



## Cambridge City Council Civic Affairs

**Date:** Wednesday, 14 July 2021

**Time:** 5.30 pm

**Venue:** Main Room - The Cambridge Corn Exchange, 2 Wheeler Street, Cambridge, CB2 3QB

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

### Agenda

- |   |                             |                 |
|---|-----------------------------|-----------------|
| 1 | Apologies                   |                 |
| 2 | Declarations of Interest    |                 |
| 3 | Minutes                     | (Pages 3 - 10)  |
| 4 | Public Questions            |                 |
| 5 | Review of Elections 2021    | (Pages 11 - 22) |
| 6 | Internal Audit Plan 2021/22 | (Pages 23 - 72) |

**Civic Affairs Members:** Sargeant (Chair), Davey (Vice-Chair), Dryden, Flaubert, Gehring and O'Reilly

**Alternates:** Dalzell and Moore

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We would strongly encourage you to take a lateral flow test in the 7 days in advance of the meeting (ideally two 3 or 4 days apart). Lateral flow tests can be ordered here [Order coronavirus \(COVID-19\) rapid lateral flow tests - GOV.UK \(www.gov.uk\)](https://www.gov.uk/order-coronavirus-rapid-lateral-flow-tests) or obtained from your local pharmacy. There is a rapid testing centre at the Meadows Community Centre open Mon-Sat early til late also [Coronavirus \(COVID-19\) Rapid community testing - Cambridgeshire County Council](https://www.cambridgeshire.gov.uk/coronavirus-rapid-testing)

**CIVIC AFFAIRS**17 May 2021  
5.30 - 5.55 pm**Present:** Councillors Davey (Vice-Chair), Dalzell, O'Reilly and Thornburrow**Officers:** Caroline Ryba (Head of Finance), Jacob McHugh (Ernst & Young), Gary Clift (Democratic Services Manager)**FOR THE INFORMATION OF THE COUNCIL****21/9/Civ Apologies**

Apologies were received from Councillor Sargeant and Rob Bennett the Council's Independent Person.

**21/10/Civ Declarations of Interest**

No interests were declared.

**21/11/Civ Minutes**

This was the first in person meeting of a committee of the Council since March 2020 after which committee meetings were held virtually under provisions within the Coronavirus Act 2020, which expired on 7 May 2021. The Vice Chair wished to express Councillors gratitude for the work of democratic services to have maintained an on-line service of meetings throughout.

The Vice Chair also wanted the Committee's thanks to be recorded for the work of Andrew Grant, Returning Officer and the electoral service team for running the elections held on 6 May successfully.

The Vice Chair also wanted to thank Andrew Grant for his valued contribution as interim Chief Executive from 1 October 2020 in a challenging period for the city council.

The minutes of the meetings held on 27 January 2021 were approved as a correct record and signed by the Vice Chair.

**21/12/Civ Public Questions**

There were no public questions.

**21/13/Civ External Audit Plan for 2020/21**

The Committee received a report from Ernst and Young (EY) attaching its Outline Audit Planning Report 2020/21 which summarised the proposed approach to the 2020/21 external audit, including consideration of the most significant audit risks.

Jacob McHugh drew the committee's attention to the new risks which will feature in the external audit on pages 5 and 6 of the EY report; the work on accounting estimates (page 8) and Materiality (page 8). There would be a fuller risk assessment for the committee meeting on 14 July.

EY had worked with officers of the Council to agree an achievable timeline to enable the Committee at its 22 September meeting to consider an audited set of accounts.

The Committee observed that reference had been made to land re-evaluation, which came up as an area of specific interest in last year's audit. The Head of Finance stated that as a result, officers had ensured that there were now internally consistent values (between departments).

**Unanimously resolved** to note the contents of the EY Outline Audit Planning Report 2020/21.

**21/14/Civ Nominations for Committees for the Municipal Year 2021/22**

The Committee considered an updated paper issued on 17 May setting out the proposed Committee allocations by party and the nominations received as the officer report had been published prior to the results of 6 May elections were known. The Committee considered the rules on political balance set out in the Local Government and Housing Act 1989 in developing the recommendations set out below.

The Democratic Services Manager stated that the Council on 27 May would be considering a Notice of Motion proposing that the four area committees will

continue to meet virtually until the end of 2021 and by meeting virtually, they would be non-decision making.

**Resolved** (unanimously) to:

- i. Recommend to Council to agree the number and size of committees and to note the nominations listed below (any updates will be provided in the Information Pack to Council):

Ordinary Committee

**Environment and Communities Scrutiny Committee 10** (6 Labour + 3 Lib Dem + 1 Green and Independent)

H. Davies, Healy, S.Baigent, Sweeney, O'Reilly, Lab TBC

Payne, Hauk, Page-Croft

Copley

Alternates – Sheil, Gilderdale, Bond, Lib Dem TBC

**Planning and Transport Scrutiny Committee 10** (6 Labour + 3 Lib Dem + 1 Green and Independent)

D. Baigent, S.Smith, Scutt, Gawthroe Wood, Pounds, Lab TBC

Bick, Porrer, Bond

S. Davies

Alternates – O'Reilly, Sargeant, Hauk, Lib Dem TBC

**Housing Scrutiny Committee 9** (6 Labour + 2 Lib Dem + 1 Green and Independent)

Bird, Sheil, Gawthroe Wood, Robertson, Gilderdale, Pounds

Dalzell, Lee

Bennett

Alternates – Sweeney, Lab TBC, Page-Croft, Lib Dem TBC

**Strategy and Resources Scrutiny Committee 6** (4 Labour + 2 Lib Dem)

Robertson, Davies, Healy, S.Smith

Bick, Dalzell

Alternates – O'Reilly, Scutt, Payne, Lib Dem TBC

**Civic Affairs Committee 6 (4 Labour + 2 Lib Dem)**

Sargeant, Davey, O'Reilly, Dryden

Gehring, Flaubert

Alternate – Moore, Dalzell

**Employment (Senior Officer) Committee 6 (4 Labour +2 Lib Dem)**

Herbert, Moore, S. Baigent, Collis

Bick, Porrer

Alternates: A.Smith

**Licensing Committee 10 (6 Labour + 3 Lib Dem + 1 Green and Independent)**

Bird, McPherson, McQueen, Dryden, Moore, Collis

Page-Croft, Cox, Bond

Bennett

Alternates – Scutt, Flaubert

**Planning Committee 7 (5 Labour+ 2 Lib Dem)**

Smart, D. Baigent, Thornburrow, Gawthroe Wood, Dryden

Porrer, Flaubert

Alternates – Herbert, McQueen, Page-Croft

**Cambridgeshire and Peterborough Combined Authority - 1 seat**

Herbert

Alternate - Smart

**Cambridgeshire and Peterborough Combined Authority Overview and Scrutiny Committee 2 Labour**

Davey, D. Baigent

Alternates – Moore

**Cambridgeshire and Peterborough Audit and Governance Committee 1 Labour + one alternate**

Sargeant

Alternate – Moore

**Greater Cambridge Partnership Joint Assembly 3 (2 Labour + 1 Lib Dem)**

S.Smith, Moore, Bick

**Joint Development Control Committee - Cambridge Fringes 6 (4 Labour+ 2 Lib Dem)**

Smart, D. Baigent, S.Smith, Thornburrow

Porrer, Page-Croft

Alternates – Scutt, Gawthrope Wood, Flaubert, Bond

ii. Agree the nominations for Chairs and Vice Chairs as below:

