3 To agree that any ongoing planning matters or any other continuing action which would otherwise fall to be determined by the JDCC will, after 31 July 2020, transfer to the Greater Cambridge Joint Planning Committee for determination
- 2.4 To authorise the Joint Director of Planning and Economic Development to decide whether to refer any development control matters for determination by the Greater Cambridge Joint Planning Committee where the boundary of the site concerned overlaps or is adjacent to the boundary between Cambridge City Council and South Cambridgeshire District Council
- 2.5 To authorise the Monitoring Officer to make any consequential amendments to the Council's constitution arising from the above decisions
- 2.6 To comment upon the proposed draft standing orders for the Committee as appropriate

### **3. Background**

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- 3.1 The Joint Development Control Committee (JDCC) was established in 2007 by the County Council, Cambridge City Council and SCDC for the purposes of making planning decisions on a number of development sites on the edges of Cambridge.
- 3.2 Within each authority, the powers to decide to set up a Joint Committee, to appoint the authority's members to it, and to delegate particular powers to it, rest with the members within the authority that would otherwise be responsible for discharging the particular functions (if they were not to be delegated to the Joint Committee).
- 3.3 The development control functions delegated to the JDCC and to the proposed new Greater Cambridge Joint Planning Committee (GCJPC) are non-executive functions. That is, they are contained within Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000/2853). The powers to dissolve the JDCC and to operate and establish the GCJPC with the same functions arise from sections 101 and 102 Local Government Act 1972 and it is therefore for the respective Councils to decide whether to delegate these functions.



- 3.4 Following the decision of the County Council in May, officers have sought to review the existing terms of the JDCC to consider firstly whether the proposals for a new GCJPC require some of the existing provisions to be revised. The review has sought to explore both operational arrangements; the changes required as a result of the county's withdrawal, but also to consider whether any other refinements to the historical terms of the JDCC should be made alongside the "update."
- 3.5 The County Council's withdrawal from the JDCC means that by necessity, officers have undertaken a review of membership and the provisions for quorum etc. The second main area for consideration has been the geography for the new committee, given the changes, including the adoption of the Local Plans in Cambridge City and SCDC and the emergence of new projects (such as North East Cambridge) that have occurred since the JDCC's conception. Moreover, given the creation of the shared planning service, covering a single geography and the introduction of area planning teams that overlap the administrative boundaries, officers have also considered whether the Committee might also address potential duplication of tasks - such as the requirement for applications to be reported to separate committees in the case of developments oversailing the Councils respective administrative boundaries, not just on the "strategic sites."
- 3.6 Finally, officers have sought to consider whether the previous assigned responsibilities of the Committee need to be reviewed – having regard to the establishment of the Shared Planning Service and its operational and administrative arrangements which now extend across Greater Cambridge.
- 3.7 In respect of Committee membership, informal engagement with lead members has suggested that there is a desire for the committee to be strategic and to be focused. In place of the current 6:6:4 members for the City, SCDC and County respectively, officers are therefore suggesting that the Committee comprise 3 members from each Council. The number of Quorate members required would remain 3. Appointment of the Chair and Vice Chair, subject to the removal of the limitations that have previously excluded SCDC members from certain areas, would remain as per the existing terms.
- 3.8 Alongside the changes to the number of members, officers are proposing to adjust the terms of reference (as outlined) to focus the GCJPC on major planning applications only (and associated conditions where appropriate). In recent years, the JDCC terms have resulted, on sites where developments have progressed or been completed, in the referral of minor applications including householder development to the JDCC rather than to the "Local" Councils' Planning Committee. Given the aspiration that the GCJPC focuses on strategic cross boundary matters, and for that reason meets less frequently than the respective planning committee in SCDC and the City, this change is considered desirable, both in the interests of applicants and those living on the strategic sites, and for consistency in the approach to decision making on such matters by each respective planning committee.

- 3.9 The proposed terms of reference accompanying the GCJPC establishment therefore seek to narrow down the focus of the Committee to “major” applications (as defined by regulations) only and the associated conditions and agreements that arise from them. The legacy, by which amendments to permissions previously granted by JDCC – including applications for parts of those areas – would automatically be referred to the GCJPC is therefore proposed to cease. Likewise, in reviewing the impacts of the Shared Planning Service, which now provides services across the Greater Cambridge Area, the inclusion of responsibilities for enforcement within the Committee terms is considered not to be necessary. Delegation of enforcement powers to the Joint Director of Planning and Economic Development from both Councils in respect of enforcement already exists for the shared enforcement service. The Terms of reference for the GCJPC are accordingly related to Part III of the Town and Country Planning Act only (Control of Development) rather than including Part VII (enforcement) or other provisions. A corresponding authority is sought for applications for consent under the Planning, Listed Buildings and Conservation Areas Act.
- 3.10 The final area of review has centered upon the operational areas of the GCJPC. Officers have reviewed the original defined areas for the JDCC and considered whether material changes in circumstance justify their review. Since the establishment of the JDCC and its last review in 2016 to capture City Deal schemes otherwise referred to the County Council, both Councils have adopted Local Plans which include specific policy designations – some of which overlap the administrative boundary of the two Councils. The operation of the new GCJPC does, officers believe, require a specific geography to be defined – and to provide clarity for all about where and who will be responsible for decision making. Whilst both Councils have created a shared planning service, this does not change the statutory position of the two Councils as distinct “Local Planning Authorities” and accordingly, where applications do over-sail the boundary, two separate planning applications will still be required. There is nevertheless considered to be a sound argument that these applications are considered together by the same committee.
- 3.11 The previous designations for the JDCC captured significant land on the edges of Cambridge that were subject to change or had been the subject of significant policy development - such as Cambridge East and the Southern Fringe. The adopted (2018) Local Plans for SCDC and the City, also contain a number of smaller “site specific” “allocations” offering protection of or allocation of land for development. In addition, the proposals maps define the Cambridge Green Belt. In a number of areas of the City/SCDC, the administrative boundary covers residential streets and industrial areas where defining clearly the area of operation to the JDCC would be difficult. There remain however areas outside of the existing JDCC areas where development proposals would require consideration at two separate committees. The review has accordingly considered whether there is merit in incorporating such sites into the new GCJPC for expediency and efficiency.

- 3.12 The attached plan therefore identifies all of the defined areas of land, with a site-specific allocation in the current local plan relating to land use which extends across the administrative boundary. This includes sites subject to safeguarding/protection and for development for one or more uses. It is proposed that in addition to the established JDCC areas, in these areas, where an application for or related to a major development is submitted, that authority for the determination of that planning application and any related consent (such as Listed Building Consent) is transferred to the new GCJPC. For completeness, the areas identified also seek to reflect adjacent site allocations for functional areas -such as the phase 3 expansion area on the Cambridge Biomedical Campus (alongside the proposed inclusion of the CBC) and the extension of Peterhouse Science Park/ARM on Fulbourn Road. Finally, the sites identified also include the recently enlarged area for the North East Cambridge Area Action Plan.

#### **4. Standing Orders**

- 4.1 The Standing Orders for the GCJPC are a matter for the newly formed Committee to agree. A revised draft to the previous standing orders is nevertheless included in the Appendix for comment by members. A decision on the final standing orders will rest with the newly formed Committee at its first meeting.

#### **5. Reviews**

- 5.1 The Greater Cambridge Shared Planning Service is engaged with the Planning Advisory Service in a review of its planning committees. That review was intended to include the JDCC and, it is proposed, will include a review of the proposed new Committee arrangements described in this paper – albeit that observation of the Committee process may not be possible. Lessons learnt from that review, where relevant to the new Committee will be captured and may give rise to a need to return to the existing and proposed new arrangements later this year. Consideration therefore of call in and referral processes, which are important parts of the PAS review, are not proposed to be altered from the existing JDCC terms at this time. As projects such as the NEC Area Action Plan and the new Joint Local Plan progress to adoption, a further review of the areas proposed for the GCJPC may also be required.

#### **4. Implications**

##### **a) Financial Implications**

The JDCC is managed by Cambridge City Council at present and the cost of the JDCC meetings are covered within the existing budgets. These costs may form part of the shared services charging agreement. The changes proposed with the GCJPC are not considered to significantly increase the frequency of meetings, or its caseload so as to introduce significant additional costs. Officer will nevertheless keep this ongoing cost under review.

The establishment of the new Committee will require specialist legal advice from external advisors. The costs of this advice can be met within the shared service budget.

**b) Staffing Implications**

There are no staffing implications arising from this report.

**c) Equality and Poverty Implications**

An EQIA has not been undertaken in respect of this report because the proposed changes relate to the terms of reference of a committee and no material changes are proposed to the operation of the Committee meetings which will follow existing practices.

**d) Environmental Implications**

None

**e) Procurement Implications**

None.

**f) Community Safety Implications**

None.

**5. Consultation and communication considerations**

No formal consultation has been undertaken in the preparation of this report. The changes to the JDCC committee are a matter for the Local Authority and no formal consultation is required. Subject to agreement and the establishment of the new Committee, details of the Committee meetings, the standing orders and arrangements for holding meetings will be published on the Council and Shared Planning Service web pages. All meetings will be subject to the notification provisions of the respective Councils.

**6. Background papers**

Background papers used in the preparation of this report:

Joint development Control Committee terms of reference 2016

**7. Appendices**

**Appendix A – proposed terms of reference to the Greater Cambridge Joint Planning Committee June 2020**

**8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Stephen Kelly

# **Greater Cambridge Joint Planning Committee**

## **Terms of Reference**

Approved by Cambridge City Council at Full Council on [insert]

South Cambridgeshire District Council Full Council on [insert]

**These came into effect on 1 August 2020, when approved by the Councils**

### **DOCUMENT**

#### **Terms of Reference**

#### **Appendix 1: Functions Delegated to the Committee**

#### **Appendix 2: Standing Orders**

#### **Annex A: Public Speaking Rights**

#### **Annex B: Development Control Forums**

#### **Annex C: Costs Sharing Protocol**

#### **Annex D: Scheme of Delegation to Officers**

#### **Appendix 3: Plans**

NB to be updated

# **TERMS OF REFERENCE FOR GREATER CAMBRIDGE JOINT PLANNING COMMITTEE**

## **1. Parties:**

Cambridge City Council

South Cambridgeshire District Council  
(‘the Councils’)

## **2. Status:**

The Greater Cambridge Joint Planning Committee (‘the Committee’) is a joint committee formed by resolutions of the Councils pursuant to section 101(5), Local Government Act, 1972.

## **3. Membership:**

3 Members appointed by Cambridge City Council

3 Members appointed by South Cambridgeshire District Council

## **4. Terms of reference:**

4.1 The Committee’s remit is to discharge the functions (‘the functions’) set out in Appendix 1, the exercise of which have been delegated to the Committee by the parties, subject to the limitation in paragraph 4.2.

4.2 The Committee shall discharge the functions in respect of Major Developments<sup>1</sup> and related matters pursuant to such applications on land that is positively identified in the adopted Local Plans of the two Councils for any purpose and which falls wholly or substantially within the area as shown edged in [blue] on the plans forming Appendix 3.

4.3 The Committee may exercise the subsidiary powers authorised pursuant to section 111, Local Government Act 1972 in connection with the discharge of the functions.

4.4 The Committee may exercise the powers of delegation contained in sections 101(2), 101(5) and 102 Local Government Act 1972.

## **5. Standing Orders**

5.1 The Committee shall be governed by the Standing Orders set out in Appendix 2, as amended from time to time.

## **6. Administration**

6.1 The Party which is the local planning authority shall receive applications in the usual way and shall be responsible for all consequential administration.

6.2 Cambridge City Council's staff shall be responsible for all matters connected with the administration of the Committee, including the preparation and dispatch of agendas and securing premises at which the committee may meet or providing facilities to enable remote meetings to take place. Decision notices shall be signed by the Joint Director of Planning.

6.3 Costs shall be shared in accordance with the Cost Sharing Protocol set out in Annex C to the Standing Orders.

### **Notes:**

<sup>1</sup> A major development is defined by reference to Article 1 of the Town and Country Planning (General Development Procedure) Order 1995 as in force on 1 March 2010 or as subsequently amended or replaced

and means development including any one or more of the following:

- (a) the mining and working of minerals
- (b) waste development;
- (c) the provision of dwelling-houses where
  - (i) the number of dwelling-houses to be provided is 10 or more; or
  - (ii) the development is to be carried out on a site having an area of 0.5 hectares or more and it is not known whether the development falls within paragraph (c)(i);
- (d) the provision of a building or buildings where the floor space to be created by the development is 1,000 square metres or more; or
- (e) development carried out on a site having an area of 1 hectare or more.

## **Appendix 1**

### **FUNCTIONS OF THE COMMITTEE**

1. The exercise of each of the Councils' powers and duties in relation to Part III (Control Over Development) of the Town and Country Planning Act 1990 as amended and Chapter II and VI (as appropriate) of the Planning (Listed Buildings and Conservation Areas) Act 1990 in respect of "Major Development" and related applications and requests and associated Reserved Matters applications including but not limited to:

i) the determination of planning applications by virtue of Regulation 3 of the Town and Country Planning General Regulations 1992.

ii) the power to approve authorise and direct the respective Councils to negotiate and enter into agreements regulating the development or use of land pursuant to S106 of the Town and Country Planning Act 1990.

2. The review, change, amendment or modification of the scheme of delegation to Officers.

3 Such other functions as may be delegated to the Committee by the Councils from time to time.



## **Appendix 2**

# **GREATER CAMBRIDGE JOINT PLANNING COMMITTEE STANDING ORDERS**

*[APPROVED on [DATE]*

## **1 Appointment of Chair and Vice-Chair**

1.1 The Committee shall, at its first meeting, and from time to time as it considers necessary, elect a Chair and Vice-Chair.

1.2 In the absence from any meeting of the Chair and Vice-Chair, a Chair for **that** meeting shall be appointed by the meeting, but shall relinquish the chair if the Chair or Vice Chair subsequently arrives at the meeting.

## **2. Appointment of Spokespersons**

2.1 Each of the councils shall nominate one of the committee members which it appoints as its spokesperson.

## **3. Notice of And Summons To Meetings**

3.1 The Administrator will give notice to the public of the time and place of any meeting in accordance with the access to information rules applicable to local authorities. At least five clear days before a meeting, the Administrator will send an agenda by post and/or electronically to every member of the Committee. The agenda will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such details as are available.

3.2 The Administrator will take reasonable steps to ensure that a copy of the agenda and accompanying papers are placed on deposit at the offices of each of the councils for public inspection at least five clear days before the meeting. The Administrator will ensure that arrangements are put in place for the inspection of background papers in accordance with section 100D, Local Government Act, 1972 and to ensure compliance with all other provisions of Part VA, of that Act.

3.3 Dates, times and venues for meetings shall be determined by the committee. In the absence of agreement or in cases of urgency, meetings may be called by the Administrator following consultation with the Chair and Vice Chair.

## **4. Membership**

4.1 Committee members shall be appointed by the councils from time to time in accordance with the terms of reference. A council may at any time replace one or more of its nominated members by notice given to the Administrator.

## **5. Alternate Members**

5.1 Each council will, by resolution, appoint two alternate members in respect of each political group which represents their council on the committee, but shall not appoint an alternate member for a political group which declines to nominate an alternate member. Each council will notify the Administrator of alternate members appointed.

5.2 Alternate members will have all the powers and duties of any ordinary member of the committee. For the purposes of briefing meetings and circulation of papers, alternate members shall be treated in the same manner as ordinary members.

5.3 Alternate members may attend meetings in that capacity only to take the place of a member of the same political group who is an ordinary member of the relevant committee or sub-committee. The alternate member should withdraw from participation as a member of that committee or sub-committee in the business at that meeting during any period during which the principal member is in fact in attendance.

## **6. Quorum**

6.1 The quorum of a meeting will be three with no less than: -

- 1 Member from South Cambridgeshire District Council and
- 1 Member from Cambridge City Council

## **7. Public speaking rights**

7.1 Members of the public have the public speaking rights set out in Annex A.

## **8. Voting**

8.1 Every question shall be decided by a show of hands, subject to Rule 8.2

8.2 If any member demands a vote by roll-call and is supported by two other members, the question shall be determined by a vote by roll-call and the Administrator shall record and enter in the minutes the names of each member present and whether s/he voted for or against or abstained.

8.3 Any member may, immediately after any vote is taken, require a record to be made in the minutes of whether s/he voted for or against or abstained.

8.4 If there are equal numbers of votes for and against, the Chair will have a second or casting vote.

## **9. Minutes**

9.1 The Chair will sign the minutes of the committee at the next suitable meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record.

## **10. Exclusion Of Public**

10.1 Members of the public and press may only be excluded either in accordance with the Access to Information provisions of the Local Government Act 1972 (consideration of 'exempt information') or Rule 12 (Disturbance by Public).

## **11. Disorderly Conduct: Misconduct Of A Member**

11.1 If at any meeting of the committee any member, in the opinion of the Chair, misconducts him/herself by persistently disregarding the ruling of the chair, or by behaving irregularly, improperly or offensively, or by wilfully obstructing the business of the committee, the Chair or any other member may move "That the member named be not further heard", and the motion if seconded shall be put and determined without discussion.

11.2 If the member named continues his/her misconduct after a motion under the foregoing Rule has been carried, the Chair shall either move "that the member named do leave the meeting" (in which case the

motion shall be put and determined without seconding or discussion); or adjourn the meeting of the Council or committee for such period as s/he is in his/her discretion shall consider expedient.

11.3 In the event of a general disturbance which in the opinion of the Chair renders the due and orderly despatch of business impossible, the Chair, in addition to any other power vested in him/her, may adjourn the meeting of the committee for such period as s/he is in his/her discretion shall consider expedient.

## **12 Disorderly Conduct: Disturbance by members of the public**

12.1 If a member of the public interrupts the proceedings at any meeting the Chair shall warn him/her. If s/he continues the interruption the Chair shall order his/her removal from the meeting.

12.2 In case of a general disturbance in any part of the Room open to the public the Chair shall order that part to be cleared.

## **13 Suspension Of Standing Orders**

13.1 Any of these Standing Orders may, so far as is lawful, be suspended by motion passed unanimously by those entitled to vote on the application in question. Any motion to suspend any part of these rules shall specify the purpose of their suspension. Any suspension shall only be to the extent and for the length of time necessary to achieve the stated purpose.

## **14. Attendance at the Committee by other members of the Councils**

14.1. A member of any of the councils who is not a member of the committee or a member of a parish council (in respect of applications relating to sites in their own parish) may speak at a meeting of the committee at the request or with the permission of that committee or of its Chair made or obtained before the meeting. Such request or permission shall specify the matters in respect of which the member shall be permitted to speak;

[Explanatory note: There might be circumstances in which the Committee may wish to permit a city, district or county councillor to speak on applications even if the application does not relate to her/his ward or division. For instance an executive councillor with relevant strategic responsibility may want to address the committee.]

## **15. Development Control Forums**

15.1 The Committee will operate a scheme for development control forums in accordance with Annex B.

## **16. Statements of Community Involvement**

16.1 Public consultation in relation to pre application matters shall be dealt with in accordance with the SCI or other appropriate procedures of the Council responsible for issuing the consent.

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## **Annex A of GCJPC Standing Orders: Public Speaking Rights**

### **Public Speaking**

Members of the public, or applicants or their agents, who want to speak about an application which is to be considered at a meeting of the committee can do so if they have:

- I. In the case of members of the public, already submitted a written representation on an application; and
- II. Notified the Administrator by 12.00 noon on the day before the meeting.
- III. A member of the public who has made a written representation on a planning application which is to be determined by the committee, will be notified in writing about the committee date and their public speaking rights in the week before the committee meeting.

### **At the Committee Meeting**

A list of public speakers is available at the meeting. Agenda items for which there are public speakers are taken first, normally in the order of the agenda.

Each speaker will be allowed three minutes in which to make their representation. The Chair will tell the speaker when the three minutes has elapsed and the speaker must stop when requested by the Chair.

The Chair has discretion to extend this time limit.

If more than one person wants to make a representation about the same application, then they should choose someone to act as a spokesperson.

When several people wish to speak on the same application but wish to raise different issues, the Chair may agree to those speakers making representations. In these circumstances, less time may need to be given to each speaker.

The Chair will ask the speaker to come to the table at the beginning of the discussion of the report on the relevant application. The Chair will then invite them to speak following the Officer's introduction to the report on the application. The speaker should address the Chair of the Committee, which is the normal convention for Committees.

At the conclusion of a statement by a public speaker, members may ask the Chair to put questions in order to seek clarification on matters of fact but not matters of opinion, of points made by the speaker in his or her statement. A public speaker may be asked by the Chair to clarify matters of fact but not matters of opinion after he or she has made a statement.

The conclusion of the period of questioning will be at the Chair's discretion. Public speakers will be expected to answer questions briefly and directly, will be asked to leave the committee table at the conclusion of the period of questioning and they will not be permitted to participate in the committee's discussion. At the conclusion of statements by public speakers, the Committee will proceed to discuss and determine the planning application.

Speakers should remember to:

- \_ Keep to 3 minutes or whatever other period has been agreed.
- \_ Keep to the planning issues raised by the application.
- \_ Highlight the main points they wish to raise and be as brief and concise as possible.
- \_ Be courteous.
- \_ At the end of public speaking, the Committee will discuss and determine the planning application.

## **Annex B of JDCC Standing Orders:**

### **Development Control Forums.**

**Development Control Forums are triggered by receipt of a qualifying petition**

#### Receipt of Petitions and Notification of Development Control Forum

1. Neighbour consultation letters on planning applications within the remit of the committee shall include information about the scheme for development control forums and the relevant consultation period.

2. A Petition should be sent to the Administrator and should identify the matter to which it relates and the grounds of concern.

3. The Administrator will:

(a) Liaise with the Planning case officer to obtain the following information:

- \* The expiry date of the relevant consultation period;

- \* The addresses of the applicant and agent.

(b) Check whether the petition meets the criteria established in the scheme – i.e.:

- \* It contains at least 25 signatures of residents and/or business owners in the County;

- \* It includes the addresses of those who have signed it;

- \* It has been received within 7 working days following the end of the relevant consultation period (in the case of petitions of objection) and no later than 6 working days before a Forum meeting (in the case of petitions of support);

- \* The application is not: a householder application; an application for a certificate of lawful use; or an application for advertisement consent.

[Note:

(i) If any of these criteria are not met, the petitioners should be informed in writing that their petition will be reported to the committee, and that a Development Control Forum will not be held.

(ii) Normally, a Forum will not be convened in the case of petitions relating to amendments to applications, or to applications which have already been the subject of a Forum. However, the Administrator, following consultation with the Chair and Vice Chair, is authorised to decide whether significant new issues are raised, making a Forum appropriate.



(iii) A Forum will not be held to hear a petition of support alone, except where an application, which has not already been subject to a Forum meeting, is resubmitted following an earlier refusal of planning permission.

(iv) Petitions may be submitted by email subject to the following:

- An e-mail petition must consist of individual e-mails, showing the sender's e-mail address.
- An e-mail petition must include the sender's postal address.
- The e-mails must be addressed to the organiser (rather than a council or the committee or its members) who must then let the [administrator to be appointed] have print-outs of the requisite number of supporting e-mails.

[Random checks will be carried out on petitioners that have used the e-mail procedure.]

(c) Liaise with the Planning case officer and Chair and spokespersons about the date of the Development Control Forum and fix a date, time and venue. So far as practical at least 10 days (not working days) notice should be given to all those attending under (d). For the avoidance of doubt dates for possible Development Control Forum meetings may be programmed in advance of receipt of petitions.

d) Send written invitations to:

- \* The lead petitioners;
- \* The applicants and agents;
- \* Committee members;
- \* Ward councillors;
- \* Planning officers;

**The press will also be informed.**

The invitations to the meeting should include:

- \* A short summary of the application details (to be provided by the planning case officer);
- \* The case officer as a contact point for planning enquiries and the Administrator for queries about the petition process;
- \* An explanation of the fact that up to three representatives of the petitioners and up to three representatives of the applicants may attend and speak;
- \* Petitioners to be invited to contact the officers for a briefing on the procedures at the Forum.

(e) Inform all other councillors of both councils that the meeting is taking place.

4. If two or more petitions are received relating to the same planning application, the following procedure should be applied:

\* In the case of two or more petitions opposed to the application, or two or more petitions in support of the application, the petitioners will be encouraged to make a joint presentation. If agreement on this is not possible between the petitioners, they would share the time allocations given in paragraph 9.

### **Development Control Forum Meetings**

5. The Press and Public are entitled to attend meetings as observers.

6. The Development Control Advisor or other A senior planning officer (other than one of the case officers involved in dealing with the application) will chair the meeting.

7. The style of the Forum will be informal, but the authority of the Chair must be recognised. The decision of the Chair on any question of procedure will be final. No votes will be taken.

8. The main purpose of Forum meetings is to enable petitioners and applicants to give their views and to provide the means by which consensus can be built between the parties.

9. The format of the Forum will be as follows for each application:

Presentation of the application by the applicant/agent (up to three representatives) - up to 20 minutes;

\* Presentation of the views of the petitioners against the application (up to three representatives) - up to 20 minutes;

\* Presentation of the views of the petitioners in support of the application (where applicable) (up to three representatives) - up to 20 minutes;

\* Presentation by the case officer - up to 10 minutes;

\* Member questions and issues arising - up to 30 minutes;

\* Summing up by the applicants/agents - up to 5 minutes;

\* Summing up by the petitioners against the application - up to 5 minutes;

\* Summing up by the petitioners in support of the application - up to

5 minutes;

\* Final comments of the Chair.

## **After the Meeting of the Forum**

10. The Administrator will take minutes of the meeting. The minutes will be a summary of the issues raised and should not be taken to express a view or decision which is in any way binding on the committee. The minutes will be circulated in draft to the Chair of the Forum, the Chair and Vice Chair of the committee and the case officer and finalised within 5 working days of the Forum. Copies of the finalised minutes will be sent, for information, to:

\* The petitioners' representatives at the meeting;

\* The applicants' representatives at the meeting;

\* Ward councillors;

☐ Committee members

\_ the Parish Councils of the areas to which the application relates.

-

The minutes, and the text of the petition, will also be appended to the report to the committee which invites it to determine the application.

11. The case officer should contact the applicants/agent after the meeting to discuss whether a meeting would be helpful to discuss the issues raised at the Forum and to discuss any changes that may be necessary to the application. The applicant will be encouraged to keep in direct contact with the petitioners and to seek their views on any amendment/s.

12. The case officer will inform the petitioners' representatives of any amendments to the application. Normally, no further Development Control Forum will be held if the planning application is amended - see paragraph 3 (b) (ii).

13. The petitioners' representatives will be informed of the date of the meeting at which the application is to be considered by the committee and will be sent copies of the committee report. The petitioners and applicants will be asked to send any further comments they may have on the report to the planning case officer as soon as possible, so that they can be circulated in good time to members of the committee.

## **Annex C of JDCC Standing Orders: Costs Sharing Protocol**

The ongoing costs incurred in relation to the administration of the Committee, legal support and planning service costs shall be borne by the administering authority and recharged in accordance with the shared service agreement between the two Councils.

Exceptional costs that arise in relation to, for example, appeals and legal proceedings will be borne:

- i) from the joint planning budget,
- ii) where there are insufficient funds within the joint planning budget, then the costs shall be shared proportionally by the Councils.

**Greater Cambridge Joint Planning Committee**  
**Draft Scheme of Delegation as agreed on [date]**

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**Scheme of Delegation to Officers**

The following powers are delegated to the Joint Director of Planning and Economic Development in respect of planning and development control matters. . The Joint Director of Planning and Economic Development may authorise any other officers within the Greater Cambridge Shared Planning Service to exercise these powers on his/her behalf. Any officer so authorised may in turn delegate further.

Such delegations shall be evidenced in writing.

1. To determine, and to make decisions in connection with the determination of, all forms of planning and other applications, and all forms of consent and other notifications (as set out in the attached schedule) submitted under the Town and Country Planning Act 1990 (as amended by the Planning and Compulsory Purchase Act 2004) and the Planning (Listed Buildings and Conservation areas) Act 1990 within the terms of reference of the Joint Development Control Committee **except** in any of the following circumstances:

a) Where the application is for Outline or Full Permission or is a reserved matters application in respect of:

1. The provision of residential units where:

(a) the number of residential units to be provided is 100 or more.

2. The provision of a non-residential building or buildings where the floor space to be created by the development is 1,000 square metres or more or is for non-residential development to be carried out on a site having an area of 1 hectare or more;

3. Development including the provision of primary roads, open space or other site-wide infrastructure that fulfils a strategic purpose;

5. Regulation 3 development for all new facilities.

b) Where:

- There are any parish council representations that are contrary to the

officer recommendation for approval or;

- There are other third party representations on planning grounds that are contrary to the officer recommendation for approval or refusal and that cannot be addressed by conditions as applicable or;

c) The application is advertised as a formal departure from the Development Plan and where the officer recommendation is for approval.

d) The application is submitted by a Member or Chief Officer or planning officer of either of the Councils.

e) The application is one where, within 21 days of being notified of the application or within 14 days of receipt of any subsequent material amendment to the proposal, any Member of the City Council or of the District Council or any member of the County Council representing a ward within the City of Cambridge or South Cambridgeshire requests in writing (including e-mail), that the application should be determined by Committee, stating the planning grounds on which the request is based.

f) The application is one that officers consider should be determined by Committee because of special planning policy or other considerations.

g) The application is for a “non-material” change/amendment in relation to a development that was previously approved by the Joint Committee and either i) the elements to be changed were subject to specific conditions or ii) negotiation in response to objections raised to the original approval, and in both cases where the Chair, Vice-Chair and Spokespersons of the Committee object to the exercise of the delegated power within 14 days of notification.

3. To act on behalf of the Committee (after consultation, if practicable with the Chair of the Committee and the Chief Planning Officers of the three Councils) in cases of urgency or emergency. Any such action is to be reported as soon as possible to the Committee.

**Note:** Notwithstanding the provisions contained within this Scheme of Delegation, officers will use their discretion and judgement to decide whether to refer any matter contained within this Scheme to the Committee for determination, which in their view raises contentious, sensitive or significant policy issues, or where it would be otherwise

beneficial for the decision to be made by Members of the Joint Committee.

**Schedule referred to in Delegation 1 above**

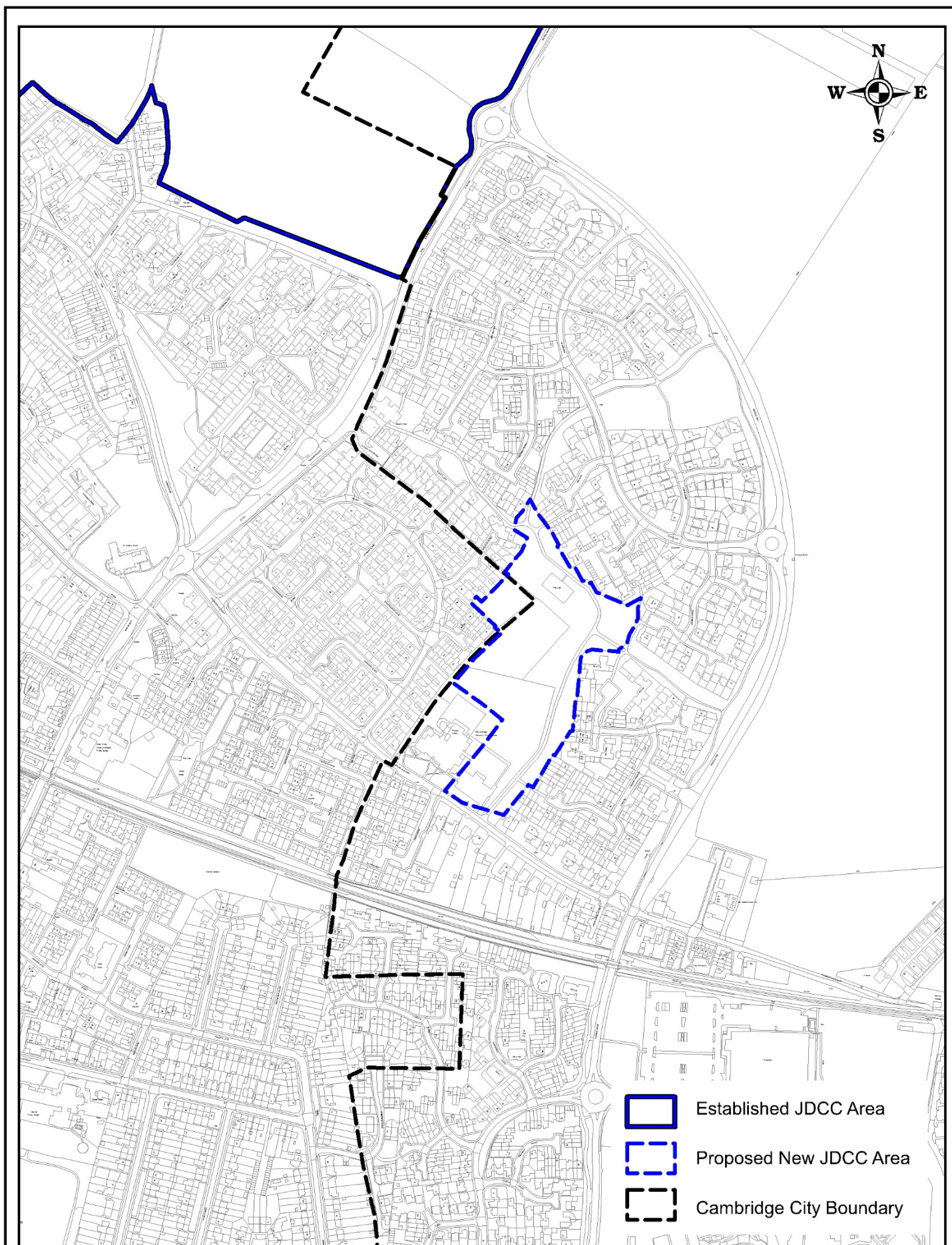
Applications and other forms of consent/notification referred to in Delegation A1 include:

- a) Outline and full planning permission and any subsequent pre- and post decision amendments.
- b) Reserved matters following outline planning permission and any pre and post decision amendments.
- c) Renewals of planning permission and any pre- and post-decision amendments.
- d) Removal/variation of planning conditions.
- e) Discharge of conditions.
- f) Advertisement consent.
- g) Lawful Development Certificates.
- h) Regulation 3 applications.
- i) Settling the terms of planning agreements under section 106, Town and Country Planning Act 1990 and other legislation in accordance with the terms of any resolution or decision to grant planning consent.
- j) Listed Building Consent.
- k) Conservation Area Consent.
- l) Screening and scoping opinions under the Town and Country Planning (Environmental Impact Assessment) (England and Wales) Regulations 2011, or any subsequent amendment to those Regulations.
- m) Entering into and Signing of Planning Performance Agreements.