	<b>Chair</b>	<b>Vice Chair</b>
Environment and Communities Services	H. Davies	Healy
Planning and Transport	D. Baigent	S.Smith
Housing	Bird	Sheil (nb. Tenant/Leaseholder is Chair of Part 1 of the meeting)
Strategy & Resources	Robertson	H. Davies
Civic Affairs	Sargeant	Davey

Licensing	Bird	McPherson
Planning	Smart	D. Baigent
JDCC	Smart as Vice Chair (South Cambridgeshire District Council has the Chair this year)	

iii. Noted there were no constitutional updates for the meeting.

### **21/15/Civ Nominations of Honorary Councillors**

The Committee noted that this item would appear at a future committee in keeping with a desire to focus Council meetings on core business whilst the impact of the coronavirus public health guidance is still observed.

### **21/16/Civ To note Record of Officer Urgent Decision**

**8a** Officer Urgent Decision: Powers of the Proper Officer for s83 of the Local Government Act 1972-declarations of Acceptance of Office by Councillors  
The decision was noted.

The meeting ended at 5.55 pm

**CHAIR**



**CIVIC AFFAIRS**

27 May 2021  
1.50 - 1.55 pm

**Present:** Councillors Davey (Vice-Chair), Dryden, Flaubert, Gehring, Moore and O'Reilly

<b>FOR THE INFORMATION OF THE COUNCIL</b>
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**21/1/Civ Appointment of Working Party**

The Committee agreed the membership of the following:

**Chief Officer Performance Review**

4 Labour , 2 Liberal Democrat

Sheil, Herbert, Ashton, Moore

Bick, Payne

Reserve: Thornburrow

**21/2/Civ Appointment of Sub Committee**

The Committee agreed the membership of the following:

**Employment Appeals Sub Committee**

4 Labour, 2 Liberal Democrat

Healy, Robertson, Sweeney, Thornburrow

Page-Croft, Bick

The meeting ended at 1.55 pm

**CHAIR**

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Item

## REVIEW OF ELECTIONS on 6 May 2021

**To:**

Civic Affairs Committee 14/07/2021

**Report by:**

Returning Officer Andrew Grant

**Wards affected:**

All

### 1. Introduction

- 1.1 The purpose of this report is to update Members on elections held in Cambridge on 6 May 2021.
- 1.2 Elections were held for Cambridge City Council, Cambridgeshire County Council, the Cambridgeshire Police and Crime Commissioner (PCC) and the Cambridgeshire and Peterborough Combined Authority Mayor.
- 1.3 Elections for the City Council and the Police and Crime Commissioner were postponed from May 2020, due to the COVID-19 pandemic.
- 1.4 Andrew Grant, who had been acting as the Interim Chief Executive since October 2020, continued in the Returning Officer role even though his tenure as Interim CEx had been completed.
- 1.5 This report will look at the four combined polls as one event.

### 2. Recommendations

- 2.1 That the Committee notes this report and provides feedback to the Returning Officer on issues it would like to be considered in the management of future polls.

### **3. Background**

- 3.1. All 42 seats on the City Council were up for election in 2021, following a ward boundary review undertaken in 2018. This would mean each elector having up to three votes. For the County Council, 12 seats were up for election in Cambridge.
- 3.2 The PCC and Mayoral polls were held using the supplementary vote system, while the City and County polls used first-past-the-post.
- 3.3 The Returning Officer appoints deputies with full powers to ensure that all legal aspects of the polls are covered and to allow them to act in the event the Returning Officer becomes unavailable. The Head of Corporate Strategy, the Democratic Services Manager and the Electoral Services Manager were appointed as deputies for 6 May.
- 3.4 An Election Steering Group is chaired by the Returning Officer and attended by the deputies. The Election Steering Group's remit is to review progress against the project plan and advise the Returning Officer on matters arising.
- 3.5 The Electoral Services team was supported by officers from across the authority who have specific roles within their service area, for example, Customer Services, 3CICT and the Facilities team.
- 3.6 A county-wide election planning group was also formed, comprising of the County Returning Officer (CRO), the Police Area Returning Officer (PARO), the Combined Authority Returning Officer (CARO) and the Electoral Services Managers from each of the six district authorities within Cambridgeshire. N.B. The PARO and CARO appointments are held by the same person.
- 3.7 Externally, communication is also maintained with the Police, Royal Mail, the software provider, the print company, and other relevant parties to ensure successful delivery of the poll.
- 3.8 Planning for the polls due on 6 May 2021, formally started in October 2020. As Cambridge was one of only three local authorities in the UK to be managing a combination of four city-wide polls on 6 May, discussions were also undertaken with those other two authorities in Bristol and Liverpool.

### **Candidates and Agents**

- 3.9 Candidates and agents were engaged early in the process, as it was necessary to ensure plans for access and scrutiny of the polls would be appropriate and in-line with current COVID-19 guidelines.
- 3.10 Meetings were held virtually on 10 February, 26 February, 17 March, and 29 April. A virtual briefing was also provided to city councillors on 1 April.
- 3.11 Feedback from election agents on communication was encouraging, with future pre-election meetings likely to be a mix of in-person and virtual, depending on the proximity of polling day.
- 3.12 Overall, agent's feedback was that the processes in place for the submission of nominations and the count were acceptable given the necessary covid-related considerations. Most responses agreed that they would like to see future counts take place at the sports centre.

### **Communications and Promotional Activity**

- 3.13 Promotional activity was limited this year, due to the inability to hold any face-to-face meetings or registration events. These included:
- Highlighting election deadlines and information on the Council's website & social media channels,
  - Including information about postal voting in a covid information letter that was sent to all Cambridge residents,
  - Including information on registration in a settlement scheme letter that went to EU residents in the city,
  - Sending e-mails to students via the communications officer at Anglia Ruskin University and accommodation officers at each University of Cambridge college,
  - Sending a notification card (pink poll card) to every residential address where no electors were registered,
  - Registered electors also received a booklet about the Mayoral election (as required in law). Information for the PCC election website and telephone number was included on poll cards,
  - Most communication related to the pandemic, e.g. encouraging electors to apply for a postal vote and reassuring in-person voters that polling stations would be a safe place to visit.

### **Correspondence**

- 3.14 Contact from customers was not as high as expected. The chart below compares contact levels for the five weeks leading up to, and including, polling day against previous polls.

<b>Contact Method</b>	<b>6 May 2021</b>	<b>12 Dec 2019 <i>UKPE</i></b>	<b>2 May 2019 <i>City</i></b>
E-mails elections@cambridge.gov.uk	2,226	6,623	2,395
Telephone contact to Customer Service Centre (457048)	878 (145 on polling day)	2,193	1,054 (109 on polling day)

- 3.15 The Council provided polling station data to Democracy Club, which is a non-partisan organisation that collects data from various local authorities to create an easy postcode look-up tool for electors to find information about elections taking place in their area, candidates and polling station locations.

### **Staffing and Training**

- 3.16 A survey of all previous election staff had been undertaken in December 2020, to try and ascertain the impact of the pandemic on staffing levels. Scenarios were presented to staff to try and gauge how many staff would work under different national restrictions, results were as follows:

<b>National measures</b>	<b>Would work</b>	<b>Might work</b>	<b>Would not work</b>
1. Low - No social distancing	84%	11%	5%
2. Medium – outside meet up only	58%	22%	19%
3. High – stay at home	51%	21%	28%

- 3.17 Ultimately, the polls fell during a period of medium national restrictions, meaning that many staff were unable or unwilling to work. The greatest difficulty was recruiting people to work in polling stations, and many experienced Presiding Officers did not work. Coupled with the fact that a review of polling districts had created a further ten polling stations there was a much larger number of vacancies than usual.

- 3.18 When it became clear that the four counts would be conducted over just two days, the County RO offered to fully staff their count on the Friday morning. This would allow the core election team a chance to have a break after working polling day and through Thursday night, as well as ensure enough people were able to be recruited for the other counts more easily.
- 3.19 Extra staff were finally recruited for polling stations through the Cabinet Office's offer to redeploy civil servants, as well as some last-minute staff gained via the County Council. Having so many inexperienced staff in polling stations (approx. 33%) meant that training and support took up a greater portion of the core team's time than usual.
- 3.20 Every person working at a polling station was required to undertake training. This was delivered via an online portal, with a further virtual briefing delivered to Presiding Officers, replacing the usual face-to-face sessions of previous years.
- 3.21 Virtual briefings were also delivered to staff supervising the opening of postal votes and those appointed as supervisors at the verification and counts.
- 3.22 A total of 313 people was employed into 492 roles across the five-week election period.

### **Voter Registration**

- 3.23 A total of 92,837 electors were eligible to vote in Cambridge on 6 May. The voting franchise was the same for all four polls.
- 3.24 For the May polls, a total of 3,349 electors were added to the register in advance of the poll.
- 3.25 Of the new applications that were made in this period:
- 351 were already registered at their address
  - 113 failed DWP checks and had to provide further identification
  - 1,171 requested to vote by post
  - 492 were EU citizens

### **Absent Voting**

- 3.26 The issue of postal vote packs was outsourced to an external print provider, who was unfortunately unable to issue four ballot papers in one pack and therefore two packs were issued to each postal voter: one with the city and county ballots and one with the PCC and mayoral ballots.
- 3.27 An issue with numbering on some of the County council ballots was discovered shortly after issue, meaning the numbers on the voter's statement did not match those on the ballot paper. After investigation it was determined that this was an error made during the issue process, and only 15 electors were affected. New packs were issued to those who had not yet returned their packs, and the RO agreed to accept those that had already been returned
- 3.28 A total of 16,119 (17.4%) electors registered for a postal vote at the May polls. This was an increase of 32.1% on the number of electors with a postal vote on 2 January 2021. The total number re-issued due to being reported as lost or not received was 18 (10 in 2019).
- 3.29 Ten postal vote opening sessions were conducted with the following return and rejection rates for each poll as follows:

Poll	Returned and included in the count	Rejected Date of birth and/or signature absent	Rejected Date and/or signature invalid	Rejected Security statement missing
City	12,127 (75.2%)	170	151	94
County	11,997 (74.4%)			
PCC	11,452 (71.0%)	152	126	97
Mayoral	11,759 (73.0%)			

- 3.30 The above figures will not balance, because some statements were returned with only one ballot paper enclosed, so only those statements that were incorrectly completed or missing altogether were rejected.
- 3.31 The average rejection rate across the four polls was 1.7%, compared to 2.1% at the May 2019 poll in Cambridge and lower than the last reported national average of 2.4%.



- 3.32 There were 120 electors who voted by proxy and 24 emergency proxies were issued on polling day.

### **Polling Stations**

- 3.33 There were 57 polling stations on 6 May. Difficulty obtaining some of the usual sites arose, as owners of the buildings did not want to allow their use during the pandemic. Where alternative sites could not be found, the station was moved to the next nearest polling site, meaning a lot of sites were double or triple stations that would not otherwise have been. This resulted in some places having a very limited number of voters allowed at any one time, to maintain adequate social distancing while inside.
- 3.34 Some queues were reported outside stations during the day, but this had been expected considering the need to maintain social distancing inside. A large queue developed at Romsey Mill at 9:30pm, when around 150 appeared to 'suddenly' turn up to vote. Everyone who was in the queue at 10 pm received their ballot papers and voted, but this delayed the return of the ballot box to the count venue, which did not arrive until 11:45 pm.
- 3.35 An external company was employed to provide covid-marshals to ensure social distancing and other measures were observed both inside and outside of the stations.
- 3.36 Four Polling Station Inspectors were responsible for overseeing station progress and visited each station at least twice during the day.

### **The Verification and Counts**

- 3.37 As three of the four polls this year were outside of the Returning Officer's complete control, the decision on when to hold the respective counts was also outside of the RO's remit. Despite making representation to the CRO and PARO/CARO, the argument put forward by Cambridge to hold the police and mayoral counts on the Monday following the polls was not upheld.
- 3.38 The decision was subsequently taken by the CRO and the PARO/CARO to hold the County Council count in the morning of Friday 7 May and the PCC and Mayoral counts on Saturday 8 May. This resulted in the need to undertake the verification (to check how many ballot papers have been issued) of all four polls overnight after the close of poll on Thursday 6 May.