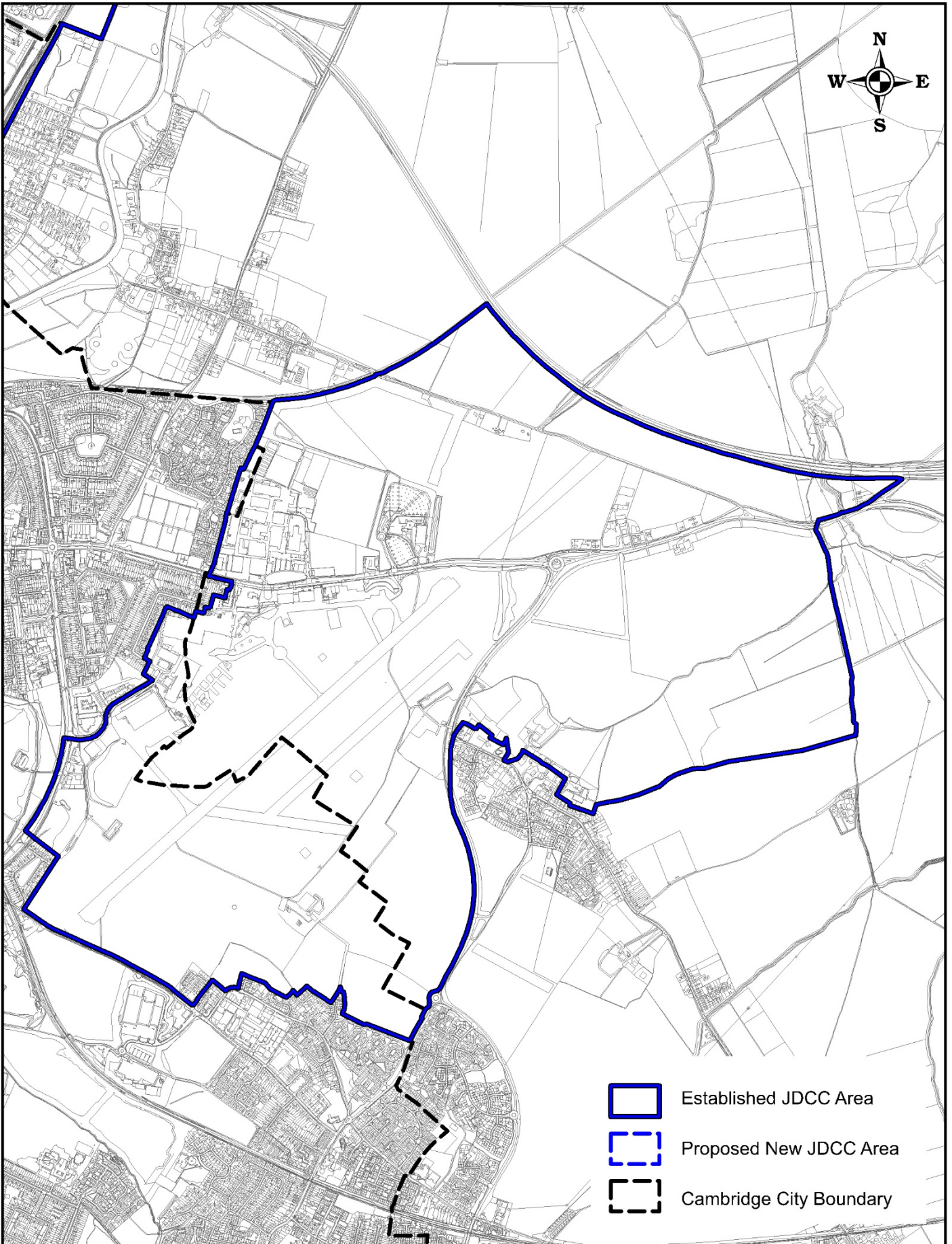
## Appendix 3 Plans

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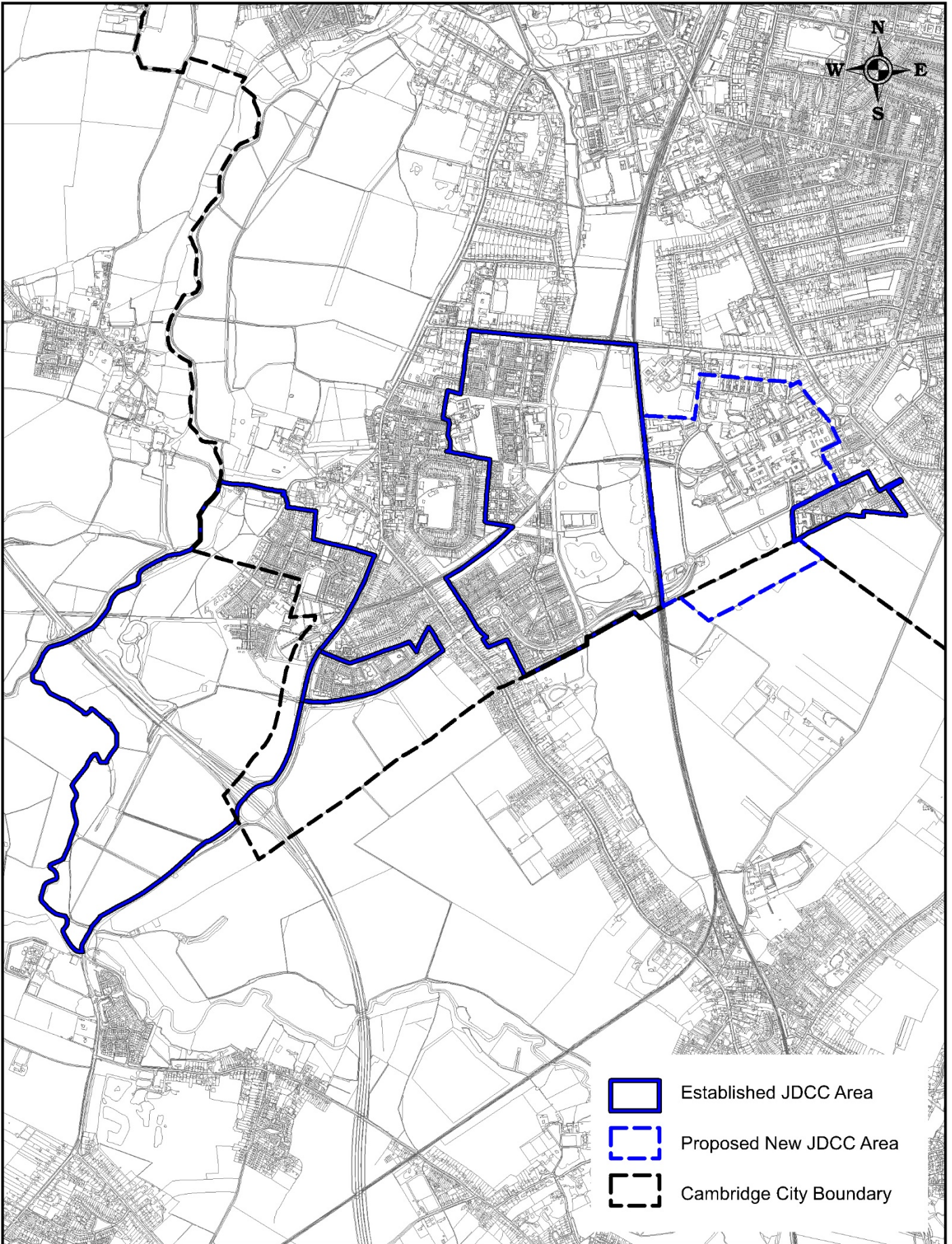





**Cambridge East:  
Proposed Areas for Inclusion  
in the JDCC Area**

Page 30

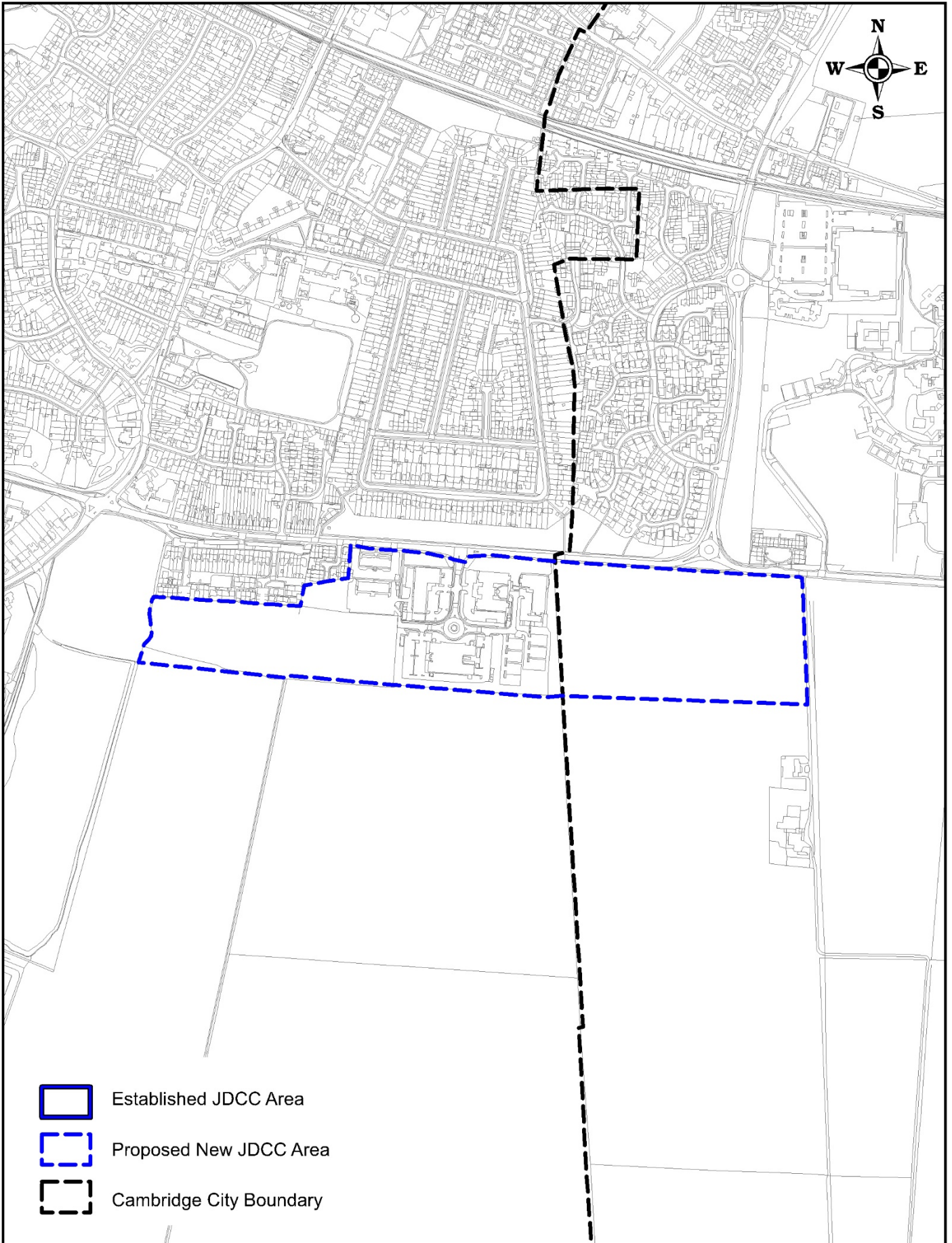
Date:	17/06/2020
Produced by:	S Johnston
Service:	Planning Policy
Scale:	1:20,000 @ A4








-  Established JDCC Area
-  Proposed New JDCC Area
-  Cambridge City Boundary





-  Established JDCC Area
-  Proposed New JDCC Area
-  Cambridge City Boundary

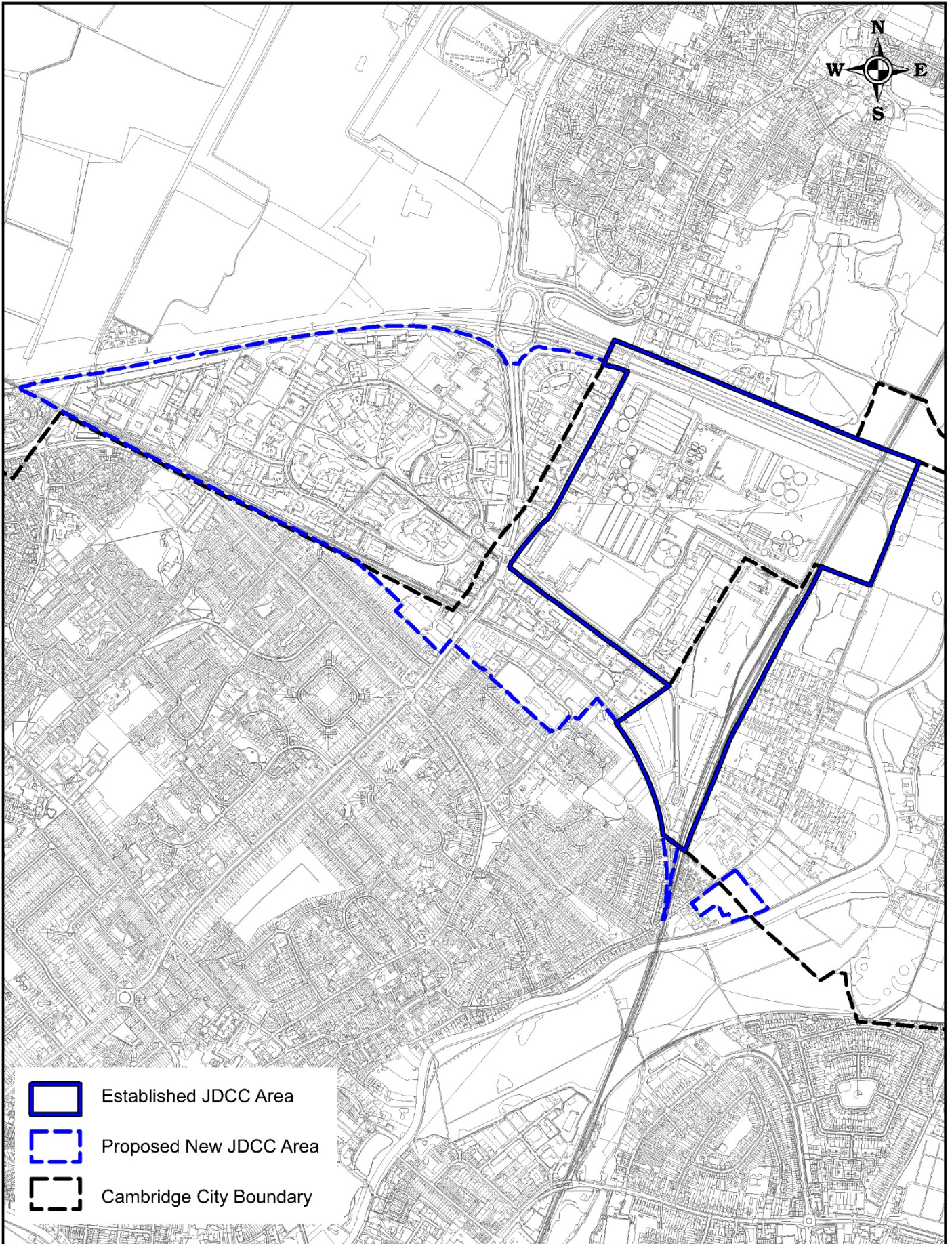


**Fulbourn Road Area:  
Proposed Area for Inclusion  
in the JDCC Area**

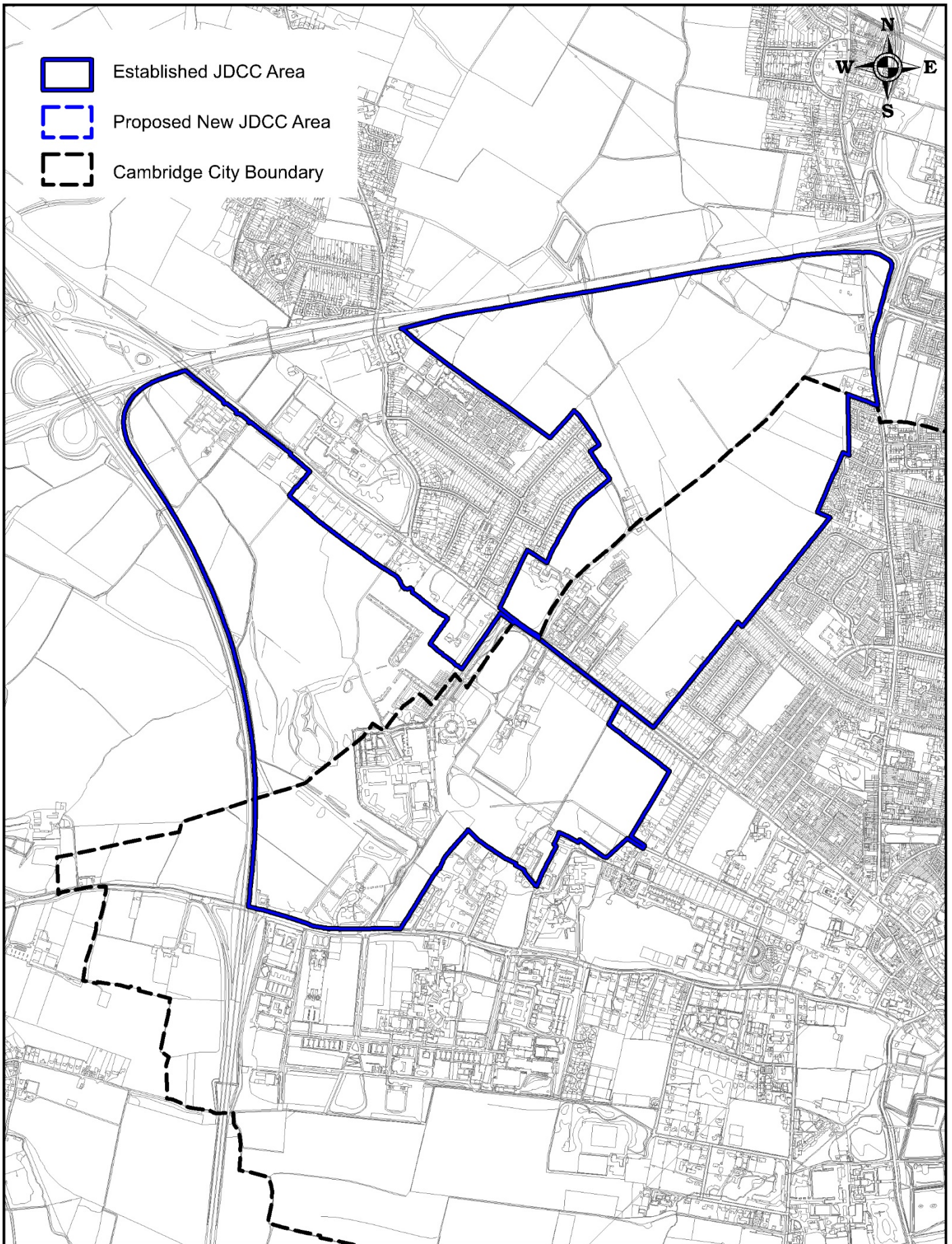
**Page 32**

Date:	17/06/2020
Produced by:	S Johnston
Service:	PPSE
Scale:	1:7,500 @ A4









Established JDCC Area



Proposed New JDCC Area



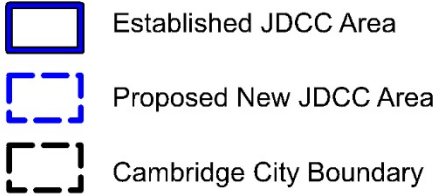
Cambridge City Boundary



# **North West Cambridge: Proposed Areas for Inclusion in the JDCC Area** Page 34

Date:	17/06/2020
Produced by:	S Johnston
Service:	PPSE
Scale:	1:18,000 @ A4





Date:	17/06/2020
Produced by:	S Johnston
Service:	PPSE
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Item

## EXTERNAL AUDIT OUTLINE AUDIT PLAN 2019/20

**To:**

Civic Affairs Committee 08/07/20

**Report by:**

Caroline Ryba, Head of Finance

Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

**Wards affected:**

None directly affected

### 1. Introduction

- 1.1 The attached outline audit plan (Appendix 1) from Ernst & Young (EY) summarises their approach to the audit of the financial statements and value for money (VFM) conclusion for 2019/20.
- 1.2 The plan also highlights what EY consider to be the most significant audit risks.
- 1.3 EY staff will be available to discuss their report and answer any detailed questions arising from it.