- 3.39 This left little option but to hold the City Council count in the afternoon of Friday 7 May, so that Sunday could remain free as a contingency count day and the successfully elected City Councillors could be signed in to office on Monday 10 May, as is required in law.
- 3.40 The verification and counts were subsequently slowed by the need to maintain 2m social distancing between count staff, meaning the number of people was half of that normally employed. This was compounded by the increase in ballot papers across the four polls, with a total of 156,989 ballot papers verified in just nine and a half hours by 42 count staff.
- 3.41 The successful conclusion of four election counts between 9 am on Friday 7 May and 9 pm on Saturday 8 May (36 hours) cannot be underestimated. It was a mammoth effort by the RO and core election team who worked virtually non-stop in that period, and resulted in no disputed declarations, no formal recounts, or dissatisfied candidates/agents.
- 3.42 The RO acknowledges and is thankful for the support provided by the County RO, without whose assistance it would have been almost impossible to successfully navigate the extended count period. Furthermore, the resilience of the counting staff, and especially the count supervisors, to work such long hours and maintain COVID-19 measures is especially appreciated.
- 3.43 The count venue was relocated out of the Guildhall as it was deemed unsuitable to accommodate all the necessary COVID-19 measures. The Cambridge University Sports Centre has been the back-up venue for election counts for several years and is far more spacious to accommodate the social distancing measures and one-way systems that were required to maintain a covid-safe environment.
- 3.44 Feedback from election agents and staff was largely positive, with the only negative comments regarding the temperature, especially overnight on Thursday, which was exceedingly cold. The use of outside air-circulation was a covid-mitigation requested by Public Health and so this would not be an issue in future. Other comments regarded the lack of proper refreshments, which again was restricted due to covid-measures and so this will be addressed in future.
- 3.45 The sports centre has been acknowledged as a much more suitable venue to hold election counts. The venue management have provided very positive feedback and would be happy to accommodate the election counts again. Providing availability, the Returning Officer intends to return to that venue in future.

3.46 Turnout across the four polls was as follows:

- City – 42.7%
- County – 42.5%
- PCC – 41.9%
- Mayoral – 42.2%

This is compared to local turnouts of 36.6% in May 2019 and 37.8% in May 2018. Within Cambridgeshire, turnout ranged between 29% - 45%, with only South Cambridgeshire DC recording a higher turnout than Cambridge.

### **COVID-19**

3.47 The challenge of running the polls during an international pandemic, resulted in a much earlier cycle of planning than in a 'normal' year, and this was intensified by the postponement of the two polls due in 2020 now also taking place in 2021.

3.48 The County's public health team provided guidance and support regarding the measures that were required, however they did not properly engage with the districts until late in February, which resulted in some plans changing very late in the planning cycle.

3.49 Legislation was introduced that required face coverings to be worn inside polling stations and at other election events, such as postal vote opening and the counts. Other measures in place were:

- Screens in polling stations, between staff and electors,
- One-way systems in stations, where possible, and limiting the number of people in the station at any one time,
- Hand sanitisation points at polling stations, postal vote opening and the count venue,
- Encouraging electors to bring their own pen/pencil,
- Cleaning of polling booths, pencils and the ballot box between electors and providing masks for anyone arriving to vote without one,
- Keeping a fresh flow of air, via open doors/windows,
- Staff observing the 2m social distancing requirement,
- All staff who worked on the election were asked to undertake lateral flow tests so that any staff member who tested positive could isolate and would not therefore work. Only one person reported a positive test across the five-week election period,

- The number of observers allowed to scrutinise the postal vote openings and verification/counts was severely limited, which had been discussed and agreed in advance with the local political parties and independent candidates,
- All observers were also required to prove a negative lateral flow test before they would be admitted to any election event,
- Extra information was included on poll cards and via the Council's communication channels to encourage people to either apply for a postal vote or take precautions when visiting the polling station.

3.50 Following the conclusion of the polls, Public Health have reported that there was no significant spike in infections and that the elections appeared to have had no impact on the number of reported COVID-19 cases in Cambridge.

### **Complaints**

3.51 No formal complaints were received regarding the election process or delivery. There were some reports from electors regarding election material that they did not wish to receive, and they were directed to the relevant political party.

3.52 One resident reported that they believed their neighbour was involved in election fraud, which the Returning Officer understood to be a misunderstanding however they were advised to report the incident to the Police. No further action on this has been brought to the RO's attention.

### **Funding**

3.53 The cost of the polls will be split four ways, with the County Council, Police Authority and Combined Authority funding their portions of the cost.

3.54 The predicted cost of the four combined polls is estimated to be under £250k, compared to a single poll, which usually comes in around £110k.

3.55 Extra funding has been provided by the Cabinet Office to cover all covid-measures required for the polls. The provision of all screens and other personal protective equipment (PPE), covid marshals at polling

stations, postal vote openings and the counts has been funded from within this (and included in the above estimate).

#### **4. Implications**

**(a) Financial Implications**

**(b) Staffing Implications**

**(c) Equality and Poverty Implications**

**(d) Environmental Implications**

**(e) Procurement Implications**

**(f) Community Safety Implications**

None

#### **5. Background papers**

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

#### **6. Queries**

If you have a query on the report please contact Vicky Breeding, Electoral Services Manager, tel: 01223 457057, email: [vicky.breeding@cambridge.gov.uk](mailto:vicky.breeding@cambridge.gov.uk).

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Item

## INTERNAL AUDIT PLAN AND OPINION

**To:**

Civic Affairs Committee [14<sup>th</sup> July 2021]

**Report by:**

Jonathan Tully, Head of Shared Internal Audit Service

Tel: 01223 - 458180 Email: jonathan.tully@cambridge.gov.uk

**Wards affected:**

All

### 1. Introduction / Executive Summary

- 1.1 This report introduces the proposed Internal Audit Annual Plan and Strategy, for the next six months of the 2021 / 2022 financial year, for consideration by the Civic Affairs Committee.
- 1.2 The report also includes a progress update from the past six months work, plus our current opinion on the internal control environment, governance and risk management arrangements.
- 1.3 Internal Audit Plans, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

### 2. Recommendations

- 2.1 Civic Affairs Committee is requested to consider the supporting information, in the appendices, to:
  - i) approve the draft Audit Plan and Strategy; and
  - ii) approve the supporting Charter and the Code of Ethics.

### **3. Background**

Page: 2

- 3.1 The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”
- 3.2 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.
- 3.3 The PSIAS also requires the Head of Audit to provide a written report to those charged with governance to support the Annual Governance Statement (AGS), which accompanies the Statement of Accounts. This includes an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment, governance, and the risk management framework.
- 3.4 Appendix A is the risk-based Audit Plan which is continually updated. It has been based upon the Corporate Plan, risk registers, ongoing consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 3.5 The Audit Plan is the work programme for Internal Audit and provides the basis upon which we will subsequently give an audit opinion on Cambridge City Council’s (CCC) system of internal control, risk management and corporate governance arrangements.
- 3.6 It is good practice to operate an agile audit plan that continuously adapts in response to the governance risk and control environment of the Council. Our Audit Plan is based around a long-term framework of reviews, which typically covers a three-year period. Audits are prioritised according to several risk-based determinants. We are presenting a 6-month plan, focussing on the key areas of assurance, and we will bring back a further report to the Committee later in the year. It is important that the Audit Plan continues to prioritise relevance, speed and flexibility in addressing risks as they develop. This will enable us to utilise our resources as effectively as possible to provide an effective audit opinion for the Council, and to proactively communicate topical risks and assurance to the Committee.



- 3.7 In response to the COVID-19 disruption in 2020/2021 we refocused our resources to other immediate unplanned areas that required assistance. This included supporting the Business Grant program through both pre-assurance and post assurance work. The amount of work was greater than initially anticipated, due to the launch of additional grant schemes to support businesses, as the pandemic continued throughout the year. Consequently, our planned reviews for 2021/2022 include some activities which were deferred from the previous six-month plan. Our expectation is that, as required by the Department for Business, Energy and Industrial Strategy, we will continue to provide post assurance work throughout 2021/2022 financial year.
- 3.8 It is realistic to recognise that COVID-19's priorities will continue to constrain how service areas participate in audit activities and respond to requests. We aim to provide timely and valued assurance with minimal disruption to teams. The Internal Audit team utilises the Council Anywhere technology and smarter working. Consequently, we are in a positive position to work flexibly and continue to adapt to new ways of working. We continuously develop our self-service capability to access data and records, and the application of data analytics to provide increased insights, feedback and assurance.
- 3.9 Appendix B provides a progress update from the past six months, plus the current opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework
- 3.10 The Internal Audit Charter (Appendix C) and the Code of Ethics (Appendix D) are also appended for information. They are regularly reviewed as part of an ongoing Quality Assurance and Improvement Programme (QAIP) considering both the PSIAS and the LGAN. No changes have been made this year. It is good practice to present these documents annually as they define internal audit's purpose, authority, responsibility and position within an organization, supporting the risk-based audit plan.

## **4. 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.

**5. Consultation and communication considerations**

Not applicable.

**6. Background papers**

Background papers used in the preparation of this report:

- Risk-Based Internal Auditing – Working Standards and Procedures
- Public Sector Internal Audit Standards
- CIPFA Local Government Application Note
- Cambridge City Council Risk Registers
- Corporate Plan

**7. Appendices**

- a) Internal Audit Plan and Strategy
- b) Internal Audit Charter
- c) Internal Audit Code of Ethics

**8. 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).

## **Appendix A – Internal Audit Plan 2021/2022**

### **1 Introduction**

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals”.
- 1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Head of Shared Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Committee and also feeds into the Annual Governance Statement. The team also completes consulting services. These are advisory in nature, and are generally performed at the specific request of management with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

## **2 Strategy**

- 2.1 Greater Cambridge Shared Audit was established as a shared service between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) in 2017.
- 2.2 Our aim is to deliver a co-ordinated audit plan for both Councils.
- 2.3 There are already a number of shared services, and this joint approach enables work to be undertaken which reflects the priorities for both Councils whilst getting the benefits of co-ordinated reviews which can be covered in partnership.
- 2.4 The strategy, and vision, of the Internal Audit team is: "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

## **3 Internal Audit Plan**

- 3.1 Our work will support the Council's corporate objectives, and the corporate governance framework.
- 3.2 The plan has considered the Corporate Plan, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 3.3 This identifies potential reviews, which are subsequently prioritised. Factors taken into account include materiality; corporate importance, vulnerability, risks and opportunities. The overall aim is to add value by providing assurance, reducing risk and improving controls.
- 3.4 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in the continually changing risk and control environment. The risk-based planning approach enables the plan to be updated when new reviews are identified. The plan will be reviewed and monitored throughout the year, with regular updates reported to the Civic Affairs Committee.
- 3.5 The internal audit work should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally the plan will provide coverage across the whole organisation, and

some reviews may be cross cutting and involve multiple teams and partners. This enables the Head of Shared Internal Audit to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

## **4 Resources**

- 4.1 Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver our risk-based plan.
- 4.2 The broad scope of activities within the Council means that demand for potential reviews will exceed the number of available days within a year. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.
- 4.3 The Internal Audit plan needs to be fluid and flexible enough to enable the Internal Audit service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the work plan itself.
- 4.4 Time allocations within the plan are based on planning, plus experience from previous reviews. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation.

## 5 Assurance Type and Key Themes

- 5.1 As in previous years, Internal Audit will continue to support the governance, risk and control environment within the Council. There will continue to be liaison with key stakeholders, such as the external auditors so that resources are used effectively. The types of audit and assurance work are:

Type	Details
Corporate Plan Objectives	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently. The plan is grouped to the key objectives of the Council.
Core Assurance	We undertake audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems, management controls, and programmed annual assurance.
Third party	We will take assurance from third parties where appropriate. This could include audit or review work in partnerships where another organisation is the lead stakeholder, or where a third party with professional expertise or a legal obligation has undertaken a review. If the outcome of these reviews impacts the control environment this may prompt us to undertake our own work in this area.

- 5.2 For each audit review, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

5.3 Our reviews are categorised by themes to help us communicate the areas of focus. Our key themes for 2021 / 2022 include:

Theme	Details
Resilience and recovery	The plan will need to reflect the continuous changing risk and control environment from COVID-19 crisis which is driving rapid change across the Council. We will add value to the Council by providing real-time assurance on new and developing processes and controls.
Counter fraud	The fraud risk profile has increased during the COVID-19 pandemic as fraudsters seek the opportunity to take advantage of reduced internal controls and the urgency of government led support. Our plan will consider these risks and the controls.
Transformation	The Council continually seeks continuous improvement and we will review any new key systems, once they are implemented, for benefits realisation and to provide assurance that key controls continue to operate effectively.
Governance	We will review key governance areas where there is a statutory requirement to undertake specific work, and this will feature in the Annual Governance Statement.

## 6 Follow-ups

6.1 To ensure that agreed actions are being implemented, follow-up work will be carried out. If a review resulted in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

## **7 Other activities**

7.1 In addition to delivering the risk-based audit plan, resources are allocated to deliver other assurance-based activities. Examples include:

- Advice and consultancy: (participating in working groups such as information governance, procurement and project management);
- Anti-fraud and corruption: (including response, proactive work and data analytics);
- Governance: (activities which help deliver the assurance framework including Annual Governance Statement, Risk Management).

## **8 Summary**

8.1 The draft internal audit plan will add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.



## 9 Internal Audit Plan

9.1 The table below provides an overview of audit work in the plan for the next 12 months, by audit area, and a comparison with the previous year.