### 2. Recommendations

- 2.1 That the contents of the external audit plan are noted.

### 3. Background

3.1 In line with the National Audit Office Code of Audit Practice, EY are required to review and report on the council's

- Financial statements; and
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and requirements of the code of Audit Practice (the value for money (VFM) conclusion)

3.2 The attached outline audit plan details the approach that EY will use in relation to the 2019/20 audit. It specifies the work they will undertake, when they anticipate undertaking this work and how they will report their findings. It also details EY's assessment of the key risks with regard to the financial statements.

## **4. Implications**

### **a) Financial Implications**

The proposed audit fee relating to the costs of the audit work is included within the audit plan. A significant increase is proposed for which additional budget will be sought through the council's budget setting processes.

### **b) Staffing Implications**

None

### **c) Equality and Poverty Implications**

None

### **d) Environmental Implications**

None.

### **e) Procurement Implications**

None

### **f) Community Safety Implications**

None

## **5. Consultation and communication considerations**

None.

## **6. Background papers**

No background papers were used in the preparation of this report:

## **7. Appendices**

Appendix 1 – EY Outline Audit Plan for the year ended 31 March 2020

## **8. Inspection of papers**

If you have a query on the report please contact Caroline Ryba, Head of Finance, tel: 01223 - 458134, email: [caroline.ryba@cambridge.gov.uk](mailto:caroline.ryba@cambridge.gov.uk).

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A background image showing a meeting in progress. Several people are seated around a white table, looking at and pointing to documents. A person in a yellow shirt is visible at the top, and another person's hand is pointing at a document in the center. A smartphone is on the table in the lower left. The overall scene is brightly lit and professional.

# **Cambridge City Council Outline Audit Plan**

Year ended 31 March 2020

24 June 2020



Cambridge City Council  
The Guildhall  
Market Square  
Cambridge  
CB2 3QJ

24 June 2020

Dear Civic Affairs Committee Members

### **Outline Audit Plan - 2019/20**

We are pleased to attach our Outline Audit Plan which sets out our initial views on how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Civic Affairs Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Outline Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. We will provide an update to this plan on completion of our planning procedures, if we identify new risks or change our audit strategy.

We have adapted our audit approach and working practices to take account of the implications and risks from COVID-19 as we see them for the preparers of financial statements and auditors for Local Government bodies. We have had initial discussions with the Council's finance team on their response and ongoing strategic, operational and financial risk assessment. We will continue to keep this area under review during the course of our audit and update our audit risk assessment and approach as appropriate. At this stage, we expect to be undertaking additional audit procedures on the valuation of the Council's assets, recognition of grant income and our assessment of management's assertions and disclosures associated with preparing the accounts as a going concern in accordance with the Financial Reporting Council's Statement of Recommended Practice Note 10 for audit of public sector bodies in the United Kingdom.

Within the plan we have also reflected on the changes in the local audit environment and the increased compliance and regulatory requirements on delivering a quality audit service. As a result, we are proposing an increase to the scale fee. We have recently shared the detailed basis of this proposal with officers and will continue discussions on the fee. Ultimately, we will seek agreement with PSAA.

[continued]



This report is intended solely for the information and use of the Civic Affairs 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 8 July 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



**Suresh Patel**  
Associate Partner  
For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Civic Affairs Committee and management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee and management of Cambridge City 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 Civic Affairs Committee and management of Cambridge City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2019/20 audit strategy





## Overview of our 2019/20 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud Risk	No change in risk or focus	Linking to the management override risk above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment as a separate risk, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Investment Property Valuations & other assets valued using market information	Significant Risk	Increased risk	<p>The Council's investment property portfolio is a material balance (£171m at 31 March 2019) disclosed on the Council's balance sheet. In addition, the Council holds other assets valued using market information.</p> <p>The Royal Institution of Chartered Surveyors (RICS) have issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding valuations in the 2019-20 period; this follows uncertainties in the current economic climate and the impact upon commercial market rents.</p> <p>Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties and other assets valued using market information at 31 March 2020. This leads to a risk of material uncertainty in the valuations of Investment Property and some other assets within the Council's financial statements. We will be engaging our own experts, EY Real Estates, to ensure we obtain sufficient assurance over this risk.</p>

## Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Other Land and Buildings valuations	Inherent risk	No change in risk or focus	Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£139m at 31 March 2019) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet. As the Council's OLB are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.
Council dwellings valuation	Inherent risk	Change in focus	Council dwellings represent a significant balance in the Council's accounts (£612m at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. In 2018/19 we identified issues in how the Council's valuer applied indexation to some beacon valuations. As the value of council houses are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.
Pension Liability Valuation & other pension disclosures	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance (£138m at 31 March 2019) disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. Covid-19 may impact the value of pension assets at 31 March 2020. We will keep this under review.
Presentation and disclosure of accounting items	Inherent risk	New risk	The Council's draft 2018/19 statements contained numerous errors and several supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team. Since January 2020, the finance team has been strengthened and the Council has put in place a plan to prepare its 2019/20 statements by the end of July. As a result of the prior year issues we will reduce our testing threshold (See page 9).

## Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Group accounts	Inherent risk	Change in focus	The Council has been preparing group accounts for several years. For 2019/20 we understand that Cambridge Live will no longer be a separate entity requiring consolidation. The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities. We have yet to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2019/20 audits and what impact that has on our consideration of the group accounts.
Page 48 Ongoing concern	Area of focus	New area of focus	Covid-19 has increased pressure on the Council's finances due to a reduction in non-government sources of revenue and increased expenditure. There is a risk to the Council's financial resilience and a need for appropriate disclosure of material uncertainties in finances over the next 18 months.

## Other impacts of Covid-19 on the accounts and audit

### Timetable

MHCLG have changed the financial reporting dates for local authorities in light of Covid-19. The Council is now required to publish its draft statements by the 31 August (from 31 May) and publish audited accounts (where they have been audited) by 30 November (from 31 July). At present the Council has indicated that it plans to prepare its draft accounts by the end of July.

### Remote working

Our audit documentation tool, Canvas, and the EY Client Portal enable us to undertake the majority of our audit procedures by working remotely. To date, the Council's finance team have also been able to deal with audit queries and continue with their closedown preparations remotely.

### Audit evidence

Whilst remote working is operating relatively effectively, there are likely to be some aspects of audit evidence where we will need to work collaboratively with the finance team to ensure its appropriateness and sufficiency. Dealing pragmatically with these challenges may increase the duration of the year end audit.

### Auditor's report

Because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) has introduced a rigorous consultation process for all auditor reports. Whilst we may not be seeking to issue the Council's auditor report until later in the year, there is likely to remain in place a consultation process that may impact on the timing and the content of the audit report.

# Overview of our 2019/20 audit strategy

## Materiality

Planning  
materiality

£2.778m

We have set materiality at £2.778 million, which represents 2% of the prior years gross expenditure on provision of services. This is at the top end of our materiality range.

Performance  
materiality

£1.389m

We have set performance materiality at £1.389 million, which represents 50% of materiality. Under our approach we can either use 50% or 75% but because of the extent of errors in the prior year statements we are required to use 50%. This change from the prior year means that we will be testing more items.

Audit  
differences

£139,000

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, and collection fund) greater than £139,000. We will communicate other misstatements identified to the extent that they merit the attention of the Civic Affairs Committee.

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

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

When carrying out audit procedures, in addition to using the materiality levels outlined above, we also take into account our view of the Council's controls and the inherent risk of a specific item of account. The stronger the controls and the lower the inherent risk, the less we are likely to test. The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

# Overview of our 2019/20 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 Cambridge City Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

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

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

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

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion such as commercial investment strategies. Therefore to the extent any of these or any other risks are relevant in the context of Cambridge City Council's audit, we have recently shared with management the impact on the scale fee. We will continue these discussions before seeking agreement with PSAA. In addition, in Section 8 we have included an indicative range for the additional work we will be conducting in response to the significant risks we have identified and included in this Plan. We will confirm these fees with management as the audit progresses.





## 02

## Audit risks





## Audit risks

# Our response to significant risks

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

### Misstatements due to fraud or error \*

Page 52

#### 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.

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

These are set out on the following page.

#### 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.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- ▶ Assessing key accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions





## Audit risks

### Our response to significant risks (continued)

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

#### What is the risk?

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

We consider the risk applies to capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

This could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

#### What will we do?

Should capital expenditure be material to the financial statements, we will undertake additional procedures to address the specific risk we have identified, which will include:

- ▶ Testing a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to a higher level to verify that revenue costs have not been inappropriately capitalised.



# Our response to significant risks (continued)

### Investment Property Valuations & other assets valued using market information

Page 54

#### What is the risk?

The Council's investment property portfolio is a material balance (£171m at 31 March 2019) disclosed on the Council's balance sheet. In addition, the Council owns other assets that are valued on the basis of market information.

The Royal Institution of Chartered Surveyors (RICS) have issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations (and other assets valued using market data) in the 2019-20 period. If a RICS Regulated Member concludes that declaring material uncertainty is not appropriate, there should be a sound rationale to explain the decision making process.

<https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/>

This guidance follows uncertainties in the current economic climate and the impact upon commercial market rents.

Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties.

This leads to a risk of material uncertainty in the valuations of Investment Property and other assets within the Council's financial statements.

#### What will we do?

We will:

- ▶ Consider the work performed by the Council's 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 valuers in performing their valuation (for example market rents and other market information).
- ▶ Engage EY Real Estate as our internal specialists to review the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties and other assets valued using market information. We apply special consideration to any disclosures or disclaimers resulting from Covid-19.
- ▶ Test accounting entries have been correctly processed in the financial statements.
- ▶ Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.

## Other inherent risks

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

What is the risk/area of focus?	What will we do?
<p><b>Other Land and Buildings valuations</b></p> <p>Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£139m at 31 March 2019) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.</p> <p>As the Council's OLB are significant, and the outputs from its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ 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);</li> <li>▶ Consider whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.</li> <li>▶ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Consider appropriateness of changes to useful economic lives as a result of the most recent valuation; and</li> <li>▶ Test accounting entries have been correctly processed in the financial statements.</li> <li>▶ Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.</li> </ul>
<p><b>Council house valuations</b></p> <p>Council dwellings represent a significant balance in the Council's accounts (£612m at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. In 2018/19 we identified issues in how the Council's valuer applied indexation to some beacon valuations. As the value of council houses are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; and</li> <li>▶ Test a sample of beacon valuations to comparable sales to ensure that the approach is reasonable; and</li> <li>▶ Consider specifically the use of indices to derive the 31 March valuation.</li> <li>▶ Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.</li> </ul>

## Audit risks

### Other inherent risks (continued)

What is the risk/area of focus?	What will we do?
<p><b>Pension Liability Valuation &amp; other pension disclosures</b></p> <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 administered by Cambridgeshire County 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 2019 this totalled £138 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County 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 and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>For 2019/20 there may be an impact of Covid-19 on pension asset values as at 31 March 2020.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cambridge City Council;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul>
<p><b>Presentation and disclosure of accounting items</b></p> <p>The Council's draft 2018/19 statements contained numerous errors and several supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team. Since January 2020, the finance team has been strengthened and the Council has put in place a plan to prepare its 2019/20 statements by the end of June. However, there remains an inherent risk that the accounts may contain errors.</p>	<p>We have been in discussions with the new members of the finance team throughout the closure of the 2018/19 audit. As a result of our experience in 2018/19, in order to identify any significant issues at an early stage, we will:</p> <ul style="list-style-type: none"> <li>▶ Undertake an early detailed review of the account to assess the overall quality of accounts presented for audit;</li> <li>▶ Provide officers with a list of audit working paper requirements before we commence the detailed work on the final accounts;</li> <li>▶ Review the adequacy of the working papers provided before we commence detailed audit work</li> </ul>



## Audit risks

### Other inherent risks (continued)

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

##### Group accounts

The Council has been preparing group accounts for several years. For 2019/20 we understand that Cambridge Live will no longer be a separate entity requiring consolidation.

The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities.

We have yet to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2019/20 audits and what impact that has on our consideration of the group accounts. There may be new risks for 2019/20 relating to the impact of Covid-19.

#### What will we do?

We will:

- ▶ Review the Council's assessment of its group boundary;
- ▶ Liaise with the component auditors to understand any risks that they are recognising;
- ▶ Evaluate any risks at component level on the group accounts;
- ▶ Issue instructions to the component auditors we intend to place reliance on; and
- ▶ Audit the consolidation process and group accounts.

# Other areas of audit focus

### What is the area of focus?

#### Going concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. For the Council its other sources of income such as investment income and car parking are being adversely impacted. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CAIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

### What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.





# 03

## Value for Money Risks





# Value for Money

## Background

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. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

In April 2020, the NAO updated the Auditor Guidance Note 3 for local authorities to include specific guidance in relation to Covid-19. They noted the response to Covid-19 will have significant implications for local government bodies. Bodies will need to adapt many, if not all, of their arrangements to adjust to both significant increases in demand for some services and new ways of working as a result of the severe restrictions placed on the public from 23 March. However, it was also clarified that unless there is clear evidence of significant failings in the Authorities' arrangements during the 2019-20 financial year, it would not be appropriate to identify a significant risk in this area. We have not become aware of any such failings and therefore no significant risk has been identified in relation to Covid-19 at this stage.

Following our planning procedures we have not identified a significant risk to our value for money conclusion but we will continue to review the resilience of the Council's MTFS and commercial activity as regards investment properties during the course of the audit.

We will continue to revisit this assessment as our audit progresses and update the Civic Affairs Committee of any changes.





04

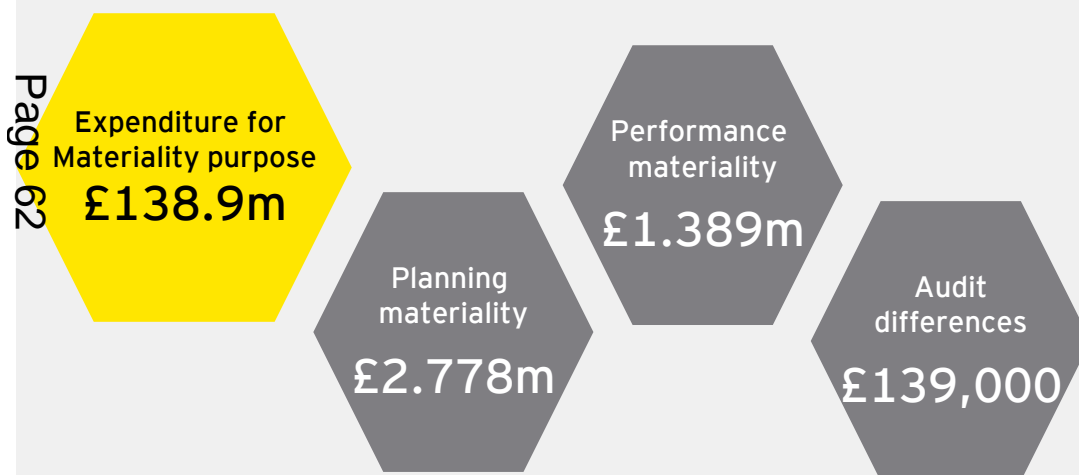
## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2019/20 has been set at £2.778 million. This represents 2% of the Council's prior year gross expenditure excluding revaluation movements. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Civic Affairs 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. This can either be 50% or 75% of planning materiality. We have used 50% because of the number of errors in the prior year accounts. This is a decrease on the percentage used last year.