Audit area	Days	Current year	Previous Year
Corporate Plan Objectives	301	46%	43%
Core Assurance	78	12%	12%
Governance, Risk and Control	79	12%	10%
Other resource provisions	193	30%	35%
Grand Total	651	100%	100%

This is the allocation of work for Cambridge City Council and demonstrates how we expect resources to be consumed. A more detailed breakdown of planned audit work for the next six months is given on the pages that follow.

## **Corporate Plan Objectives**

9.2 Corporate Plan Objectives are reviews of systems and processes which have been risk appraised. Where possible they are aligned to the [Corporate Plan Objectives](#) to demonstrate how they support the Council. The reviews planned for the next six months are listed in the table below:

<b>Audit</b>	<b>Assurance type</b>	<b>Scope and description</b>
<b>Tackling poverty &amp; inequality and helping people in the greatest need</b>		
Estates & Facilities - Fire Safety	Compliance	Review of Corporate framework for Fire Risk Management - recognising there was a policy change introduced in 2019/20.
HRA - Electrical Safety Compliance - Follow-up	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
HRA - Gas Safety Compliance - Follow-up	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
<b>Leading Cambridge's response to the climate change emergency and biodiversity crisis</b>		
Carbon management - Data Quality	Data quality	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit before being published.
<b>Delivering quality services within financial constraints while transforming the council</b>		
Procure to Pay	Compliance	Desktop review of the procurement system and new processes. A sample of transactions will be reviewed to ensure they are promptly and appropriately authorised.

Audit	Assurance type	Scope and description
Corporate Complaints and Feedback	Governance	Review of the complaints process to provide assurance that it is effective in helping the Council to continuously improve its services
Payroll – system changes	Benefits realisation	We have allocated some resource to test the implementation of the new HR / Payroll system.
Fleet management - Fuel cards	Making Resources Count	This review considers processes and guidance for fuel cards, analytical review of expenditure and a compliance check to procedures.
Risk Management Strategy	Risk based	Review of the current Strategy & Framework for effectiveness, to best practice standards, to inform planned revision to the Strategy.
Information Governance - GDPR	Governance	Time allocated for a review of a selection of thematic areas.
VAT	Compliance	Review of any recent changes to VAT rules and application in the Financial Management System. Transactional testing to consider matches from the National Fraud Initiative exercise.

### **Core Assurance Work**

- 9.3 We complete reviews of systems that are fundamental to the Council's governance, risk and control environment. They will often include reviews of internal financial systems, providing assurance to the s.151 officer for their commentary included in the authority's Annual Statement of Accounts. This type of work will also include mandatory activities, such as providing assurance to third parties, such as Central Government, and can also help to provide assurance for the External Auditor.

Activity	Assurance Type	Scope and description
Payroll – Core controls	Key Financial System	An annual key controls audit as part of cyclical review of core systems.
Grant assurance - Disabled Facility Grant	Grant assurance	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Financial Management Code	Policy and procedures	To provide assurance that the Council has effectively implemented a Financial Management Code.
Grant assurance - RHLG / SBGF / LADG	Grant assurance	Sample testing of grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process.
Grant assurance – other Business Support Grants	Grant assurance	Sample testing of grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process. Target timeline to be defined by BEIS.

SIPS assurance	Grant assurance	Sample testing of transactions to provide Central Government with assurance on the benefits administration process.
Ethics, Culture and Governance	Governance	Each year we will allocate some resource to assess and make appropriate recommendations to improve the organisation's governance processes, including promoting appropriate ethics and values within the organisation.
Benefits - parameter testing	Key Financial System	Resource allocated for System Parameter Testing of the benefits system.

### **Governance, Risk and Control**

- 9.4 Each year the Council issues a statement on the effectiveness of its governance arrangements. Internal Audit completes work which supports the production of the Annual Governance Statement throughout the financial year. This includes:

Activity	Audit scope and description
Annual Audit Opinion	This is the annual report, produced by the Internal Audit lead for their relevant audit committee, to provide an opinion on the state of governance and the internal control framework in place within the Council.
Internal Audit Effectiveness	A regular review of the Internal Audit service, to the Public Sector Internal Audit Standards and the Local Government Application Note, is completed. This is also known as a Quality Assurance and Improvement Program.
Annual Governance Statement	Internal Audit supports the development of the Annual Governance Statement, the associated Action Plan and review of the Local Code of Governance.
Prevention of Fraud and Corruption	Internal Audit supports development and awareness of fraud and error risks across the Council. A summary is reported annually to the Civic Affairs Committee on the status and levels of fraud, whistleblowing and corruption within the Council. A national survey is completed annually to help identify potential fraud risks. In addition, Internal Audit co-ordinates, the National Fraud Initiative, a proactive data matching exercise, and is a key contact for data analytical tools.
Risk Management	Internal Audit is the corporate lead and facilitates the Risk Management Strategy and Framework. An allocation of time is also made for administration of the corporate 4Risk system.

### **Other resource provisions**

- 9.5 Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from previous plans. Examples include:

Activity	Audit scope and description
Carry forward activities	A number of reviews continue from the previous plan, due to other activities taking precedence e.g. investigations or corporate projects.
Follow up provision	A number of audits completed in previous years, where there have been concerns identified, are followed up to ensure that agreed recommendations have been implemented.
Business Grants	The team has committed resource to supporting the Business Grants Schemes being delivered by Councils for central Government. This includes reviews of controls and processes which are being developed in rapid time, controls assurance through data analytics and reconciliation of data, plus post assurance checking of transactions.
Contingency: requested work / advice / irregularities	<p>Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; procurement or general controls.</p> <p>No matter how robust services and processes are, there is always the potential for anomalies to occur. Internal Audit assists by providing pro-active counter fraud work; and reactive work for suspected irregularities and whistleblowing referrals.</p> <p>An element of time has been set aside to allow for these activities within the plan.</p>

## **Appendix B – Progress update and Opinion**

### **1 Introduction**

- 1.1 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
- 1.2 The purpose of this section of the report is to provide an update on the recent work completed by internal audit and report our overall opinion on the control environment. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.
- 1.3 Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report. If a review has either “Limited” or “No” assurance, the system is followed up to review if the actions are implemented promptly and effectively. Further information is available in Appendix E – Glossary of terms.

### **2 Resources and team update**

- 2.1 An audit plan is presented at least annually to the Civic Affairs Committee. It is good practice to continually review the plan, to reflect emerging risks, revisions to corporate priorities, and changes to resourcing factors.
- 2.2 At the June 2020 meeting the Committee approved our current approach to an audit plan. We recognised that due to the Covid-19 pandemic, a six-month plan was the most appropriate approach, and that we would use the November meeting to provide a further update. This gave us the flexibility to respond to pandemic and deliver audit plan that added value to the Council.
- 2.3 As anticipated, we have been providing the Council with support on Business Grant stimulus packages. The amount of resource



required for this activity has impacted our normal assurance work. However, we are pleased to have still completed audit reviews in the period as this will enable us to provide an opinion at the end of the year.

- 2.4 Progress of the plan delivery is illustrated on the following pages for information. We previously reported to the Committee in November 2020.
- 2.5 During the year we have successfully appointed a Principal Internal Auditor to the team, which was recommended by our PSIAS inspection to support our long-term development of the team. We have also subsequently appointed two Senior Internal Auditors into our vacant posts.
- 2.6 We started to use Teams and SharePoint software prior to the pandemic. This software enables us to hold virtual meetings and conference calling, plus co-author and display documents in real-time. We were keen to adopt this to reduce unnecessary travel between various sites, as this saves time and reduces environmental impact. A further benefit is that we were relatively well prepared to adapt to homeworking during the pandemic and can provide the Committee with assurance that we have been working effectively during this period.

### **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 2020/2021. This remains at a similar level to the previous year, based on the outcomes of our work, however we recognise the risks and challenges that the Council has faced during the Covid-19 pandemic and the potential impact this has on the control environment. Consequently, our ongoing audit plan now features Resilience and Recovery as one of our key themes.

## **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 During the past 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, such as supporting the Business Grants process.

## 6 Progress against the plan

The following table summarises reviews with an audit opinion which have reached completion since our previous updated to the Committee in November 2020.

Audit	Assurance and actions	Summary of report and actions
Grant assurance – Disabled Facility Grant  	<b>Assurance:</b> Current: Reasonable Previous: Reasonable  <b>Actions:</b> Critical 0 High 0 Medium 0 Low 2	<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>A couple of low level actions were agreed to help the administrative process.</p> <p>The review provides assurance to both the Council, plus the County Council and Central Government, as part of the grant certification process set by the Ministry of Housing, Communities and Local Government (MHCLG).</p>

Audit	Assurance and actions	Summary of report and actions
<p>Carbon management - Data Quality</p> 	<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).</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>
<p>Building Control</p> 	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Limited</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 of the Building Control system, which previously had limited assurance.</p> <p>This provided assurance that the four high category management agreed actions from our previous review had been implemented. We reviewed the scheme of delegations, process for receipt, transfer and banking of cheque payments at the CCC/HDC hubs, and reconciliation of financial records.</p> <p>There were no new actions arising.</p>

Audit	Assurance and actions	Summary of report and actions
<p>HRA - Electrical Safety Compliance - Follow-up</p> 	<p><b>Assurance:</b></p> <p>Current: Reasonable Previous: Limited</p> <p><b>Actions:</b></p> <p>Critical 0 High 1 Medium 2 Low 0</p>	<p>Our previous review provided Limited assurance, due to the Service placing significant reliance on a spreadsheet which was being used to record the date of the last electrical inspection. At the time of the original review, this spreadsheet was in the process of being updated as there was incomplete and inaccurate data held for some HRA properties and data was inconsistent with the Council's asset management system.</p> <p>Our follow up review provides assurance that 14 of the previous actions have been implemented, and two medium are still in progress, and we agreed one new high action, which relates to updating the master spreadsheet with the correct inspection dates, in preparation for the migration on to the new Orchard system.</p>
<p>Covid19 - LA Funding Compliance and Enforcement</p> 	<p><b>Assurance:</b></p> <p>Current: Full Previous: New review</p> <p><b>Actions:</b></p> <p>Critical 0 High 0 Medium 0 Low 0</p>	<p>The Council was allocated funding for compliance and enforcement work. We obtained a complete listing of grant expenditure from the T1 Financial Management System for review and tested a sample of transactions and back to source documentation.</p> <p>All of the expenditure was eligible expenditure and complies with the conditions of the grant.</p> <p>We provided assurance to Central Government as per the conditions of the grant.</p>

## **7 Counter fraud and corruption update**

### **National Fraud Initiative**

- 7.1 The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Nationally it is estimated that this work has identified £1.69 billion of local authority fraud, errors and overpayments since 1996. Historically this process has not identified significant fraud and error at Cambridge City Council, and this provides assurance that internal controls continue to operate effectively.
- 7.2 We have completed the data submission for the 2020/2021 exercise. This includes extracting, checking and processing data from Council systems; plus reviewing compliance with data protection regulations. Relevant datasets include: Trade Creditors; Council Tax and reductions; Payroll; Licenses – Taxi drivers; Housing; Electoral Register; and Business Grant recipients. We successfully project managed this exercise to avoid the financial penalties from the Cabinet Office for poor quality or late data. We have now received the results (totalling 1889 records) from the data matching routine and will follow these up throughout 2021/2022.

## **8 Other audit and assurance activity**

### **Business Grants**

- 8.1 The team has been assisting the Council with delivery of Central Government funded Business Grant schemes. This work has included undertaking fraud and error risk assessments, so that we can proactively advise on the design of low friction controls. The schemes include funding to Retail Hospitality and Leisure, Small Business Grants, our Local Discretionary Grant Scheme, National Lockdown, Restart and Additional Resources Grant schemes.
- 8.2 To help safeguard the public purse and ensure that funds are provided to legitimate applicants, we have developed a post-assurance plan, which sets out checks and tests.

- 8.3 We are utilising government recommended tools to check applicants for compliance with scheme eligibility. In addition, we have also designed our own local assurance tools, and this has helped us to proactively prevent some applications that were non-compliant with the regulations.
- 8.4 The NFI system provides post assurance data matching nationally and has identified 24 cases of potential grant fraud from the first 3 schemes (totalling 1688 records) which we are investigating. We expect to upload data for the remaining grant schemes later in the year.
- 8.5 Locally our data matching processes have identified 6 potential cases of fraud which are being investigated. Ten applications were identified as potentially fraudulent and were rejected. Information is shared with the National Anti-Fraud Network, who is co-ordinating information nationally as per Central Government guidance.
- 8.6 We have completed assurance reporting to Central Government and also worked with Counter Fraud agencies to share intelligence on areas of fraud risk.
- 8.7 The work helps the Council to have assurance that it has taken proportionate and effective controls to mitigate the risk of fraud and error.

#### **Public Sector Internal Audit Standards**

- 8.8 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. External assessments must be conducted at least once every five years by a qualified, independent assessor. In 2018 CIPFA independently verified that we “Generally Conform” with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).
- 8.9 We completed our annual internal review which provides assurance that we continue to meet the standards. We recognise that the impact of Covid-19 has meant that, while we have completed a reasonable volume of audit work, the breadth of coverage has



reduced in comparison to previous years. This can potentially reduce our ability to provide a comprehensive annual opinion on the overall control environment. Consequently, the risk of not complying with the standards has significantly increased, although we expect the risk to be reduced as we return to more normal ways of working. We have been responding to guidance issued by our professional bodies, undertaking pandemic related risk assessments, and adapting our assurance approach to help maintain compliance with the standards.