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

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

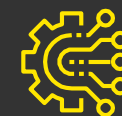
**Specific materiality** - We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality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





# 05

## Scope of our audit



# Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

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

#### Procedures required by standards

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

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

#### 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.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

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

Our intention is to carry out a fully substantive audit in 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

#### 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 Civic Affairs Committee.

#### Internal audit:

We will regularly meet with the Head of Internal Audit, and 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.



## Scoping the group audit

### Group scoping

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

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

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

### Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

1	A	Full scope audits
1	B	Specific scope audits
Nil	C	Review scope audits
Nil	D	Specified procedures
3	E	Other procedures

### Scope definitions

**Full scope:** where a full audit is performed to the materiality levels assigned by the group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

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

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

**Specified Procedures:** where the component team performs procedures specified by the group audit team to respond to an identified risk.

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

## Scoping the group audit (continued)

### Scoping coverage

At the time of writing this report we are awaiting further information to be able to conclude on our group scoping. However, based on our discussions with management to date and knowledge from the 2018/19 audit we anticipate:

- ▶ Relying on the audit work of the component auditor in respect of Cambridge City Housing Company. The impact of this subsidiary on group income and expenditure will be immaterial, however, it does hold significant property assets that require valuation and alignment of accounting policies. Our focus is on those balances that could contain a risk of material misstatement.
- ▶ Undertaking other procedure in relation to the Cambridge Investment Partnership (CIP) entities. The CIP entities are joint ventures in which the Council holds a 50% stake. To date these entities have been operating at a loss and have not therefore been incorporated in the group accounts as the Council has taken the option not to include a share of net liabilities in the investment. Our focus will be on ensuring that this remains materially correct in 2019/20.
- ▶ For other entities in which the Council has an interest but excludes from the group accounts (Visit Cambridge and Beyond and Storey's Field Community Trust) we will ensure that the combination of excluded entities is not qualitatively nor quantitatively material to the group.

We will update the Committee if there are any changes to our scoping coverage throughout the audit.

### Key changes in scope from last year

- ▶ The Council's accounts remain subject to full audit by the primary audit team
- ▶ Cambridge City Housing Company was a specific scope audit in previous years, and as such there have been no changes to that entity.
- ▶ The three Cambridge Investment Partnership entities will be covered by other procedures in 2019/20.
- ▶ Cambridge Live is no longer a separate entity and will not be consolidated into the Council's group accounts in 2019/20 as the operations were incorporated in the Council's accounts with effect from 1 April 2019.

### Details of specified procedures

In order to respond to the risk identified in relation to the valuation of land and buildings we will seek to rely on the work of the component auditor.

We will consider whether the scoping decisions remain appropriate based on the 2019/20 accounts of the CIP entities and those entities that are excluded from the consolidation.

### Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below where we should need to rely on the work of a component auditor.

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



06

## Audit team and use of specialists



## Audit team

The engagement team continues to be led by Suresh Patel and managed by Tony Poynton. Suresh and Tony have established good working relationships with the Committee and the finance team and have significant public sector audit experience.

## Use of specialists

Our approach to the involvement of specialists, and the use of their work.

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

Area	Specialists
Valuation of Land and Buildings & Investment Properties	Council's valuers (Wilkes Head and Eve & Bidwells) EY Real Estates Team (in relation to investment property and otherwise where required)
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team
Financial Instruments	Linked Asset Services (management specialist)
NNDR appeals provision	Analyse Local (management specialist)

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

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

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





07

## Audit timeline

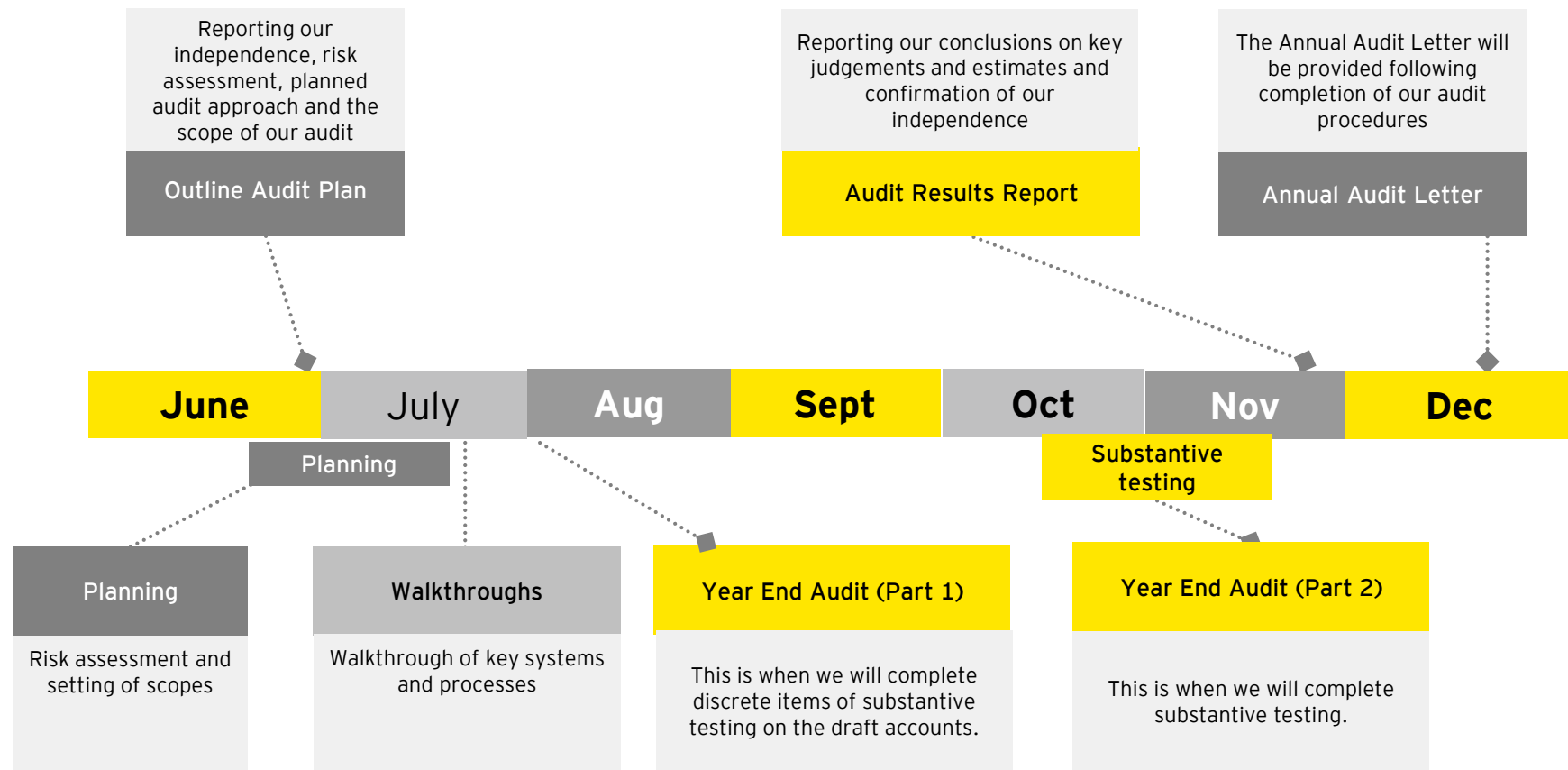




# ⌚ Proposed audit timeline

## Proposed timeline

In light of the timing of completing the 2018/19 audit and the revised MHCLG timetable, we have discussed with officers a split timetable that allows the finance time sufficient time to prepare the 2019/20 statements and supporting working papers, and enables us to plan in detail the audit and deliver the audit of the accounts with a well resourced engagement team. From time to time matters may arise that require immediate communication with the Civic Affairs Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<div>Page 73</div> <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. 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 Suresh Patel, 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 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 permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standards or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services and therefore we do not need any additional safeguards.

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 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 (cont'd)

### Management threats

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

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

### Other threats

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

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
Page 75 We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. We commenced some of the agreed upon procedures on the certification arrangements. Our current fee level is £12,568 however we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2019/20.  The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

## Other communications

### EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)





# 09

## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work (note 1)	40,024	40,024
Additional fees (note 2)		
- Impact of 50% performance materiality	8,000-15,000	-
- Capital transactions	-	10,500
- Group accounts	7,500-10,500	10,500
- Additional audit overruns & delays (note 3)	-	75,000
- Additional input from EYRE	5,000-10,000	-
- Impact of Covid-19 on the audit including EY consultations	TBC	-
<b>Total audit</b>	<b>TBC</b>	<b>136,024</b>
Non-audit services:		
Housing Benefits (note 4)	12,568	20,750
<b>Total other non-audit services</b>	<b>12,568</b>	<b>20,750</b>
<b>Total fees</b>	<b>TBC</b>	<b>156,774</b>

All fees exclude VAT

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

Note 1: For 2019/20 we do not believe the existing scale fees provide a clear link between a public sector organisation's risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. Further background and context of the audit fee for 2019/20 is set out on the next two pages.

Based on the Council's risk profile, we have estimated the indicative fee for 2019/20 to be £84,038. We have recently shared more detail to support our proposal with the Section 151 officer. We will update the Committee on the fee discussions ahead of our audit results reporting later this year before seeking PSAA approval.

Note 2: Where possible we have included a range for the additional fees associated to known new risks and areas of audit focus. We will revisit these ranges on completion of the work and seek agreement with the Section 151 officer.

Note 3: The 2018/19 additional audit overruns is subject to agreement with the Section 151 officer and PSAA.

Note 4: You engage us to act as reporting accountant for the housing benefits certification work. This is the base fee.

The fees presented is based on the following assumptions:

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

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

## Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as the Council the extent of audit procedures now required mean it will take around 1,100 hours to complete a quality audit. A commercial benchmark for this size of external audit would be £100 per hour. Your scale fee is £40,024 and our current proposal for 2019/20 is £84,038.

### Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
  - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
- Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
  - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
  - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
  - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.
4. **Recruitment and retention.** As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

(continued)

## Fees (continued)

### Summary of key factors

#### 4. Recruitment and retention (continued)



- We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
- We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.



## Appendix B

# Required communications with the Civic Affairs Committee




We have detailed the communications that we must provide to the Civic Affairs Committee.

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Civic Affairs Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan - July 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - November 2020





## Appendix B

# Required communications with the Civic Affairs Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report - November 2020
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:               <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul> </li> </ul>	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul>	Outline Audit Plan - July 2020; and Audit Results Report - November 2020

## Appendix B

# Required communications with the Civic Affairs Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - November 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</li> </ul>	Audit Results Report - November 2020
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - November 2020
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2020
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2020

## Appendix B

# Required communications with the Civic Affairs Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Outline Audit plan - July 2020 Audit Results Report - November 2020
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>Whether the events or conditions constitute a material uncertainty</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - November 2020



## Appendix C

# Additional audit information

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

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

#### Our responsibilities required by auditing standards

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





## Appendix C

# Additional audit information (continued)

### 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 financial statements; and
- ▶ 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.

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ED None

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Item

## **Head of Internal Audit – Annual Opinion 2019/20**

**To:**

Civic Affairs Committee [08/07/2020]

**Report by:**

Jonathan Tully, Head of Shared Internal Audit Service

Tel: 01223 - 458180 Email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk)

**Wards affected:**

All

### **1. Introduction / Executive Summary**

- 1.1 This report communicates the annual Head of Internal Audit Opinion, for consideration by the Civic Affairs Committee.
- 1.2 In accordance with the Public Sector Internal Audit Standards the Head of Shared Internal Audit (HSIA) should provide a written report to those charged with governance. This will support the Annual Governance Statement (AGS), which is being presented to this committee later in the year to accompany the Statement of Accounts. The Head of Shared Internal Audit is required to give an opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework.

### **2. Recommendations**

- 2.1 The committee are asked to note the annual opinion of the Head of Shared Internal Audit.

### **3. Overall Opinion.**

- 3.1 The overall opinion is that based on the works undertaken by Internal Audit and other independent assurance work. Cambridge City Council has adequate and effective systems of internal control in place to manage the achievement of its objectives. The audit work completed has provided sufficient coverage to enable Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the financial year 2019/20, and this remains at a similar level to the previous year.
- 3.2 However, no system of control can provide absolute assurance against material mis-statement or loss, nor can Internal Audit give that assurance.

### **4. Background**

- 4.1 The Internal Audit service works within a framework of:
- General acceptance of control within the management culture;
  - Agreement of actions arising from Internal Audit reports; and
  - A high level of support from Senior Management and Members.
- 4.2 Audits during the year have been conducted in accordance with the principles contained in the Public Sector Internal Audit Standards.
- 4.3 At the end of the financial year 2019/20, the Council had to manage the risk of the Coronavirus. While this has not had a material impact on our ability to provide an Internal Audit Opinion, it needs to be recognised in the context of significant and rapid change.
- 4.4 Since developing our 2020/21 Internal Audit Plan, best practice guidance has been issued between CIPFA and IASB which highlights the challenges faced by maintaining conformance with the Public Sector Internal Audit Standards whilst adding value to the Council. This guidance complements our existing impact assessment and our plan for 2020/21 will continue to be adapted accordingly.
- 4.5 Given this context, and in the light of work undertaken in the year, the Head of Internal Audit is able to give reasonable assurance on the adequacy and effectiveness of the organisation's internal controls in respect of the work undertaken. Further details are available in the Appendix – Annual Report of Internal Audit.



## **5. Assurance and opportunities for improvement**

- 5.1 In preparing the overall opinion, the Head of Internal Audit has reviewed all audit activity carried out during 2019 / 2020. Where appropriate, audits contain an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified by managers. Where weaknesses in control are identified, an action plan is agreed with management and this is recorded in the Council's Risk Register. Progress is monitored against target dates for delivery of these agreed actions during the year.
- 5.2 A summary of risks and opportunities for improvement are highlighted in the Head of Internal Audit Opinion. Any of those which are considered significant governance issues are subsequently incorporated into the Annual Governance Statement Action Plan.
- 5.3 There are also effective controls in place across systems that we have reviewed, and these have been summarised in our annual report to provide assurance.

## **6. Conclusions**

- 6.1 Cambridge City Council has adequate and effective systems of internal control in place to manage the achievement of its objectives. Reviews during the financial year 2019/20 have provided reasonable assurance, and this remains at a similar level to the previous year.

## **7. Implications**

### **(a) Financial Implications**

None.

### **(b) Staffing Implications**

None.

### **(c) Equality and Poverty Implications**

None.

### **(d) Environmental Implications**

None.

### **(e) Procurement Implications**

None.

## **(f) Community Safety Implications**

None.

## **8. Consultation and communication considerations**

Managers and Heads of Service are consulted on audit reports to agree the proposed action plan. The Chief Executive, relevant Director, the Leader of the Council, relevant Executive Councillor, the Head of Finance, the Monitoring Officer and the Council's External Auditors receive copies of the final versions of all audit reports.

## **9. Background papers**

Background papers used in the preparation of this report:

- Risk Based Internal Audit Plan;
- Audit reports issued during the year;
- Public Sector Internal Audit Standards and the Local Government Application Note

## **10. Appendices**

a) Annual report

## **11. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, tel: 01223 - 458180, email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk).

# **CAMBRIDGE CITY COUNCIL CIVIC AFFAIRS COMMITTEE 8 JULY 2020 ANNUAL REPORT OF INTERNAL AUDIT**

Page 91



## **Our Vision:**

**To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.**

Report Author:	Jonathan Tully
Position:	Head of Shared Internal Audit (for Cambridge City / South Cambridgeshire Councils)
Contact:	01223 458180

# Report

## **1 Introduction**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 This report is the culmination of the work during the course of the year. It provides an opinion on the effectiveness of the internal control environment, governance and risk management arrangements, and reports the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall reports will then contribute to the Annual Governance Statement which accompanies the Statement of Accounts.

## **2 Background**

- 2.1 The 2019 / 2020 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards and the requirements of the Accounts and Audit Regulations.
- 2.2 The Council continues to evolve and change. The drivers for change are both internal (e.g. public sector reform and developing smarter ways of working) and external (e.g. national reductions in funding and consequent savings programs).
- 2.3 During a period of change it is important that any increased business risks are identified and managed in an effective manner. Our audit plan reflected these changes by concentrating on those areas of highest risk.

## **3 Assurance**

- 3.1 The audit plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). This opinion will inform the Annual Governance Statement.
- 3.2 Our work is carried out to assist in improving control. Management maintains responsibility for developing and maintaining an internal control framework. This framework is designed to ensure that:
  - the Council's resources are utilised efficiently and effectively;
  - risks to meeting service objectives are identified and properly managed; and
  - corporate policies, rules and procedures are adequate, effective and are being complied with.
- 3.3 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement together with the Local Code of Corporate Governance and the Risk Management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.



- 3.4 If the audit reviews undertaken identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Civic Affairs Committee.
- 3.5 It is the opinion of the Head of Shared Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment, governance and risk management arrangements, during the financial year 2019/20, and this remains at a similar level to the previous year.

#### **4 Independence And Objectivity**

- 4.1 It is important that the Internal Audit service is sufficiently independent to provide an objective annual opinion. We safeguard against any potential ethical threats by preparing an Internal Audit Code of Ethics, which is presented to the Committee annually.
- 4.2 I can confirm that during the year there has not been any impairment in independence or objectivity to the Head of Shared Internal Audit or the service itself.