### **Governance**

- 8.10 We facilitated the review of the Annual Governance Statement, and the Local Code of Governance, which accompanies the Statement of Accounts.

### **Risk management**

- 8.11 We have continued to provide support on the identification of risks and controls and have commenced a review of the Risk Management Framework.

## **9 Conclusion**

- 9.1 The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.
- 9.2 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.
- 9.3 The audit work completed in 2020/2021 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 year, and this remains at a similar level to the previous year.

## Appendix C – Internal Audit Charter



Our vision:

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

May 2021

Next Review: By February 2022

Version Control: 1.05

# **1 INTRODUCTION**

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF. In addition the PSIAS are supported by a Local Government Application Note (LGAN), published by the Chartered Institute of Public Finance and Accountancy to provide relevant sectoral requirements guidance.
- 1.3 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the relevant audit committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

# **2 PURPOSE**

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

*"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

- 2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

### **3 AUTHORISATION**

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015<sup>1</sup>, which state that

*“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*

- 3.2 There are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations, with Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer.
- 3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
  - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
  - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and

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<sup>1</sup> [http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf)

generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

- 3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## **4 ORGANISATION AND RELATIONSHIPS**

- 4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

### **Chief Audit Executive**

- 4.2 The Chief Audit Executive is the Head of Shared Internal Audit Service (HoSIAS), part of a shared management arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC). The HoSIAS reports to the relevant S151, and has access to the Chief Executive should it be required.

### **Board**

- 4.3 The 'Board' oversees the work of Internal Audit. It will be the relevant audit committee of the Council, known as Civic Affairs Committee (CCC) and the Audit and Corporate Governance Committee

(SCDC), which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against plans;
- Annual Audit Opinion; and
- Compliance with standards.

4.4 Internal Audit will work closely with the committee to facilitate and support its activities.

#### **Senior Management**

4.5 In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Strategic Leadership Team and the Senior Management Team (CCC) and the Executive Management Team (SCDC).

#### **External Audit**

4.6 Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with the appointed external auditor, Ernst and Young.

#### **Other Internal Audit Service Providers**

4.7 Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

### **Other External Review and Inspection Bodies**

- 4.8 Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

## **5 OBJECTIVES AND SCOPE**

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:

- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
- The effectiveness of the Council's processes for performance management and accountability.
- The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
- The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
- The provisions developed to support achievement of the organisation's strategic objectives and goals.
- The systems formulated to secure an effective internal control environment.
- The completeness, reliability, integrity and timeliness of management and financial information.
- The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
- The systems designed to safeguard Council assets and employees.
- The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.

5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.



- 5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Committee of such situations.
- 5.8 Risk Management is the responsibility of Officers and Members. Internal Audit is a member of the Risk Management Group at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. Management are still responsible for identifying, managing and mitigating risks within their services. This approach does is consistent with best practice set out by the IIA.

## **6 INDEPENDENCE**

- 6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoSIAS direct access to and the freedom to report unedited, as deemed appropriate, to the Committee, the Chief Executive, Section 151 Officer and Senior Management.
- 6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides

assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoSIAS will confirm to the Committee, at least annually, the organisational independence of the Internal Audit activity.

## **7 PROFESSIONAL STANDARDS**

- 7.1 Internal Auditors operate in accordance with the PSIAS and LGAN. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by the Internal Auditors, are set out in the Audit Manual.

## **8 AUDIT RESOURCES**

- 8.1 The HoSIAS will be professionally qualified (CCAB, CMIIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The HoSIAS will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

## 9 AUDIT PLANNING

- 9.1 The HoSIAS will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to the Senior Management for their approval prior to being taken forward to the Committee for final endorsement, in advance of the new financial year to which they relate.
- 9.2 Any difference between the plan and the resources available will be identified and reported to the Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in Table 1.

**TABLE 1: AUDIT ACTIVITIES**

Core system assurance work	Departmental specific reviews
Governance, Risk and Control	Follow up activity
Corporate Plan Objectives	Internal advice on risks, controls
Cross Cutting audits	and procedures

- 9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this.
- 9.4 Annual audit plans will be discussed with Senior Management prior to their formal approval.

## 10 REPORTING

10.1 The process followed for completing each audit is set out in Table 2.

10.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.

10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Committee.

**TABLE 2: WORKING ARRANGEMENTS DURING AUDITS**

Stage	Commentary
Audit Brief	Set up and agreed with manager(s)

Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols (see Table 4).

10.4 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.

10.5 Internal Audit reports include actions which are agreed with management and prioritised, plus an overall assurance opinion. These are explained further on the next page.

### **Assurance ratings**

<b>Term</b>	<b>Description</b>
<b>Full Assurance</b>	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

<b>Term</b>	<b>Description</b>
<b>Major</b>	The risks associated with the system are significant. If the risk materialises it would have a major impact.
<b>Moderate</b>	The risks associated with the system are medium. If the risk materialises it would have a moderate impact.
<b>Minor</b>	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 have identified opportunities for improvement, which have been 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.

10.6 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.

10.7 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period covered;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

10.8 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.9 All reports produced are set out in Table 4.

<b>TABLE 4: PLANNING AND REPORTING FREQUENCY</b>		
<b>Report Produced</b>	<b>For</b>	<b>Reason</b>
Audit Report	Chief Executive S.151 Officer Relevant Director / Head of Service	The end of each audit assignment as the main recipient and those charged with implementing the issues identified
Progress Reports (based around the committee cycle)	Relevant Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.
Annual Opinion and Performance Report	Relevant Audit Committee	End of year report in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.



Annual Audit Plan	Relevant Audit Committee S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS.
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## 11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoSIAS will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Committee.

### **Internal Assessments**

11.2 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.

11.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Committee. Presenting this information enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoSIAS.

### **External Assessments**

11.4 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.

11.5 The HoSIAS will discuss with the Committee and the Section 151 Officer the form of the external assessments; and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, each Council will be reviewed jointly which will reduce the level of duplication.

## **Appendix D – Internal Audit Code of Ethics**

### **1 INTRODUCTION**

- 1.1 The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of the Council's Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

### **2 PRINCIPLES**

- 2.1 Internal auditors are expected to apply and uphold the following principles:

- Integrity                      The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- Objectivity                   Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- Confidentiality           Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency                Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY: Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and
- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness

OBJECTIVITY: Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not review any activity for which they have previously had operational responsibility;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY: Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and

- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY: Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

### **3 MANAGING ARRANGEMENTS:**

3.1 To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest, at least annually;
- Confidentiality breaches will not be tolerated; and
- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

# Appendix E – Glossary of terms

## 1 Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Head of Shared Internal Audit to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

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.

## 2 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 upon the organisation.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact upon the organisation.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact on the organisation.

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