#### **5 Added Value Services**

- 5.1 Although our primary responsibility is to give an annual assurance opinion it is also important that the Internal Audit service adds value to the organisation.
- 5.2 There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include providing advice / input to support a number of projects and key working groups.

#### **6 Quality Assurance And Improvement Programme**

- 6.1 The Internal Audit team was independently assessed by CIPFA in 2018, using the Public Sector Internal Audit Standards and the Local Government Application Note. This concluded that the Internal Audit Team "generally conforms" with the requirements of the standards. This was the top-level accreditation and was reported separately to the Committee. This process is completed once every five years.
- 6.2 The Internal Audit team is committed to continuous improvement and also completes an annual self-assessment to the standards. This enables us to conclude that we still continue to conform with the professional standards.
- 6.3 The Internal Audit Team is a shared service, with South Cambridgeshire District Council. During 2019/20 we have delivered joint reviews which has enabled us to work smartly and provide insight to both Councils, across existing shared services and where there are common risks.
- 6.4 A Business Plan and Annual report is prepared, as part of our Shared Service governance arrangements, and is reported to the Strategy and Resources Scrutiny Committee. Management of resources is recognised as a risk in the Business Plan for the Shared Service. The team utilises agency workers to cover vacant posts, when needed. I am satisfied that there were adequate resources available to deliver the audit activities in the year and provide an annual opinion.

- 6.5 The audit work that was completed for the year to 31 March 2020 is listed in Appendix A – which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed.
- 6.6 Our reporting protocols have remained constant throughout the year, and these are explained in our Glossary Of Terms.
- 6.7 In addition to the risk-based audit and assurance work, we delivered consultancy work and other specific activities such as special investigations. These do not usually warrant an assurance rating, but there may be actions arising from the work undertaken to address the issues identified, and they help to inform the annual opinion.
- 6.8 The team has a continuous plan, which is updated at least annually. Consequently, there are also a number of reviews in progress, as documented in the current risk-based audit plan reported to the committee, and audit opinions relating to these will continue to be reported during 2020 / 2021.
- 6.9 The Shared Internal Audit Service Business Plan, and results of the Quality Assurance and Improvement Programme, will inform the development of the service over the longer term.

## **7 Counter Fraud and Error**

- 7.1 Both proactive and reactive fraud and error work is completed by the Internal Audit team throughout the year.
- 7.2 We have been developing our skills and knowledge by exploring the use of data analytics tools to help improve our proactive error checking work.
- 7.3 This is reported, along with a summary of work completed by the Revenue and Benefits Services Fraud Prevention Team, to the Committee as a separate item on the agenda.

## **8 Conclusion**

- 8.1 The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.
- 8.2 A continuous risk-based audit plan is completed, providing assurance. The team also provides added value consulting activities such as providing advice and fraud and error activities.
- 8.3 The audit work completed in 2019/20 has provided sufficient coverage to enable Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the financial year 2019/20, and this remains at a similar level to the previous year.

Jonathan Tully  
Head of Shared Internal Audit  
July 2020

## Appendix A – Assurance and Consultancy Coverage

The following pages provide information on work completed throughout the year.

### 1 Risk Based Assurance

- 1.1 The Council undertakes risk-based reviews, to ensure that resources are allocated effectively across the Council. We also provide interim reports to keep the Committee apprised of our progress. A summary of work completed is detailed below:

Audit	Assurance and actions	Summary of report and actions
Accounts Receivable	<p><b>Assurance:</b></p> <p>Current: Full</p> <p>Previous: Reasonable</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 1</p> <p>Low 0</p>	<p>The Council raises income by charging for a number of services such as Planning (S106, building regulations, licenses), market rents, waste (trade &amp; green bins), car parking &amp; parking permits, bereavements, rents for commercial properties and lifeline.</p> <p>Invoices are raised by the Income team and they are responsible for the collection and monitoring of these debts, raising refunds and credit notes and writing off any sundry debts.</p> <p>Our review concluded that there are robust arrangements in place for raising sundry invoices, raising credit notes, writing off debts and monitoring and managing debts.</p>

Audit	Assurance and actions	Summary of report and actions
Brexit - preparation and response	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: New review</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 3</p> <p>Low 0</p>	<p>We completed a review to assess if the Council has taken reasonable steps to prepare for Brexit.</p> <p>The Council has compiled a specific Brexit Risk Register with the input of Senior Managers. Examples of risks themes include: Workforce, Supply chain, Data, Community Impact, Regulatory, Transport and Income. Two of the risks were rated amber: food supplies, and unregulated food entering the supply chain.</p> <p>To help provide assurance, and identify further insight on potential risks, we also reviewed the plans and programmes from the UK Government, strategic partnership plans with other Local Authorities and the Council's own internal programmes which seek to mitigate risk and strengthen operational controls.</p> <p>Due to the quick changing pace of Brexit, the risk register was regularly reviewed by management. This provides assurance that management have taken reasonable steps to manage risks associated with Brexit.</p>
Carbon management - Data Quality	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Reasonable</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 0</p>	<p>The Council collates annual energy consumptions and fuel usage data, and converts these into tonnes of CO2 emissions, to demonstrate how it is reducing carbon emissions. This information is then reported to members in the Annual Greenhouse Gas report and used to complete the Authority's annual carbon emissions data submission to the Department for Business, Energy and Industrial Strategy (BEIS). The Council has currently achieved a 24% improvement against a target of 15%.</p> <p>We completed a data quality check, which included reviewing the accuracy of data input, and that all calculations and formulae were correct. Data was also verified back to available source data. Feedback was provided where data was incorrect, the appropriate corrections were completed, and the revised data sets were subsequently rechecked. This provides assurance that the data was reliable.</p> <p>There were no actions arising.</p>

Audit	Assurance and actions	Summary of report and actions
Grant assurance - Disabled Facility Grant	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Reasonable</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 3</p>	<p>Central Government funding is allocated to the County Councils as part of the Better Care Fund. A proportion of this is allocated to District Councils to enable them to carry out improvements to housing stock, and for disabled adaptations.</p> <p>We evaluated the grants application system for effectiveness and tested a sample of grant awards for compliance. This enabled us to conclude that funds had been spent in accordance with the grant conditions set by the MHCLG.</p>
HRA - Gas Safety Compliance	<p><b>Assurance:</b></p> <p>Current: Limited</p> <p>Previous: New review</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 8</p> <p>Medium 5</p> <p>Low 0</p>	<p>Under the 'Gas Safety (Installation and Use) (Amendment) Regulations 2018', the Council have a legal duty to ensure all Council owned gas appliances in the properties are checked at intervals of no more than 12 calendar months, and have been issued with a Landlords Gas Safety Record (LGSR). Gas safety inspections, including gas servicing, are carried out by a contractor.</p> <p>Our review highlighted a reliance on the use of spreadsheets which is a potential risk. As part of the review, Management have agreed to implement actions, which will help improve their processes, and reconcile data, to provide assurance that all LGSR records are complete. This will be followed up in the 20/21 audit plan.</p>



Audit	Assurance and actions	Summary of report and actions
Key Performance Indicators / Balanced Scorecard	<p><b>Assurance:</b></p> <p>Current: Limited</p> <p>Previous: New review</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 5</p> <p>Medium 2</p> <p>Low 0</p>	<p>The Councils Senior Management Team review Corporate Indicators and a Balanced Scorecard each quarter. Performance in respect of corporate objectives is reported in the Annual Report on the Corporate Plan.</p> <p>There is good management buy in to the reporting system for Performance Management, with data sets submitted by all services each quarter. Our testing highlighted some minor discrepancies which could be improved through data validation and developing consistent guidance for RAG rating, and we have already seen improvement in this area. With the rollout of Council Anywhere, providing enhanced IT functionality through Office 365, there is also opportunity to help drive efficiency and reduce the risk of error which could lead to reputational risk.</p>
Licenses - Taxis	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: New review</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 1</p> <p>Low 0</p>	<p>The Council is responsible for licensing hackney carriage, private hire and dual driver vehicles in Cambridge, and their proprietors and operators. The Council has a 'Hackney Carriage and Private Hire Licensing policy to ensure that both the trade and the public can understand the licensing procedures.</p> <p>We sample tested licenses and supporting information. This provided assurance that adequate checks had been undertaken for vehicles and drivers. We identified an opportunity to improve reconciliation of data to the new Finance Management System.</p>

Audit	Assurance and actions	Summary of report and actions
Payroll	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Reasonable</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 5</p> <p>Low 4</p>	<p>Cambridge City Council leads a shared Payroll arrangement with South Cambridge District Council, and it is one of the Council's core financial systems.</p> <p>We conducted a risk-based review of the Payroll system at both sites simultaneously to assess the effectiveness of the controls. Our sample testing of transactions and reconciliations provided assurance that controls are operating effectively.</p> <p>Recognising that the Council could be procuring a new system, we identified opportunities to improve internal controls and streamline processes as part of this review. There is an opportunity to include these into the specification of the new system.</p>

Audit	Assurance and actions	Summary of report and actions
Procurement Governance	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Limited</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 3</p> <p>Medium 1</p> <p>Low 0</p>	<p>We reviewed the framework for procurement, considering the:</p> <ul style="list-style-type: none"> <li>• flexibility of the framework to help the Council achieve value for money;</li> <li>• alignment of Contract Procedure Rules (CPR) to partner organisations;</li> <li>• benchmarking of procurement limits;</li> <li>• clarity of guidance documentation for officers;</li> <li>• the appropriateness of supplier information; and</li> <li>• the appointment of consultants to undertake procurement on behalf of the Authority.</li> </ul> <p>In addition, we have also followed up progress with the management agreed actions in Internal Audit report 2015/16 - 11 on Tender Evaluation, which was given limited assurance. All actions had been implemented.</p> <p>Our review established that whilst there is evidence of good practice within the procurement team, there are areas where processes can be further enhanced to improve officer's ability to 'self-serve' and this will enable procurement officers to focus on larger procurements and generating additional income through external clients.</p>

Audit	Assurance and actions	Summary of report and actions
Project - Streets & Open Spaces	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: None</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 0</p>	<p>We completed a follow-up review, which originally concluded there was no assurance on the overall adequacy and effectiveness of the internal controls to mitigate the potential risks.</p> <p>There has been significant development in how the Council approaches project delivery, lead by the Council's Business Transformation Team. Streets and Open Spaces have engaged with this change with the introduction of standardised templates and new project governance arrangements.</p> <p>We reviewed the processes and controls on a sample of three projects which established that all of the 16 management agreed actions from the original report had been implemented. Consequently, the level of assurance has improved to Reasonable.</p>

Audit	Assurance and actions		Summary of report and actions
Safeguarding - 3rd Party Providers & Contractors	<b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low	Limited Reasonable  0 4 1 0	<p>The Council needs to be satisfied that external third parties and contractors are discharging their safeguarding duties appropriately, which is achieved through vetting and monitoring. We reviewed a sample of major contracts for compliance.</p> <p>Our review established that controls were operating effectively. A safeguarding training matrix has recently been established for officers with direct involvement with children and vulnerable adults, and work is underway to improve contract terms relating to safeguarding. Opportunities to further enhance this work were identified during the review, including:</p> <ul style="list-style-type: none"><li>• development of guidance notes on the importance of Safeguarding, and how it should form part of the procurement and contract management processes;</li><li>• agree minimum requirements and standard processes for evaluation of bidders safeguarding submissions; and</li><li>• extension of the safeguarding training matrix to include officers with procurement and/or contract management responsibilities for contracts with safeguarding needs.</li></ul> <p>We regularly review the arrangements for safeguarding best practice and legislation, as it is a key Corporate Risk, focusing on different elements for each review. The previous reviews provided Reasonable Assurance. Management have actively engaged with us since the review and have agreed to implement the actions identified in this review as a priority. We will complete a follow-up review to test the effectiveness of new controls.</p>



Audit	Assurance and actions	Summary of report and actions
Trading operations - Commercial Property	<b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low	Reasonable New review  0 0 4 1  Cambridge City Council owns and manages property in the City and nearby areas with the objectives of: generating rental income; encouraging local employment; safeguarding and managing development of land and buildings through ownership; and setting an example as a responsible landlord and fair treatments of tenants and energy efficient buildings. Our review has concluded that the Council is a proactive landlord and property owner and has an experienced team committed to protecting the City's assets and continues to generate appropriate yields on these investments. The current property management system requires updating to a supported system which can operate on the new Windows 10 platform and "Council Anywhere" environment. This will help to mitigate business continuity risks and has potential for efficiency improvements through integrating data with the new Financial Management System.
Trading Operations - Markets	<b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low	Reasonable New review  0 0 2 1  The Market Operations team is responsible for two markets, at the Market Square and All Saints Garden, and street trading. The review has identified the following good practice: <ul style="list-style-type: none"> <li>• the policies and procedures are adequate;</li> <li>• there are effective systems to promote the market; and</li> <li>• appropriate fees are invoiced, and current debt is collected.</li> <li>• there is adequate corporate governance and leadership;</li> <li>• the "Making Space for People" Supplementary Planning Document project includes the production of a market's strategy;</li> </ul>

## 2 **Annual Governance And Assurance Framework**

- 2.1 Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement.

Area of review	Status	Narrative
Annual Audit Opinion	Completed	The Annual Audit Opinion was submitted to the Civic Affairs Committee in July 2019, highlighting all Internal Audit activity for the previous 12 months together with any areas of concern.
Annual Governance Statement	Completed	The Annual Governance Statement was submitted to the Civic Affairs Committee in July 2019. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps. A revised Local Code of Corporate Governance was prepared, reflecting the latest standards in the Good Practice Governance Framework for Local Authorities.
Counter Fraud and Corruption	Completed	The Annual report on fraud and whistleblowing was submitted to Civic Affairs Committee in July 2019.
National Fraud Initiative	Completed	The biannual fraud initiative. Data matches were received in February 2019 covering a series of datasets provided to an external body. Internal Audit has undertaken a routine sift and those requiring investigation have been allocated to a number of officers across the Council to investigate.
Internal Audit Effectiveness	Completed	The Internal Audit team has completed a continuous review of working practices to ensure that it continues to be effective. A full 5 year assessment was completed in the 2018/19 year which provided assurance that the team conforms with the professional standards.

### **3 Third Party Assurance / Joint Work**

- 3.1 The Council participates in a number of shared services and partnership working. Where appropriate we work with our partners to either receive or provide assurance. This is taken into account when concluding the annual audit opinion.
- 3.2 The Council operates a Shared Waste Service, in partnership with South Cambridgeshire District Council, which includes a trade waste function. Consequently, the service aims to maintain compliance with industry standards ISO14001 and ISO9001, which is externally accredited twice per year. As Internal Audit we have delivered an embedded program assurance for the four assessments. There were no significant non-conformities arising and we can provide reasonable that controls are operating effectively.

### **4 Other Activities: Project Management / General Advice**

- 4.1 Various ad-hoc advice and support has been provided to management during the year across the organisation, and these are detailed below:

#### **Added value**

Members of the Internal Audit team participate in the following working groups:

- Information Security Group
- Quality Assurance Group

Other areas undertaken in the period include:

- Project support advising on the control environment
- Providing advice on effective document management and retention
- Providing advice on procurement and commissioning, and quality assurance validation of tender evaluations

#### **Counter fraud and error**

The Internal Audit team provides reactive support into potential fraud and error cases, such as allegations of breaches of officer code of conduct / whistleblowing referrals.

The outcomes of this work is included in the annual Counter Fraud report to Civic Affairs Committee. Where appropriate, internal controls have been reviewed and updated.

### Risk Management and insight

As part of our dynamic risk-based audit plan our ongoing work includes the review and monitoring of the Councils risks and implementation of actions agreed to mitigate these. We have provided insight to management through the identification of project risks related to Brexit and Covid19.

In addition, we have provided administrative support and coaching on the use of the Risk Management system.

In 2019 Internal Audit took on responsibility for facilitating risk management in the Council. Management are still responsible for identifying and managing their own risks. We ensured that our approach is consistent with best practice guidance set by CIPFA and the IIA, and this is recognized in our Internal Audit Charter, and a further review of this is planned in 2020/21.

## 5 Glossary Of Terms

### ***Assurance ratings***

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

### ***Organisational impact***

The overall impact may be reported to help provide some context to the level of residual risk. For example if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact.



### ***Action ratings***

As part of the review we identify opportunities for improvement, which are shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has a Risk Management system, which is used for tracking their progress. This will be updated upon distribution of this report and we will follow up the actions where appropriate. It is the responsibility of Risk Owners and Action Owners to regularly review and update the risk register with details of action taken to mitigate the risks.



Item

## **Annual report on prevention of fraud & corruption policy**

**To:**

Civic Affairs Committee [08/07/2020]

**Report by:**

Jonathan Tully, Head of Shared Internal Audit Service

Tel: 01223 - 458180 Email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk)

**Wards affected:**

All

### **1. Introduction / Executive Summary**

- 1.1 Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives evolve at a similar rate to ensure they continue to be effective.
- 1.2 This report communicates the annual review of the Councils counter fraud arrangements and provides Members of Civic Affairs with a summary of fraud / whistle-blowing activity for the period 1 April 2019 to 31 March 2020.
- 1.3 The Council maintains a Prevention of Fraud and Corruption (PFC) Policy, and in line with good practice it is reported annually to this Committee.

### **2. Recommendations**

- 2.1 The committee should note the contents of the report.

### **3. Background and Policy review**

- 3.1 The National Crime Agency highlights fraud as the most commonly experienced crime, with 3.8 million instances reported in the National Crime Survey of England and Wales in 2019. In the public sector it is estimated that fraud and error costs the government an estimated £31 to £53 billion every year.
- 3.2 Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives evolve at a similar rate to ensure they continue to be effective.
- 3.3 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998, and in line with good practice the Policy is reviewed and reported annually to this Committee.
- 3.4 The Policy was updated in 2013 to reflect the implementation of the Bribery Act 2010. One of the recommendations by the Ministry of Justice was that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures, and this is achieved through the annual review of our Policy.
- 3.5 The Policy establishes the culture of the organisation in terms of not tolerating any act of fraud or corruption, and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation. We have not made any changes to the Policy this year. A copy of the Policy is attached as an Appendix to this report.
- 3.6 CIPFA produced a Code of Practice for Managing the Risk of Fraud and Corruption in 2015. This voluntary code is a statement of high-level principles which sets out good practice for managing counter fraud arrangements across the public sector. Internal Audit assessed the Council's compliance with the Code and produced a separate Anti-Fraud and Corruption Strategy in 2016.

#### **4. Counter Fraud capacity and resources**

- 4.1 Dependant on their nature, counter fraud work is carried out by either the Fraud Prevention Team (FPT) within Revenue & Benefits; or by Internal Audit.

##### **Fraud Prevention Team**

- 4.2 The FPT prevents detects and pursues those who commit a number of potential frauds against Cambridge City Council, including:
- Social housing fraud (including other registered social landlords),
  - Local taxation fraud,
  - Discount and exemption fraud,
  - Local support scheme fraud,
  - Right-to-buy fraud.
- 4.3 Additionally, the team are the single point of contact for the Department for Work and Pensions (DWP) 'Counter Fraud and Compliance Directorate' (CFCD) in relation to welfare benefit fraud, principally Housing Benefit paid within the city of Cambridge. This involves:
- Receipt and dispatch of local allegations received through multiple sources,
  - Selection and preparation of evidence to support investigation and prosecution by that agency,
  - Preparation of documentation and witness statements for court.
- 4.4 As part of a 'Joint Working' trial, the FPT also conducted joint investigations with the DWP's CFCD. Following a review, the DWP have now introduced this nationally, so it is now included in the team's core tasks.
- 4.5 The team consists of 3.0 FTE, of which 1.0 FTE is an apprentice (end date 19th July 2020). This successful apprenticeship has been running since April 2015 and has brought three young people into full-time employment. The team also received a nomination for the 'Mentor of the Year' award in the Apprentice and Employer Apprenticeship Awards event.
- 4.6 Some key statistics for 2019/20 include:
- i) Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 10 Council owned properties and 2

Housing Association properties being made available for genuine tenants. These were generally cases where an individual had either illegally sub-let or abandoned the property. The Ministry of Housing, Communities and Local Government calculates the cost of social housing fraud at £18,000 per property (this is an estimated non-cashable saving as it contributes to the wider public purse).

- ii) Investigations led to 280 inappropriate Council Tax discounts or exemptions being removed, amounting to £189,924 in value.
- iii) There were 8 inappropriate HomeLink applications which were either removed or corrected, and 2 inappropriate right-to-buy application were also identified and declined. This ensures that the Council's resources continue to be provided for those in most genuine need.

### **Internal Audit**

- 4.7 Internal Audit will investigate other types of fraud, whistleblowing allegations or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Shared Internal Audit, who will investigate those concerns.
- 4.8 During 2019 / 2020 Internal Audit conducted six investigations. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.
- 4.9 Internal Audit received three referrals which were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns via the policy.
- 4.10 Fraud and error risks are considered as part of each Internal Audit review. This helps us to establish a risk profile which can be a determinant in our continuous risk-based audit plan.



## **5. Strategic developments**

### **Risks of fraud and corruption in procurement**

- 5.1 In December 2016 the Home Office published a report, Organised Crime Procurement Pilots, which examined the threat faced by public procurement from Serious Organised Crime.
- 5.2 Public Procurement is considered to be a lucrative target for serious and organised criminals, with procurement fraud currently estimated between £275 million and £2.75 billion per year. Organised criminals may use public sector procurement to launder criminal proceeds, operate illegal activities from residential or commercial properties owned by local authorities or use contracts to generate additional income to further their illegal activities.
- 5.3 As part of the UK Anti-Corruption Strategy 2017-2022, the MHCLG committed to a further review of Local Government specific risks as part of a wider agenda to strengthen the UK's response to corruption. The Internal Audit Team contributed to workshops in December 2018 to help develop knowledge and awareness of procurement risks plus good practice in mitigation.
- 5.4 MHCLG have just published, in June 2020, summary reports from this work plus supporting toolkits and case studies. Looking forwards, we will utilise these to review our existing controls and identify any opportunities for improvement.

### **Covid-19 stimulus risk**

- 5.5 In times of emergency or disaster recovery situations, it is important that government can get funding to where it is needed as quickly as possible. This includes providing support and services to those in need and rebuilding communities and infrastructure. Fraud can undermine those efforts if not controlled, and previous experience of natural events and world-wide disasters has highlighted how criminals may take advantage.
- 5.6 In response to the Coronavirus, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. An additional fund aimed at small businesses who were not eligible for the scheme, or other forms of support, called the Local Authority Discretionary Grants Fund, was also launched.

- 5.7 Central Government emphasised the importance on speed of payment and their guidance stated that Local Authorities should make the payments as quickly as possible. In response, we focussed our resources on developing low-friction control measures to reduce our fraud risk and have been promoting good practice in grant administration.
- 5.8 Further post assurance activity is planned to help identify any potential cases of fraud and error, and recover funds, by working with the Government Counter Fraud Function and utilising tools such as Spotlight and the National Fraud Initiative.

## **6. Fraud Prevention**

- 6.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 6.2 Revenues and Benefits follows appropriate DWP 'Security Guidance' and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. Regular reminders are sent to people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 6.3 The National Fraud Hotline Scheme is promoted, and publicity is sought for successful benefit prosecutions through the local papers and via the Council's website as this is seen to have a deterrent effect.
- 6.4 The Council subscribes to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks, and shares good practice internally. For example, as highlighted above, we have been actively communicating potential fraud risks relating to Covid-19 stimulus schemes and developing proportionate controls.

## **7. Fraud Detection**

- 7.1 The Council participates in the National Fraud Initiative (NFI), a national data-matching exercise co-ordinated by the Cabinet Office that matches data within and between audited bodies to prevent and detect fraud.

This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.

7.2 The NFI is a wide-ranging exercise and uses datasets such as:

- Housing Benefits
- Payroll
- Housing Rents
- Creditors
- Market Trader licences
- Taxi-Driver licences
- Personal licences to supply alcohol
- Housing Waiting List
- Council Tax Reduction Scheme

7.3 The NFI exercise is undertaken under the Cabinet Office's data matching powers set out in Part 6 of the Local Audit and Accountability Act 2014. In preparation for the exercise, an initial review of data specifications is undertaken by the Cabinet Office to improve the matching process and the quality of matches. This includes a 'pilot pipeline' to identify ideas for potential new data matching pilots. Current pilots being researched include using data matching to target school admissions fraud, housing tenancy illegal succession and procurement fraud.

7.4 The Council will submit data sets to the Cabinet Office at the end of the year for processing, and this is publicised on our [website](#). The data matches are then returned for follow-up by the Council.

## **8. Conclusions**

8.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to proactively prevent fraud and investigates concerns arising.

8.2 The fraud and corruption risks to Councils have potentially increased in the current landscape, and the Council is proactively working with Central Government to manage this as demonstrated in the report.

## **9. Implications**

### **(a) Financial Implications**

None.

### **(b) Staffing Implications**

None.

**(c) Equality and Poverty Implications**

None.

**(d) Environmental Implications**

None.

**(e) Procurement Implications**

None.

**(f) Community Safety Implications**

None.

**10. Consultation and communication considerations**

None.

**11. Background papers**

Background papers used in the preparation of this report:

- [Anti-fraud and Corruption Strategy](#)

**12. Appendices**

- a) Prevention of fraud and corruption policy

**13. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, tel: 01223 - 458180, email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk).

## **CAMBRIDGE CITY COUNCIL**

### **PREVENTION OF FRAUD AND CORRUPTION POLICY**

#### **1 INTRODUCTION**

- 1.1 The purpose of this document is to outline the policies and procedures, which the Council has in place for deterring, reporting and investigating fraud, corruption and theft.
- 1.2 The Prevention of Fraud & Corruption Policy covers cases of fraud, corruption and theft committed by employees, Councillors, contractors, partners and members of the public and relates to allegations of such cases, which originate from anyone including Councillors, employees, partners and members of the public.

#### **2 CULTURE**

- 2.1 Cambridge City Council is committed to providing best value services carried out in accordance with the highest ethical standards. The Council will not tolerate any act of fraud, corruption or theft by either a Councillor or an employee, as such acts reduce the public's confidence in the ability of the Council to be managed in an honest, fair and effective manner. Neither will the Council tolerate fraud or corruption attempted by parties external to the Council.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Where sufficient evidence exists in any fraud or corruption case it is the policy of the Council to refer the matter to the Police.
- 2.4 The Council's employees, Councillors and members of the public are encouraged to raise any concerns relating to possible cases of fraud, corruption or theft. Such concerns will be properly investigated and the outcome reported as appropriate.
- 2.5 The Council will endeavour to recover any losses as a result of fraud or corruption from the perpetrators, as appropriate.
- 2.6 The Head of Shared Internal Audit will report annually on the effectiveness of the Policy to the Council's Civic Affairs Committee, including a summary of any investigations concluded during the year.
- 2.7 The Head of Shared Internal Audit will be responsible for identifying lessons learnt from the outcome of any investigation and for ensuring that, where necessary, controls are strengthened in the areas concerned. They will also consider whether it is appropriate to share the outcome of an investigation with managers across the Council, with a view to preventing similar situations arising.



## **Seven principles for the conduct of individuals in public life**

- 2.8 The Council has an established governance framework which is supported by the seven Principles of Public Life. This sets the standards of conduct and behaviour to which Councillors and employees should aspire in their day-to-day dealings:

1. Selflessness	Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
2. Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
3. Objectivity	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
4. Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office.
5. Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
6. Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7. Leadership	Holders of public office should promote and support these principles by leadership and example.

### **3 PROCEDURES FOR THE PREVENTION AND DETECTION OF FRAUD**

- 3.1 The Council has well-defined procedures for the prevention and detection of fraud, corruption and theft:

#### **Internal Control Systems**

- 3.2 The Council's Constitution sets out [Financial Regulations and Financial Procedure Rules](#) which Councillors and employees are required to comply with in the conduct of Council business.
- 3.3 The Council has developed and is committed to maintaining systems and procedures which incorporate efficient and effective internal controls to manage the Council's risks and which include adequate separation of duties. These controls prevent and detect irregularities occurring. Directors are required to ensure that such controls are properly maintained and documented. Their existence and appropriateness are independently monitored by Internal Audit and the Council's external auditors.

#### **Recruitment and Employees**

- 3.4 Employees are recruited in accordance with procedures laid down by Human Resources. The HR Recruitment Team is responsible for carrying out all relevant pre-employment checks of potential employees. Criminal Records Bureau (CRB) checks are also undertaken by Human Resources for certain posts identified by management where the employee will be working with children, young people or vulnerable adults. Management are responsible for reviewing references in terms of performance, suitability and integrity.
- 3.5 The [Officer Code of Conduct](#) requires employees to maintain conduct of the highest standard such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interests, particularly in relation to any commitments outside of the workplace; acceptance of gifts, hospitality and sponsorship and maintaining separation of roles during tendering.

#### **Councillor**

- 3.6 All Councillors on accepting office are required to declare that they will be guided by the National Code of Local Government Conduct. The code sets out the requirements for disclosing pecuniary and other interests and gives guidance on accepting any offers of gifts or hospitality including reporting these matters to the appropriate senior officers of the Council. A [Code of conduct for members](#) is published as part of the Constitution.

#### **Complaints Procedure**

- 3.7 The Council has an established procedure for dealing with complaints from the public. Details are kept of all complaints and there is a complaints co-ordinator for every service. The way in which complaints are dealt with and the need for changes in response to complaints are monitored on a regular basis. If anyone is dissatisfied with the response to their complaint they can contact the Council's Internal Ombudsman. Where the complaint indicates possible fraud or corruption it is referred to the Head of Internal Audit for investigation.

## Welfare Benefit and Housing Fraud

- 3.8 In April 2015, responsibility for Welfare Benefit fraud investigation transferred to the Fraud and Error Service (FES) operated by the Department for Work & Pensions (DWP). The Council's Fraud Prevention Team (FPT) within the Revenues and Benefits Service acts as the 'single point of contact' for Welfare Benefit fraud enquiries, principally Housing Benefit, and undertakes Housing Tenancy, Right to Buy and Council Tax fraud investigations.

## 4 PROCEDURES FOR ANTI-BRIBERY

### Introduction

- 4.1 The Bribery Act 2010 came into force on 1 July 2011 and places additional requirements on 'commercial organisations'. Whilst the Council is not a 'commercial organisation' in terms of its normal local authority activities, guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the National Crime Agency (NCA) states that a court would view a local authority as a relevant organisation for the purposes of the Act. It is important therefore that the City Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures, to ensure that it does not fall foul of the legislation.
- 4.2 The [Bribery Act 2010](#) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a new separate offence of bribing a foreign public official. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery.
- 4.3 The Act extends to all persons associated with the City Council, including employees at all levels and grades, those permanently employed and temporary agency staff; Members (including co-opted or external Members); suppliers; contractors; partners; volunteers and consultants.
- 4.4 The definition of 'Bribery' for the purposes of this policy is given below:

'Bribery' is defined as:

*The promise, giving, request, acceptance or receipt of a financial or other advantage (e.g. hospitality) to induce or reward a person for improper performance of a relevant function of activity. The advantage can be promised, given, requested, accepted or received either directly or via a third party.*

*The advantage can be for the benefit of the person performing the function or another person.*

### Policy Statement

- 4.5 Bribery is a criminal offence. Cambridge City Council does not, and will not pay, offer, or request bribes to anyone for any purpose, nor does it or will it accept or receive bribes or improper inducements from anyone for any purpose. To use a third party as a means to channel bribes to others is also a criminal offence.

- 4.6 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance attitude towards bribery. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 4.7 Areas of the Council's business that could be exposed to the risk of bribery include:
- Procuring of supplies, goods, or services;
  - Awarding concessions, grants, and licences;
  - Approving planning applications;
  - Selling or letting commercial properties;
  - Cancelling liabilities (e.g. business rates, debtors);
  - Allocating housing;
  - Recruiting staff;
  - Determining the course of enforcement action.
- 4.8 This is not an exhaustive list, but sets out some of the areas where there may be a risk of bribery arising.
- 4.9 This Policy does not change the Council's policy on gifts & hospitality, which is set out in the Employee Code of Conduct:  
[http://intranet.ccc.local/hr/documents/policy\\_code\\_of\\_conduct.doc](http://intranet.ccc.local/hr/documents/policy_code_of_conduct.doc).
- 4.10 The Code of Conduct makes it clear that you should:
- refuse any gift you are offered by external people you come into contact with at work, with the exception of small, low value items or where refusal is likely to offend the donor.
  - only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion.
  - ensure there is a record of any gift or hospitality in the Gifts and Hospitality Register and that your Manager has authorised this.
- 4.11 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for, or associated with, the City Council. If you witness (or have reasonable grounds to suspect) that any act of bribery has/ is taking place, it is your responsibility to report the matter to the Head of Shared Internal Audit (by telephone: extension 8180 or (01223) 458180 or by e-mail: [whistleblowing@cambridge.gov.uk](mailto:whistleblowing@cambridge.gov.uk)).

## **5 REPORTING & INVESTIGATING POTENTIAL FRAUD & CORRUPTION**

- 5.1 Allegations of fraud and corruption can be made **by** or **against** employees, members of the public, Councillors, contractors, suppliers or partners.
- 5.2 Senior managers are responsible for addressing any allegation of fraud or corruption reported to them and should do so by informing the Head of Shared Internal Audit immediately they are discovered.
- 5.3 The Council is committed to the highest possible standards of openness and accountability. In line with that commitment, we expect employees with genuine, serious concerns about any aspect of the Council's work to report their concerns to the Head of Shared Internal Audit and this is covered by the Council's Whistleblowing Policy – see [Human Resources Intranet](#).
- 5.4 Employees who report their concerns in good faith will be protected from reprisals or victimisation. However, if employees are found to have made allegations for malicious or vexatious reasons, disciplinary action may be taken against the employee concerned.
- 5.5 The Whistleblowing Policy adds an additional method of raising concerns for employees where it is felt inappropriate to approach their line manager, or if their line manager has failed to address their concern properly.
- 5.6 Any allegations against an employee are investigated by the Head of Shared Internal Audit and Human Resources. The relevant Director is informed of the investigation at the outset.
- 5.7 Where Council employees are suspected of fraud or corruption, Human Resources are responsible for ensuring that the investigation is conducted in accordance with Council procedures and employment law to protect the rights of both the Council and the individual(s) concerned. Internal Audit works closely with Human Resources during the investigation. The Manager, supported by Human Resources, is responsible for invoking any disciplinary procedures against the employee(s) concerned.
- 5.8 Allegations about a Councillor should be reported to the Council's Monitoring Officer. Allegations against a Councillor are investigated by the Chief Executive and the Monitoring Officer.
- 5.9 Allegations against members of the public or external organisations must be notified to the Head of Shared Internal Audit immediately they are discovered. The Head of Shared Internal Audit investigates the allegation in conjunction with the relevant department.
- 5.10 The Council also encourages members of the public to raise any genuine concerns, which will be appropriately investigated. If members of the public wish to report an allegation they should contact the Chief Executive or any Director of the Council.
- 5.11 Councillors who wish to report an alleged case of fraud or corruption should contact the Chief Executive, Head of Shared Internal Audit or the relevant Director, as appropriate to the allegation.
- 5.12 In cases of suspected Money Laundering, this should be reported to the Money Laundering Reporting Officer, currently the Head of Shared Internal Audit. More information on the procedures to follow in such cases is included in the Managers' Guide to Anti-Money Laundering.

- 6      The process for raising and investigating different types of concern is summarised below in section: 1**



- 6.1 MATRIX FOR PROCESSING INVESTIGATIONS.
- 6.2 The decision to involve the Police will be made by the Head of Shared Internal Audit in consultation with the relevant Director.
- 6.3 Clear procedures are in place for briefing Members and senior officers of the Council of fraud investigations. See below for further details.

## 7 LIAISON WITH OTHERS

- 7.1 The Council has arrangements in place for the exchange of information with other agencies in relation to the detection and investigation of fraud and corruption, for example with the Cabinet Office for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit fraud. Any transfer of data between the Council and other organisations is conducted in a secure manner and in accordance with the General Data Protection Regulations and Data Protection Act.

## 8 FRAUD INVESTIGATIONS: PROCEDURE FOR BRIEFING MEMBERS AND SENIOR OFFICERS

- 8.1 This procedure note is intended to advise Directors, Internal Audit and other staff who may be involved in fraud investigations about the points at which they should ensure that appropriate senior officers and members are briefed. The procedure has to respect the need for confidentiality and the maintenance of proper impartiality where disciplinary action is contemplated. It supplements the requirement in the Council's Financial Regulations section 3.51 for Directors to notify the Head of Internal Audit of all suspected irregularities.
- 8.2 The procedure applies to all cases where the alleged fraud involves City Council staff or contractors. It also applies to fraud by members of the public.
- 8.3 At the point where officers decide there is sufficient evidence to warrant either:
  - i) commencing formal disciplinary proceedings; or
  - ii) referring an investigation to the police
 the appropriate Director must ensure that the following are informed:

<b>Officers:</b>	CEX and the Monitoring Officer
<b>Members:</b>	The leaders of the political groups (CEX) and the party spokespersons (Director) for the relevant committee. This may be impractical if more than one committee is involved. In this case, CEX will brief the Group Leaders.

- 8.4 The content of the briefing required will depend on the nature of the case. Briefing for members can be done orally and if information is particularly sensitive this should be discussed in advance with CEX or Monitoring Officer so that the amount of information to be disclosed can be agreed. The contents of any briefing should be kept confidential by those that receive them.
- 8.5 You should bear in mind that if Members are briefed in any detail they may not be able to be involved in any subsequent disciplinary process. It is unlikely that the party leaders or spokespersons would be needed for this role, but this aspect should be discussed with the CEX or Head of Human Resources in advance.

- 8.6 As the investigation proceeds, it is important to keep the information to senior officers and members up-to-date and the Director should repeat the briefing to the CEX and Monitoring Officer and agreed Members as necessary and certainly where:
- i) an internal disciplinary case is likely to go to Members on appeal;
  - ii) an employee is summarily dismissed or resigns in circumstances which were likely to lead to dismissal;
  - iii) the police/CPS decide to either drop a case or proceed with charges;
  - iv) in the case of a prosecution, the court hearing date is given (or amended);
  - v) there is likely to be media interest for some other reason.
  - vi) the investigation finds there is no case to answer.
- 8.7 In the case of court proceedings the Head of Shared Internal Audit is responsible for checking regularly with the police, the Clerk to the Court or another relevant contact to obtain information on hearing dates and informing the CEX and the relevant Director(s) who need to ensure that Members are informed.

## 9 COMMITMENT TO FIGHT FRAUD AND CORRUPTION

- 9.1 The Council considers it has taken reasonable and appropriate steps to combat fraud and corruption within the Council. It is determined that these arrangements will continue to be effective in the future. The Council will therefore consider any future measures to combat fraud and corruption where the proposal can be demonstrated to be cost effective and successful. The Council is also committed to participating in any appropriate Central Government led fraud initiatives.
- 9.2 The Council's strategy will be subject to review to ensure it is kept up to date and relevant.

### Definitions of fraud and corruption

For the purpose of this strategy fraud and corruption are defined as:

**FRAUD:** *dishonest or improper behaviour or acts intended to secure an advantage, whether financial or non-financial, for the perpetrator or for a third party, or to cause loss or risk of loss to another.*

**CORRUPTION:** *the offering, giving, soliciting or acceptance of an improper inducement or reward in order to influence the action of a Member of the Council, employee, contractor or partner.*

### Relevant Contact Numbers

Chief Executive	(01223) 457001
Head of Shared Internal Audit	(01223) 458180
Head of Human Resources	(01223) 458101
Monitoring Officer	(01223) 457001
Fraud Prevention Team Leader (Revenues and Benefits)	(01223) 457731

## 10 MATRIX FOR PROCESSING INVESTIGATIONS

The Council has a diverse range of services and responsibilities. Investigations into fraud and corruption can vary and be complex, requiring input from multiple parties.

The relevant people who will take responsibility for completing the investigation will be established at the beginning of the referral. It is important that this work is allocated to people with the best skills and knowledge. Typically, this will be similar to the matrix below:

Concern identified



Who is the concern about?	Employee	Member of the public	Contractor	Third party	Councillor	Housing Benefit	Council Tax	Housing tenancy and Right to Buy	Environmental crime
Who is the typical lead contact for investigation?	Internal Audit				Monitoring Officer	Fraud Prevention Team			Environmental Services
Who would also provide key support?	Human Resources Relevant manager				Chief Executive Independent Person	Revenue & Benefits Housing			Relevant manager
Helpful resources:	Prevention of fraud and corruption policy <a href="#">Whistleblowing policy</a> <a href="#">Code of conduct</a> <a href="#">National Fraud Initiative</a>				<a href="#">Member complaints process</a> <a href="#">Member code of conduct</a>	Prevention of fraud and corruption policy <a href="#">Report benefit fraud hotline</a> <a href="#">Report tenancy fraud hotline</a>			

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Item

## VIRTUAL COUNCIL MEETINGS-CONVENTIONS



**To:**

Civic Affairs Committee 8/07/2020

**Report by:**

Gary Clift, Democratic Services Manager

Tel: 01223 - 457011 Email: gary.clift@cambridge.gov.uk

**Wards affected:**

All

### 1. Introduction

- 1.1 The report reviews the local conventions on how council meetings are run in a virtual way arising from the provisions in the Coronavirus Act 2020 and associated Regulations. Full Council on 28 May 2020 agreed that they be reviewed by the Committee after one month and the Committee is authorised to make any changes at any time taking into account from the Council's Monitoring Officer.

### 2. Recommendations

- 2.1 Committee is asked to:
- (i) Note that the officers recommend no change to the conventions at this stage, except for how voting is undertaken at Full Council (see appendix), but they will be kept under review taking into account both local and national experience.
  - (ii) Consider any changes to the conventions Members have suggested in light of experience at meetings held so far.
  - (iii) Note that a longer term review of the use of virtual meetings will be undertaken as the national experience matures and in line with the council's own transformative agenda.



### **3. Background**

- 3.1 Since 14 May when virtual meetings began there have been:
- 3 x Licensing Sub-Committees (with public participation)
  - 3 x Planning Committees (with public participation)
  - 1 x Council (with public participation)
  - 2 x Civic Affairs Committees
  - 1 x Joint Development Control Committee (with public participation)
  - 1 x Scrutiny Committee (with 3 more scheduled between publication of this report and the committee meeting).

#### **Member and officer experiences**

- 3.2 Virtual meetings have, so far, been relatively trouble free in that
- no meeting has been totally abandoned because of a technical issue (at two meetings approx. 10 minutes had to be repeated because of no sound/a Member dropped out; at another meeting a member had to move location within the house to get a better connection)
  - the public who wanted to have a say have been able to and have been seen
  - Members have helpfully and positively engaged with the new way of working
- 3.3 A lot of preparatory work by officers and Members has ensured a successful induction. Being part of a virtual meeting is a very different experience to a normal meeting. Chairs of committees have adopted an approach that works for them and takes into account the context of the meeting they are in. The conventions provide a framework within which to work and up to now appear to provide each Chair adequate opportunity to adapt to the circumstances of the meeting.

Officers are regularly reviewing and looking to improve the experience for users and will continue to do so.

- 3.4 Good practice/observations are:
- Joining the meeting in good time to check the connection works for the participant
  - Regular comfort breaks are very important, Planning Committee particularly (which has had to meet more often as the number of

applications agenda has been reduced to make the meetings-in theory-more manageable)

- Only using meeting chat to indicate a wish to speak or leaving the meeting/attracting the Chair/officers attention

- Each meeting is available post meeting as a recording and this enables any viewer to monitor in great detail every contribution

Members have been emailed a copy of this report and any comments received will be passed onto the committee on 8 July.

#### Public viewing and participation

- 3.3 Making meetings available to view, on early evidence, has been higher than if the meetings had been held at the Guildhall. Take Planning Committee on 17 June, which considered a major application at the Station (the current car park area) which was watched by 95 people, far more than could be accommodated at the Guildhall. Members have commented for some years on the positives of public access to committee meetings in the home environment, rather than having to go to the Guildhall and these early viewing figures back this up.

Observations so far are:

- Public speakers can arrive to the meeting pre-live and there is no way this can be prevented

- An easier access to the public broadcast via the agenda has recently been added

#### **National picture and likely continuation**

- 4.1 The Local Government Association is lobbying the Government to allow part virtual/part physical location committee meetings as lockdown and social distancing is eased. Officers will monitor the national picture and consult with members on the possible permutations.
- 4.2 There will inevitably be a national discussion about the positives and the negatives of virtual meetings when deciding what, if anything, will continue into the long term. Councillors across the country have had to move from holding meetings together in a civic building, to participating from their individual homes in approximately 2 months- there would have been objection, resistance, probable refusal without a the national crisis and a need to get business done. The financial position of Councils' post-Covid will inevitably have an impact on any long term

approach, but the city council should seriously look to embrace the positives in the longer term and the new normal.

## **4. Implications**

### **(a) Financial Implications**

There may be some small savings on not producing so many paper copies of agenda although more Members are requiring paper copies than initially anticipated. Longer term financial implications will depend on how council meetings will run eg. use versus non-use of buildings, continued use of a virtual meeting solution and interaction with officers via Teams or equivalent.

### **(b) Staffing Implications**

Running virtual meetings does require more democratic service officers (2 or 3 at each meeting throughout against 1 in the committee room or area committee venue) as there is more than one role to perform and this will be an important consideration in any assessment.

### **(c) Equality and Poverty Implications**

### **(d) Environmental Implications**

### **(e) Procurement Implications**

### **(f) Community Safety Implications**

No addition to the comments made in 18 May committee report.

## **5. Consultation and communication considerations**

Chairs specifically and all other members have been asked to comment on their experience of the conventions so far.

## **6. Inspection of papers**

If you have a query on the report please contact Gary Clift, Democratic Services Manager, tel: 01223 - 457011, email: [gary.clift@cambridge.gov.uk](mailto:gary.clift@cambridge.gov.uk).

## **Interim proposals for Cambridge City Council conventions for virtual meetings in accordance with the [Local Authorities and Police and Crime Panels \(Coronavirus\) \(Flexibility of Local Authority and Police and Crime Panel Meetings\) \(England and Wales\) Regulations 2020](#)**

### **1.1 Access to documents**

- (i) Democratic Services will publish the agenda and reports for committee meetings on the Council's website and will notify councillors by email. Papers will not be available for inspection at the Council's offices. Printed copies will not normally be circulated to councillors [an exception will be made for Planning Committee councillors (who wish paper copies) and any other councillor with specific requirements].

A majority of Members are choosing to continue with paper copies as the default. Printed agenda are not getting to Members in the same timely way because of changes to production/despatch work practices (ie. So it can be 2 or 3 days after on line publication that a member gets a hard copy).

- (ii) Before the meeting, any document to be referred to during the meeting should be shared with participants and published (where appropriate) in advance on the council's website, and ensure that every page and slide is numbered, wherever possible.

### **1.2 General etiquette about councillors joining and participating in a remote meeting**

- (i) Councillors are encouraged to join the meeting 15 minutes before the scheduled start time in order to avoid disrupting or delaying the official start of the meeting. If a councillor needs to leave the meeting at any point, then they must draw that to the Chair's attention.
- (ii) Apologies for absence should be submitted in advance and the councillor should advise Democratic Services if an Alternate will be attending.
- (ii) Councillors should leave their cameras on (as long as bandwidth for streaming permits)
- (iv) The Chair will introduce the meeting and will check which councillors are present by roll-call. The Chair will remind councillors to mute their microphones

when not speaking. This is done in order to reduce feedback and background noise. Democratic Services Officers may use this mute function as well.

It is recommended that this is not done at Full Council. Experience of the Annual Meeting on 28 May was not to roll call for saving time reasons. It is not necessary to have a full roll call as officers and Members can see who is present on the participant icon in Teams (and the meeting is recorded for reference back).

### **1.3 Protocol for councillors speaking at meetings**

- (i) The Chair will determine who may speak, as well as the order, frequency and priority of speakers. (Through Teams this may be that councillors may use the 'chat' message function to indicate a wish to speak). The Chair may instruct the Democratic Service Officer to assist them in carrying out any of these functions. The Chair's ruling at any meeting on how this will be managed shall be final.
- (ii) Councillors will speak when invited to do so by the Chair with only one person to speak at a time.
- (ii) When referring to reports or making specific comments, councillors should refer to the report and page number so that all councillors have a clear understanding of what is being discussed at all times.
- (iii) Ward Councillors and Parish Councillors (latter re. JDCC) will be able to speak (e.g. speaking on behalf of constituents) at a virtual meeting with the permission of the Chair which should be gained in advance.
- (iv) Any councillor with a disclosable pecuniary interest or other declarable interest which would usually require them to leave the room, must leave the remote meeting and the officer will confirm they have left and will invite them back to re-join at the appropriate time.

### **1.4 Voting**

- (i) Where a vote is required, the Chair will ask each councillor to vote in turn. Councillors should express their vote verbally, either for, against or abstain.
- (ii) The Democratic Services Officer will announce the outcome of the vote to the meeting. Names will not be recorded in the Minutes, unless requested under Council Procedure Rules (32 and 46)

It is recommend at Full Council for timing reasons that the Mayor asks if there is agreement to the proposal and a roll call (by using the hands up function in Teams) is

used for votes against and for abstentions, with each in turn reported after the vote to the meeting by the Chief Executive or Clerk.

### **1.5 Public participation at virtual committee meetings**

The following conventions will supplement public speaking rights in Part 4b of Council Procedure Rules in the context of a virtual council or committee meeting of Cambridge City Council

- (i) The public who wish to observe/hear the proceedings of a committee are able to do so by a live stream. The public who wish to speak will contact democratic services by noon two working days before the meeting and will be provided with a link to participate in the meeting.
- (ii) The public participating will be able to be heard (and ideally be seen) by other participants and will be able to hear (and ideally see) other participants.
- (iii) Representations should be submitted in writing as well. This is as a back-up in case of a technical failure preventing the video or audio representation at the meeting being made. If a public speaker loses connection, the officer will attempt to bring the speaker back into the meeting, they will try to: a) invite the speaker back to the Teams platform; b) if unsuccessful then telephone the speaker (if provided with a number); c) or read out any written submission (sent in advance) on the speaker's behalf. If a speaker is unable to either join, or re-join a meeting, the Chair may still permit the meeting to determine the business to be transacted.
- (iv) Once the public contribution has ended, they will be muted by the officer/Chair.
- (v) The Chair's decision on how this process operates will be final.

### **1.6 Disruption**

While the Council welcomes input from the public, it is important for the integrity and orderly management of the meeting that the public who join the meeting follow the direction of the Chair.

The Chair will warn a member of the public if they are disrupting proceedings. If the member of the public ignores the Chair's warning then they will be muted and/or removed from the (virtual) meeting. The Chair's action taken in relation to disruption is final.

### **1.7 Dealing with exempt items of business**

- (i) There are times when council meetings are not open to the public, when confidential, or "exempt" information – as defined in Schedule 12A of the Local



Government Act 1972 – is under consideration. The Chair and Democratic Services Officer must ensure that there are no members of the public at remote locations able to hear or see the proceedings during such meetings or parts of meetings.

- (ii) Any councillor in remote attendance who fails to disclose that there are other persons present, such as those who may be able to see and/or hear the meeting, who are not so entitled will be in breach of the Council's Code of Conduct.

## **1.8 Dealing with technical difficulties**

- (i) In the event that the Chair or Democratic Services Officer identifies a technical failure of the virtual meeting, the Chair may need to declare an adjournment while the fault is addressed.
- (ii) If it is not possible to address the fault and the meeting is inquorate, the meeting will be abandoned until such time as it can be reconvened. If the meeting is quorate, the meeting will continue. Those Councillors affected and attending remotely would be aware and have to accept that the meeting would continue and a vote would be taken without their attendance.
- (iii) If it is not possible for general public access to the virtual meeting because of a technical failure by the Council, the meeting cannot proceed.
- (iv) If the meeting was due to determine an urgent matter or one which is time-limited and it has not been possible to continue because of technical difficulties, the Chief Executive, in consultation with the relevant Executive Councillor/Chair and spokes shall explore such other means of taking the decision as may be permitted by the Council's constitution.

## **1.9 Interpretation of Conventions and Council Procedure Rules**

Where the Chair is required to interpret the Council's existing practices in light of the requirements of remote participation which are provided for under the Regulations, they shall take advice from a senior legal officer or senior democratic officer prior to making a ruling. The Chair's decision in all cases shall be final.

## **2.0 Review**

These conventions will be reviewed as soon as practicable by the Civic Affairs Committee after one month from the first virtual meeting as agreed by Full Council on 28 May 2020.